

PUB/AMC - 1

Reference: Raphals Evidence Page 22 of 63

Preamble to IR (If Any):

Question:

Please clarify whether the median annual income findings provided apply to on-reserve First Nations individuals or households.

RESPONSE:

It is my understanding that the Statistics Canada data refer to household income.

PUB/AMC - 2

Reference: Raphals Evidence Page 18 of 63

Preamble to IR (If Any):

“Rate impacts range from about 1/6th of a cent/kWh for the fixed charge waiver to 7/10 of a cent/kWh for the PIPP. While these impacts are not negligible, they are not so great as to be beyond the bounds of consideration.”

A rate increase of 0.7 ¢/kWh is roughly an 8% rate increase for Residential customers.

Question:

Please provide Mr. Raphals' views of whether an 8% increase, on top of the proposed 7.9% rate increase, is within the bounds of consideration. If not, please provide Mr. Raphals' view of the maximum rate increase that should be considered for non-lower income or non-First Nation customers.

RESPONSE:

As noted on page 21 of 63, ratemaking involves the balancing of many competing concerns, and I do not presume to advise the Board as to precisely where the bounds of consideration lie.

I acknowledge that, in the context of a 7.9% rate increase, an additional 8% increase would be substantial. However, if the burden were shared among all users, as I suggested on page 20 of 63, the additional increase would apparently be reduced to approximately 3.6%.

Furthermore, this is the upper end of the range described. The lower end (0.16 cents/kWh if supported by the residential class, and 0.07 cents/kWh if supported by all users) would be much less problematic. If supported by the residential class alone, this

would constitute an additional increase of 2%, whereas sharing the burden across all users would reduce the additional increase to 0.83%.

Finally, I would further note that these figures flow directly from the PRA report, which was based on LICO-125 as a measure of low-income status. However, if a “made-in-Manitoba” eligibility threshold were to be developed, based on Dr. Simpson’s critique of the LICO-125 threshold, this would likely reduce substantially the cost of a bill affordability program focused on those who need it most.

Clearly, there is much work to be done in order to define a bill affordability mechanism that provides adequate protection for households deeply affected by energy poverty, while at the same time minimizing the impact on other users. However, given Manitoba Hydro’s position which rejects *a priori* all ratepayer funded affordability programs, it appears that this work will not be undertaken without direction from the Board, which of course retains discretion to approve, reject or modify any such proposals that might eventually come before it.

PUB/AMC – 3,

**Reference: Raphals Evidence Page 20 of 63
PUB/MH I-132**

Preamble to IR (If Any):

Mr. Raphals suggests that the bill affordability programs (straight rate discount, fixed charge waiver, and percentage of income payment plan) could be funded by all non-lower income ratepayers, and not just those in the Residential class.

Question:

In light of the revenue to cost coverage ratios that indicate Residential customers are covering 95% of the costs allocated to the Residential class, please explain whether it is appropriate to further reduce the RCC for the Residential class at the expense of other classes whose RCCs may be in excess of 105%.

RESPONSE:

I have not expressed an opinion on the justification for the RCC's of the various rate classes.

The central consideration is that the utility actions that have led to this revenue shortfall were not undertaken solely to benefit the residential class. If export prices had produced a windfall profit for Manitoba Hydro, it is unlikely that the benefits would be attributed exclusively to the Residential class. If the Board were to conclude that the affordability problem is a consequence of these actions, and that it is necessary to mitigate the impact of those actions on Manitoba's most vulnerable ratepayers, it would be entirely reasonable, in my view, to share that burden among all users.

However, in making this decision, the Board will have to weigh many factors, including the pre-existing level of cross-subsidization.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION:

PUB/AMC - 4

Reference: Raphals Evidence Page 38 of 63

Interim Rate Request Transcript July 18, 2017 Page 90

Preamble to IR (If Any):

“We have seen that Manitoba Hydro has made a real effort to promote energy efficiency in First Nations communities, including a substantial number of insulation retrofits.”
[Raphals]

“...there had to be amelioration procedures put into place, that there had to be more DSM put into place for First Nations and -- and lower income people, that there had to be a bill affordability package put together, that there had to be ways of decreasing the costs for all electric users. That was a few years ago. That hasn't happened. And now you're being asked to increase the rates by 7.9 percent without one (1) area of amelioration being available to these low income families.” [Orle]

Question:

Please reconcile Mr. Raphals' conclusion with the statements of Mr. Orle in the Interim Rate Request hearing.

RESPONSE:

My comment was based solely on a review of the materials filed by Manitoba Hydro.

As I am unaware of the context of Mr. Orle's comments, or the sources he relied upon to make them, I cannot comment on them.

That said, I would point out that, in the excerpt provided, the statement “That hasn't happened” refers collectively to all three of his points – more DSM, an affordability package, and ways to decrease costs for all electric users. Grammatically, his

statement appears to say that “not all of these things have happened,” not that “none of these things have happened,” so I do not see a contradiction between his statement and mine.

While the documents filed do indicate that Manitoba Hydro has made a real effort to promote energy efficiency in First Nations communities, it would appear that the other issues mentioned by Mr. Orle — notably, a bill affordability program for First Nations and low income people — have not yet been developed.

RATIONALE FOR REFUSAL TO FULLY ANSWER THE QUESTION: