

**MH/MIPUG I-1**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman</b>	<b>Page No.:</b>	
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

Page 1 states:

“This testimony has been prepared for the Manitoba Industrial Power Users Group (“MIPUG”).”

**QUESTION:**

- a) Did Mr. Bowman meet with members or representatives of MIPUG? If so, what information or instructions were provided to Mr. Bowman? If in written or electronic format, please file.
- b) How did Mr. Bowman determine what issues were important to the members or representatives of MIPUG or for GSL customer classes?
- c) Are there issues which were identified that were similar amongst all members or representatives of MIPUG or customers (GSL 0-30kV, GSL 30-100kV and GSL >100kV)? If so, which ones. Please explain.
- d) Are there issues which were identified that were different amongst the members or representatives of MIPUG or customers (GSL 0-30kV, GSL 30-100kV and GSL >100kV)? If so, which ones. Please explain.

**RESPONSE:**

a)

In recent years, Mr. Bowman has met with the MIPUG members, both before, and on occasion during, the proceeding to date.

Mr. Bowman was provided with no written or electronic instructions from members of MIPUG.

b)

Mr. Bowman has worked with industrial customers across Canada for over 2 decades, and relied primarily on this experience to identify issues of typical concern.

As to specifics, as part of meetings with MIPUG members, Mr., Bowman was generally made aware of concerns over reliability and power quality (including transient outages and voltage fluctuations), issues with the responsiveness of Hydro's customer service (including long timelines for obtaining cost estimates and for securing new connections), and concerns over the compounding rate impacts in Manitoba in recent years compared to other Canadian jurisdictions in which the MIPUG members operate plants. Further, the MIPUG members have for decades expressed concerns over the very inflexible nature of Hydro's industrial rate structure, and have made these concerns known to the Board on multiple occasions through member presentations. Mr. Bowman considers all of these concerns to be within the range of concerns normally expressed by industrial customers, except that the reliability concerns were in some cases at an atypically acute level. It is Mr. Bowman's understanding that some MIPUG members plan to attend the proceeding and present these concerns directly to the Board.

The MIPUG members also expressed a possible interest in exploring more flexibility in the class structure for industrial customers, as there can be excessive diversity within, say, the 30-100 kV class, and moreso in the 0-30 kV class. Normally a utility class would seek to be more homogenous than is the case with Hydro. It is understood this issue has been raised with Hydro, but is not a topic considered to be within the scope of the current proceeding so has not been pursued further.

The above concerns were part of general discussion of issues of power in Manitoba, and were not instructions in respect of the present proceeding.

c) and d)

Mr. Bowman's retainer relates to the membership at large, and not from any individual MIPUG member or size class. All sizes of GSL customers are represented among the MIPUG members, and among the MIPUG Executive.

**MH/MIPUG I-2**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No.:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

**QUESTION:**

For each Recommendation listed and as more fully developed in the body of the report, please identify if there were other contributors to the report of Mr. Patrick Bowman. If so, please identify those individuals, their qualifications and what portions of the report were contributed to.

**RESPONSE:**

a)

The pre-filed testimony was prepared by Mr. Bowman, including each recommendation.

As is normal practice for InterGroup utility interventions, various pieces of analysis and issue identification associated with the application were performed by InterGroup staff (in this case, Mr. Dale Friesen, Mr. Jeff Crozier and Mr. Josh Dyck). These primarily relate to general revenue requirement and to cost of service/rate design.

In the early stages of issue identification, Mr. Bowman was also in communication with Ms. Pat Lee of BCRI on matters of depreciation.

**MH/MIPUG I-3**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No.:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

**QUESTION:**

Please provide a copy of Mr. Bowman’s written retainer letter or agreement. Please also provide any instructions received with respect to the retainer.

**RESPONSE:**

a)

Please see MH/MIPUG-I-1. Mr. Bowman has no specific retainer with MIPUG for this proceeding, or generally.

**MH/MIPUG I-4**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No.:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

On page 51 Mr. Bowman states:

“The Board’s finding in the EM proceeding follows the clear evidence of EM that the value of DSM is spread across all 3 functions, generation, transmission, and distribution. This is highlighted in the EM response to Daymark/EM I-20a from that proceeding, which notes116:

Manitoba Hydro provides Efficiency Manitoba with a forecast of 30 years of generation, transmission, and distribution marginal values. The generation marginal values for each year are broken out between marginal energy values and marginal capacity values that are then each differentiated between summer and winter seasons. Transmission marginal values are forecast on the basis of winter capacity for each of the 30 years. Distribution marginal values are also forecast on the basis of winter capacity for each of the 30 years.”

**QUESTION:**

Please confirm or otherwise explain if the marginal values described in the preamble are consistent with Mr. Bowman's understanding of marginal values that were used by Manitoba Hydro to evaluate DSM prior to the responsibility for energy efficiency programming being transitioned to Efficiency Manitoba and at the time of the 2016 Cost of Service Methodology Review.

**RESPONSE:**

a)

Confirmed. Mr. Bowman understands that the only key differences are in the delivery agent (EM versus Manitoba Hydro) and in the fact that the DSM plan now has to be reviewed by the PUB in a public proceeding.

**MH/MIPUG I-5**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No.:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

On page 54 Mr. Bowman states:

“The impact of averaging many peak hours, such as the 50 used by Hydro, is that lower load factor classes are protected from being allocated the full costs of the peaks that they drive on the system. This is illustrated by the Excel files provided in response to MIPUG/MH-II-12b. Looking at the specific classes, the residential class 50th peak hour is only 90.79% as high as the residential peak hour. For GSL >100 kV, the 50th peak hour is approximately 97%126. Of course, the PCOSS uses the 50th highest peak hour for the system, which may not be the residential 50th highest peak hour, so the residential contribution to the 50th hour may be even less than 90.79% of the peak they impose on the system.”

**QUESTION:**

- a) Please confirm there is no certainty that the residential top 50 hours occur at the same time as the system top 50 hours, and that it is possible that the residential peak hour actually occurs at the time of the 50th system peak hour.
- b) Please confirm that it is therefore possible that the residential contribution to the 50th hour may be equivalent to 100% of the peak they impose on the system, and not less than 90.79% as advanced in the referenced evidence.

**RESPONSE:**

a)

This is possible, and if so would be a reason for the residential class to support using a more refined peak measure, such as 1 hour or 5 hours.

However, the residential class is almost half of the peak load on the system (PCOSS, page 58, D13/D14). For the residential peak to occur at the time of the 50<sup>th</sup> highest hour

on the system, there would need to be 49 other progressively higher peak hours where the residential load is lower than it is at the time of the 50<sup>th</sup> highest, and the difference driving the other 49 peaks would need to be represented from the other classes. Since the other classes tend to be higher load factor (i.e., flatter loads) than residential, it is highly unlikely to expect of this degree of peakiness among the remaining classes.

b)

Confirmed, but this is of no consequence. In fact, it speaks in even greater support of the recommendation.

If the PCOSS calculation used the 5 highest hours rather than the top 50, then 45 hours of relatively high load periods would be removed from the weighting. If these 45 hours are indeed the residential top hours, and the 5 that remain are more moderate residential load hours, then the cost allocation fairness would have improved – residential were being allocated too much cost by bringing in 45 low consequence hours where their load was very high, despite these hours not driving system investment.

But it remains unlikely that this is the case. There is simply not enough load spread among the remaining classes for the top 5 hours to be moderate residential load hours but high hours for the remaining classes.

**MH/MIPUG I-6**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No.:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

On page 2, Recommendation 4 with supporting discussion on page 20, Mr. Bowman recommends immediate write-off of the portion of Manitoba Hydro’s current Loss on retirement or disposal of assets regulatory deferral account pertaining to discontinued operations and the cost of removal for assets which are not replaced, on the basis that these previously deferred charges do not provide any enduring benefit to rate payers.

On page 2 as part of Recommendation 8, Mr. Bowman states:

“If for some reason the booking of gains and losses is to be continued as part of Hydro’s IFRS asset accounting, then the gains and losses recorded should be broken out by asset account, included in a regulatory deferral account, and amortized to income over the weighted average remaining life of the assets in that account.”

**QUESTION:**

Please confirm that for Recommendation 8, it is Mr. Bowman’s intent that any future deferral of gains and losses should exclude amounts pertaining to discontinued operations and/or cost of removal for assets which are not replaced, and that such costs should be expensed as incurred regardless of materiality, with no provision made through regulatory deferrals to smooth the impact to revenue requirement. For example, the following types of costs would be considered ineligible for inclusion in future regulatory deferrals:

- Losses arising from a business decision which results in the sudden discontinuation of existing depreciation accounts, such as would occur should a decision be made to discontinue operations at a generating station, or to



implement new technology such as advanced metering infrastructure which has the potential to render some types of meters obsolete.

- The cost to remove or decommission assets which are not replaced and for which no asset retirement obligation exists, such as Selkirk Generating Station.

**RESPONSE:**

a)

The statement in the question overstates Mr. Bowman's position in the pre-filed testimony.

Mr. Bowman's position is that operations which are discontinued en masse representing an entire asset account (for example, Selkirk GS) should have any remaining undepreciated capital costs, as well as removal costs, recovered in rates as much as possible in the last few years of their operation, or in a relatively short period after their retirement to the extent possible. This most closely links the asset costs with ratepayers who saw the benefits of the assets in question.

As an example, it may well be appropriate in the very near term for Hydro to begin accruing amounts, recovered through power rates, for future Selkirk decommissioning that is expected to occur around 2030. It is better that these amounts start to be recovered in rates soon, linked to customers who received service from the plants, rather than, say, customers in 2030-2040, long after the thermal plant was out of service. This approach best approximates the principle that rates should reflect the assets that are used and useful in the test years.

To be clear, however, these amounts are linked to full asset accounts that are being terminated, not simply individual assets which are not replaced but which resided in an ongoing group. Even assets which are not directly replaced are still part of a group of assets who experience an actuarially distributed life that underpins the Average Service Life calculations, and should be part of the accumulated amortization for that account,

**MH/MIPUG I-7**

<b>Part and Chapter:</b>	<b>Pre-filed Evidence of Patrick Bowman and PUB/MH II-39</b>	<b>Page No.:</b>	
<b>PUB Approved Issue No.:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**PREAMBLE TO IR:**

On page 40 Mr. Bowman states:

“Hydro provides a comparison of the two ASL approaches in PUB/MH-II-39, indicating that under the Alliance IFRS-ASL the gains and losses in the test years would be \$28 million per year, while under the CGAAP-ASL the gains and losses would be \$23 million per year...”

**QUESTION:**

Please confirm that the aforementioned statement mis-quoted figures from the referenced IR and should have stated that under the Alliance IFRS-ASL the gains and losses in the test years would be \$23 million per year, while under the CGAAP-ASL the gains and losses would be \$28 million per year.

**RESPONSE:**

a)

Confirmed.