



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

re:

MANITOBA HYDRO

2023/24 and 2024/25

GENERAL RATE APPLICATION

Hearing

Before Board Panel:

Robert Gabor, KC - Board Chairperson

Marilyn Kapitany - Board Vice Chair

Carol Bellringer - Board Member

Hamath Sy - Board Member

George Bass, KC - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

June 6th, 2023

Pages 3274 to 3536

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- 2
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- 13
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- 20
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- 22
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- 24
- 25

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1	Table of Contents	
2		Page No.
3	List of Exhibits	3278
4	List of Undertakings	3279
5		
6	CONSUMERS COALITION PANEL:	
7	PELINO COLAIACOVO, Affirmed (by TEAMS)	
8		
9	Examination-in-chief by Dr. Byron Williams	3282
10	Cross-examination by Mr. Antoine Hacault	3352
11	Cross-examination by Mr. Sven Hombach	3358
12		
13	MANITOBA HYDRO RATES AND COST OF SERVICE PANEL:	
14	SHANNON GREGORASHUK, Affirmed	
15	MARNIE VAN HUSSEN, Affirmed	
16	KEVIN GAWNE, Resumed	
17		
18	Examination-in-chief by Ms. Odette Fernandes	3380
19	Cross-examination by Mr. Sven Hombach	3423
20	Cross-examination by Mr. Markus Bucharth	3476
21		
22		
23	Certificate of Transcript	3536
24		
25		

1	LIST OF EXHIBITS	
2	EXHIBIT NO.	PAGE NO.
3	CC-23	Slide presentation of Pelino
4		Colaiacovo 3285
5	MH-50	CVs of Ms. Gregorashuk and Ms. Marnie
6		Van Hussen. 3383
7	MH-51	Rates and Cost of Service Panel
8		presentation 3383
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1		LIST OF UNDERTAKINGS	
2	NO.	DESCRIPTION	PAGE NO.
3	53	To update the graph on slide 13 by	
4		using the current data referred to you	
5		from MFR-41 amended at page 6	3357
6	54	For Manitoba Hydro to show what that	
7		zone of reasonableness looks like using	
8		the level of net export revenue in each	
9		sensitivity	3433
10	55	Manitoba Hydro to advise if they take	
11		projected savings into account in	
12		planning your transmission and	
13		distribution investments	3464
14	56	Manitoba Hydro to provide the actual	
15		average usage for both the 30 to 100	
16		and greater than 100 kV classes.	3471
17	57	Manitoba Hydro to advise why the	
18		arrears are higher for Aboriginal or	
19		MKP Aboriginal members than the general	
20		average.	3501
21	58	Manitoba Hydro to advise what the cause	
22		of the higher arrears in the MKO	
23		Nations is.	3509
24			
25			

1		LIST OF UNDERTAKINGS	
2	NO.	DESCRIPTION	PAGE NO.
3	59	Manitoba Hydro to advise what year the	
4		Customer Arrears Assistance Program was	
5		established along with Neighbours	
6		Helping Neighbours	3511
7	60	To provide which of the series of	
8		tables are the specific customers, how	
9		many of the customers are you looking	
10		to a third party to pay, in terms of	
11		the dollar numbers where they're in	
12		default, whether it's the customers who	
13		are supposed to be paying it and	
14		they're in default or whether it's a	
15		third party or a program that is	
16		supposed to be paying it and they're in	
17		default	3535
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:04 a.m.

2

3 THE CHAIRPERSON: Good morning. Mr.  
4 Hombach...?

5 MR. SVEN HOMBACH: Yes. Good morning,  
6 Chair, and good morning, members of the Panel. Today  
7 is a somewhat ambitious agenda that extends into  
8 tomorrow as well.

9 The first item on the agenda for  
10 today's hearing day is the examination of Mr. Pelino  
11 Colaiacovo on behalf of the Consumers Coalition. The  
12 only party that have -- the only parties that have  
13 expressed an intent to cross-examine Mr. Colaiacovo  
14 are Manitoba Hydro and Board counsel. And I believe  
15 Manitoba Hydro may not have questions, so we should be  
16 able to finish his examination by the morning break.

17 I'll indicate that Mr. Colaiacovo is  
18 joining us remotely by TEAMS. He was not able to  
19 travel here from Toronto, so I'll welcome him to the  
20 hearing room virtually.

21 After the morning break, we will begin  
22 the direct examination of Manitoba Hydro's Rates and  
23 Cost of Service Panel.

24 I would like to take a moment to  
25 indicate that we've had some logistical challenges



1 with the schedule for this afternoon and tomorrow.  
2 We've been able to condense what originally were to be  
3 three (3) hearing days into two (2), and the Assembly  
4 of Manitoba Chiefs is currently scheduled for cross-  
5 examination this afternoon, but I've been advised that  
6 Ms. Guglielmin will be on a plane to Winnipeg this  
7 afternoon.

8                   If any of the other Interveners that  
9 are scheduled for tomorrow are in a position to switch  
10 it up and conduct their cross-examination this  
11 afternoon, that will make the schedule for Wednesday a  
12 bit less ambitious. And I would ask people to please  
13 approach me during the break or at lunch to work this  
14 out offline.

15                   Mr. Chair, Mr. Colaiacovo has not yet  
16 been sworn in, so I would suggest that we take a  
17 moment to allow Ms. McMillin to swear him in as a  
18 witness, and then turn the microphone over to Dr.  
19 Williams or to him.

20                   THE CHAIRPERSON: Thank you. Ms.  
21 McMillin?

22

23 CONSUMERS COALITION PANEL:

24                   PELINO COLAIACOVO, Affirmed

25

1 EXAMINATION-IN-CHIEF BY DR. BYRON WILLIAMS:

2 DR. BYRON WILLIAMS: Good morning, Mr.  
3 Chair and members of the Panel, and we thank Ms.  
4 McMillin for affirming Mr. Colaiacovo.

5 I'm going to let Mr. Colaiacovo  
6 introduce himself, but I am going to have a few  
7 questions for him just prior to he begins his  
8 presentation.

9 Mr. Colaiacovo, can you confirm that  
10 you have been retained by the Consumers Coalition to  
11 provide independent evidence to the Public Utilities  
12 Board, sir?

13 MR. PELINO COLAIACOVO (by TEAMS): I  
14 do confirm that, yes.

15 DR. BYRON WILLIAMS: And you  
16 understand, sir, that you owe a duty to the Public  
17 Utilities Board to provide evidence that is fair,  
18 objective, and non-partisan related only to matters  
19 within your expertise?

20 MR. PELINO COLAIACOVO (by TEAMS): I  
21 do.

22 DR. BYRON WILLIAMS: And, sir, your  
23 report dated April 3rd, 2023, review of certain  
24 Manitoba Hydro financial issues, is on the record as -  
25 - of the proceeding as Exhibit Consumer Coalition

1 number 9.

2 That's your understanding?

3 MR. PELINO COLAIACOVO (by TEAMS):

4 Yes, it is.

5 DR. BYRON WILLIAMS: And an errata to  
6 your report filed April 28th, 2023, has been filed as  
7 Consumer Coalition 9-1, sir?

8 MR. PELINO COLAIACOVO (by TEAMS):

9 That's correct.

10 DR. BYRON WILLIAMS: And, sir, these  
11 documents were prepared under your direction and  
12 control, agreed?

13 MR. PELINO COLAIACOVO (by TEAMS):

14 They were.

15 DR. BYRON WILLIAMS: And considering  
16 both documents together, sir, they are accurate to the  
17 best of your knowledge and belief?

18 MR. PELINO COLAIACOVO (by TEAMS):

19 Yes, they are.

20 DR. BYRON WILLIAMS: Okay. Just  
21 turning to responses to the Information Requests asked  
22 by other parties included in exhibits Manitoba Hydro  
23 19 and PUB Exhibit 14, these also, sir, were prepared  
24 under your direction and control and are accurate to  
25 the best of your knowledge and belief?

1 MR. PELINO COLAIACOVO (by TEAMS):

2 They are.

3 DR. BYRON WILLIAMS: And finally, I  
4 understand, sir, that you also have prepared a slide  
5 presentation for this morning. Is that correct?

6 MR. PELINO COLAIACOVO (by TEAMS):

7 That's correct.

8 DR. BYRON WILLIAMS: And that too was  
9 prepared under your direction and control and is  
10 accurate to the best of your knowledge and belief --

11 MR. PELINO COLAIACOVO (by TEAMS):

12 Yes, it is.

13 DR. BYRON WILLIAMS: -- and you adopt  
14 it as forming part of your evidence, sir?

15 MR. PELINO COLAIACOVO (by TEAMS):

16 Yes, I do.

17 DR. BYRON WILLIAMS: Okay. And, Mr.  
18 Chair, we're going to ask that be marked -- the slides  
19 be marked as Exhibit Consumer Coalition 23, and then  
20 I'll invite Mr. Colaiacovo to begin his presentation.

21 THE CHAIRPERSON: Thank you.

22

23 --- EXHIBIT NO. CC-23: Slide presentation of  
24 Pelino Colaiacovo

25

1 CONTINUED BY DR. BYRON WILLIAMS:

2 MR. PELINO COLAIACOVO (by TEAMS):

3 Thank you very much. The contents page of the  
4 presentation just shows the order in which I'm going  
5 to cover a few subjects.

6 First, an introduction of Morrison Park  
7 Advisors and my own qualifications; then an  
8 introductory section about this particular GRA; and  
9 then three (3) sections that I've termed 'Recap'  
10 because many of the issues that are addressed in -- in  
11 those sections refer back to the previous GRA that I  
12 was a witness for where there was extensive discussion  
13 of equity, debt-to-equity ratios, and other financial  
14 matters; and then a final section wrapping up the  
15 presentation and -- and focussing on the immediate  
16 decision, the -- the immediate series of decisions, I  
17 believe, before the PUB. So, if we could turn to the  
18 next slide, please.

19 Morrison Park Advisors is a independent  
20 investment bank founded in Toronto in 2004 by two (2)  
21 of my colleagues, David Santangeli and Brent Walker.  
22 I joined the firm in 2005. I was the next person in  
23 after the founders.

24 We are a firm that provides exclusively  
25 financial advisory services. We provide clients with

1 assistance with mergers and acquisitions, with capital  
2 raising of both debt and equity. We do evaluations  
3 and financial opinions for corporate boards. We  
4 provide litigation support on financial matters. And  
5 we appear before regulators of various types on issues  
6 concerning financial matters.

7                   We -- in addition, we provide  
8 assistance to companies going through restructurings  
9 and special situations. We are completely  
10 independent. We are partner owned. There are  
11 currently eight (8) partners that own the firm.

12                   We are free of conflicts of interest  
13 from any other -- you know, we provide no services  
14 outside of advisory services to our customers, so we  
15 have no conflicts with respect to the services that we  
16 are providing.

17                   We operate in a number of sectors that  
18 are broadly represented in the Canadian economy, but  
19 we have a particular focus on three (3) areas: one is  
20 mining; a second one is power utilities and  
21 infrastructure; and a third is real estate. In  
22 addition, we provide services in a few other sectors  
23 but to a lesser degree.

24                   I -- as I said, I joined Morrison Park  
25 Advisors shortly after the firm was founded in 2005.

1 I'm the head of the power and infrastructure group for  
2 the firm. I have been with the firm for eighteen (18)  
3 years now.

4                   Prior to that, I was chief of staff to  
5 the Ontario Minister of Energy. And before that, I  
6 spent ten (10) years consulting in highly regulated  
7 industries. I -- I dealt with power. I dealt with  
8 telecommunications. I dealt with a number of other  
9 sectors that experiences significant degree of  
10 government regulation.

11                   I've had two (2) experiences before the  
12 Manitoba PUB. I was an independent expert consultant  
13 for the PUB during the NFAT process. And I was an  
14 expert witness for the Consumers' Coalition and MIPUG  
15 jointly in the 2017/'18 and 2018/2019 GRA.

16                   In the earlier process in the NFAT, our  
17 firm was tasked with doing extensive financial  
18 analysis of the various alternatives that were being  
19 examined during the NFAT.

20                   We provided independent financial  
21 modelling and an extensive amount of scenario testing  
22 of the various choice options that were before the PUB  
23 with respect to the NFAT at the time, different  
24 combinations of types of generation and transmission  
25 project spending that -- that was being reviewed and

1 considered.

2                   In the 2017/'18 and 2018/'19 GRA, the  
3 focus was -- for our work, and for my work, in  
4 particular, was in the question of equity targets and  
5 the justification for rate paths that were designed to  
6 achieve certain equity targets.

7                   We did an extensive amount of financial  
8 analysis and, also, scenario testing, again with  
9 respect to different potential rate increase paths and  
10 the equity targets that might arise from those  
11 different paths.

12                   But we also did some primary research  
13 into the bond markets. We met directly with a number  
14 of institutional bond buyers who are active in  
15 purchasing provincial Manitoba bonds to understand  
16 better how they analyze Manitoba Hydro, how they  
17 analyze the government of Manitoba in relation to  
18 Manitoba Hydro and what sorts of decisions might  
19 affect, you know, their perspectives on Manitoba's  
20 bonds, credit spreads, and so on.

21                   In addition to appearing before the  
22 Manitoba PUB on two (2) occasions, I've appeared  
23 before a number of other regulators and special  
24 agencies, boards, and commissions; provided evidence  
25 and also have -- have done special assignments for



1 various of these entities in a number of provinces  
2 across Canada.

3                   The vast majority of my work, however,  
4 is spent in the private sector. I have a variety of  
5 private sector clients and transactions that I've  
6 worked on over the years; both for utilities, for  
7 renewable energy companies, for natural gas companies,  
8 and for green technology companies in many of the  
9 emerging green technology sectors.

10                   If we could turn to the next slide,  
11 please. So -- there we go.

12                   The -- I think it's important to set  
13 this General Rate Application in context. Narrowly  
14 speaking, this is a rate hearing that is about  
15 confirmation of -- or confirmation or not of the  
16 interim rate increase from the 1st of January, 2022,  
17 plus a request for two (2) additional increases in  
18 September of '23 and April of 2024.

19                   There is a substantial amount of  
20 discussion of twenty (20) year forecasts and about  
21 long-term rate paths. But strictly speaking, this is  
22 a Hearing about, you know, a small number of specific  
23 rate decisions.

24                   In a very uncertain context, there is a  
25 new legislative regime that was proclaimed for rates,

1 but not in force until April 1st of 2025. And from a  
2 legislative perspective, that means that existing  
3 arrangements obtain until then.

4           At the same time, the Province of  
5 Manitoba is working on a new energy policy framework.  
6 A consulting firm by the name of Dunsky is doing a  
7 tremendous amount of work out there that will  
8 hopefully be leading up to some advice and decision  
9 makings by Government with respect to, broadly  
10 speaking, the energy transition and how Manitoba is  
11 going to be addressing those issues.

12           Manitoba Hydro itself has told us that  
13 they're working busily on an Integrated Resource Plan  
14 that's going to have a very important impact in their  
15 future capital spending plans and -- and how they  
16 intend to manage load and generation going forward.

17           And there were outstanding regulatory  
18 policy issues from previous GRAs that were never  
19 settled by the PUB for a variety of reasons. And --  
20 and we'll be touching on that a little bit through the  
21 presentation.

22           Nonetheless, Manitoba Hydro ratepayers  
23 have been significantly burdened over the past decade.  
24 The Bipole III and Keeyask projects that were a very,  
25 very significant feature of the past ten (10) years

1 were completed both late and over budget  
2 significantly.

3                   Wuskwatim, the smaller project that had  
4 been completed some -- some years before was also over  
5 budget. So this -- this was a pattern, unfortunately,  
6 that was -- that had to be dealt with.

7                   Rate increases -- and Manitoba Hydro  
8 has acknowledged this through a series of IRs -- rate  
9 increases over the past decade amounted to 42 percent.  
10 Whereas CPI inflation in Manitoba was less than 25  
11 percent.

12                   So ratepayers have been burdened by  
13 having to pay more increases than inflation warranted  
14 over a substantial period of time.

15                   The global energy transition, as -- as  
16 it is so called, points to significant changes. But  
17 as of yet, there is no clarity on how those changes  
18 are going to affect Manitoba Hydro and its ratepayers.

19                   Governments, in different parts of the  
20 world and here in Canada and in the United States, at  
21 the federal level, are spending a tremendous amount of  
22 money supporting a variety of different technologies  
23 that are expected to form a significant part of the  
24 energy transition.

25                   That includes renewable energy, but it

1 also includes nuclear power, and includes battery  
2 storage, and includes new transmission spending.

3 Provinces, states, and cities across  
4 North America are also, in many instances, pursuing  
5 their own initiatives; not uniformly. Different  
6 states, different provinces are pursuing different  
7 initiatives.

8 Sometimes more in favour of renewable  
9 energy, other times not. The same thing goes for  
10 cities. And corporations are behaving in a variety of  
11 different ways. Some very aggressively pursuing  
12 renewable energy and green energy targets, and others  
13 not.

14 All of this, in -- in a back drop that  
15 has technology announcements almost daily with respect  
16 to new renewable energy technologies or new battery  
17 technologies or new storage technologies hitting  
18 different levels efficiency.

19 It is not clear where all of this ends  
20 up, but it is clear that this is having a profound  
21 impact on energy markets and loads, with no stability  
22 in sight.

23 The -- all of this may, in fact, amount  
24 to great opportunities for Manitoba Hydro. All of it  
25 may amount to opportunities for Manitoba Hydro to

1 export more or to export more valuable products and  
2 services.

3                   On the other hand, it could be a  
4 challenge for Manitoba and Manitoba Hydro. It -- it  
5 isn't clear. I don't think there should be an  
6 assumption that it's necessarily going to be  
7 problematic, however. That change may, in fact, be  
8 positive.

9                   Manitoba benefits from some significant  
10 natural resources in its hydroelectric facilities and  
11 those -- those resources are incredibly valuable.

12                   Hydro Quebec is -- is one that has been  
13 very purposely pursuing what it calls, you know, the -  
14 - the battery of North America in its hydroelectric  
15 system and is hoping to benefit significantly.

16                   I mean, it remains to be seen how  
17 Manitoba and Manitoba Hydro will operate in this newly  
18 developing environment.

19                   If we look forward to the -- the -- how  
20 the -- the GRA application has been presented, it  
21 relies on a twenty (20) year forecast, that is largely  
22 incremental. It's a twenty (20) year forecast that  
23 doesn't delve into a variety of scenario  
24 possibilities. It doesn't present different potential  
25 outcomes to the energy transition and -- and provide a

1 range of highs and lows that may and, you know, and  
2 unfold over time.

3 In -- instead, the twenty (20) year  
4 forecast that's presented is very much one that is  
5 intended to be a reference case, a center line, a  
6 consensus view point for a variety, a wide variety, of  
7 different variables.

8 And not only for hydrological  
9 production in Manitoba, but also a consensus view of  
10 interest rates. A consensus view of inflation rates.  
11 A consensus view of export and import prices and fuel  
12 prices.

13 And, the twenty (20) year forecast is  
14 also based on a number of assumptions of how Manitoba  
15 Hydro intends to manage load, which may or may not  
16 actually accord with the green transition, which may  
17 or may not be a -- an accurate representation of how  
18 things will actually unfold in the future.

19 And -- and -- and a single, for  
20 example, in -- in Manitoba Hydro's presentation for  
21 twenty (20) -- its twenty (20) year forecast, one of  
22 the placeholder assumptions was new gas fired  
23 generation in the late '20/'30's.

24 And yet, we know that the federal  
25 government is pushing forward a policy that will ban

1 new gas facilities. So, that placeholder, you know,  
2 may be one (1) possible scenario, but there are many  
3 other scenarios in which that natural gas fired  
4 facility is not going to be possible.

5           The twenty (20) year forecast doesn't  
6 explore that range. It's simply giving us a reference  
7 case.

8           There are many other issues that could  
9 unfold which cause that, so called, reference case or  
10 consensus case scenario to not really reflect reality  
11 very well. If there is a faster transition to  
12 electric heating, away from fossil fuel heating. If  
13 there is a faster transition to electric vehicles from  
14 fossil fuel driven vehicles, you know, will that  
15 twenty (20) year forecast remain reasonable or not.

16           Part of the question, I believe that is  
17 before the PUB, is whether to make decisions about  
18 short term rates on the basis of a very long term  
19 financial forecast that is presented as a reasonable  
20 picture of the future, when in fact it may be far from  
21 reasonable.

22           The -- and that doesn't even address  
23 the fact that we know, from history, the -- the  
24 variability of hydrological output in Manitoba means  
25 that, you know, this -- this 20-year forecast really

1 is a notional average, where it's a series of very  
2 notional averages that's not going to reflect reality.

3 I think it -- it, you know, my comments  
4 should be tempered by the fact that there is no other  
5 way to do 20-year forecasting. This is not a  
6 criticism of Manitoba Hydro in the way the forecast  
7 was done.

8 Doing a 20-year forecast requires  
9 assumptions to be made, requires relying on consensus  
10 forecasts for many different variables. I think the  
11 critical issue is how you understand that forecast and  
12 what you do with it. If we might go to the next  
13 slide.

14 I -- I think there are two (2) critical  
15 questions before the -- the PUB with respect to  
16 Manitoba Hydro's rate application.

17 The first is: Do current circumstances  
18 necessitate rate increases? A couple of years ago  
19 there was a drought and that drought necessitated --  
20 or at -- or at least that -- the -- that drought  
21 caused Manitoba Hydro to apply to the PUB for an  
22 immediate rate increase because of the financial  
23 distress that that drought was causing.

24 Admittedly, there is no drought today.  
25 So, there is no financial distress being caused by



1 drought. Is -- is there near term financial  
2 challenges that are causing Manitoba Hydro to require  
3 a rate increase? Is there evidence of debt market  
4 unease with Manitoba Hydro that suggests that a rate  
5 increase in the near term is actually required? Are  
6 there other near-term circumstances that would justify  
7 a -- a rate increase?

8                   And I think much of the evidence that's  
9 been heard already from other witnesses that have come  
10 before the PUB speak to those short-term issues and --  
11 and, frankly, the lack of a burning platform, so to  
12 speak.

13                   So, the second question is: If rate  
14 increases are not justified in the near term by  
15 current circumstances but, instead, those rate  
16 increases are going to be justified because of longer-  
17 term financial requirements, then, is there sufficient  
18 evidence before the PUB to allow it to address some of  
19 the unsettled questions that were left over from past  
20 GRAs that are very much relevant to those long-term  
21 financial targets?

22                   We do know that the government has made  
23 a decision about long-term targets, but the government  
24 has chosen -- the Government of Manitoba has chosen,  
25 to delay the enforce of those new legis -- legislative

1 requirements until April 1st of 2025.

2                   So, what bearing does that, therefore,  
3 have on the regulator's circumstances today and -- and  
4 consideration about short-term rates that are going to  
5 obtain before that new regime comes into force on  
6 April 1st, 2025?

7                   In -- in reality, the PUB, if it is to  
8 make a decision about short-term rates on the basis of  
9 long-term financial requirements, financial targets,  
10 and forecasts, well, what targets and time-lines  
11 should the PUB enforce and how would the PUB choose to  
12 justify those targets and time lines?

13                   Is there evidence before the PUB that  
14 is different from past GRAs that is new and  
15 substantial that, you know, makes clear the need for  
16 these short-term increases in order to achieve those  
17 long-term financial goals.

18                   The -- the Order 59/18 raised a number  
19 of issues and questions about Manitoba Hydro's long-  
20 term targets and time lines and called for some  
21 additional work, in -- in order to better address  
22 those issues. That work, unfortunately, didn't  
23 happen.

24                   And so, the question, I believe, that  
25 is before the PUB today is: Is there new evidence, is

1 there new information that can lead to a different  
2 result? If we could go to the next slide, please.

3                   So, one (1) of the issues that has come  
4 up time and time again. It -- is came up in past GRAs  
5 and it was reiterated in the current GRA, in the -- in  
6 the application by Manitoba Hydro, is that other  
7 utilities in Canada may have financial targets that  
8 are -- that include a lower debt ratio than what  
9 Manitoba Hydro certainly currently has.

10                   But one (1) of the critical issues in  
11 any financial evaluation that we do, as financial  
12 advisors, is choosing proper comparators. Who are the  
13 -- the, you know, analogous companies, analogous  
14 enterprises to Manitoba Hydro? Who shares Manitoba  
15 Hydro's features so that you are doing an apples-to-  
16 apples comparison and can say, well, here is your peer  
17 group, and your peer group, you know, has features  
18 that are similar to you and, therefore, that your peer  
19 groups' actions, your peer groups' targets, your peer  
20 groups' activities can be relevant to your decision-  
21 making.

22                   The problem we find is that Manitoba  
23 doesn't have much of a peer group. Manitoba Hydro  
24 does not have much of a peer group. Manitoba Hydro, in  
25 fact, is quite unique on a North American scale, not

1 just the Canadian scale.

2                   Manitoba Hydro is a combination of  
3 being a non-share capital corporation with no profits  
4 paid out to equity investors, controlled by a  
5 Provincial Government, producing power at cost with no  
6 required return on equity to anyone, and crucially,  
7 with an export mandate.

8                   With a -- an explicit legislated  
9 mandate to produce power for export purposes if that  
10 power production for export purposes is able to  
11 benefit or may benefit, or may likely benefit Manitoba  
12 consumers.

13                   That's a constellation of features that  
14 no other utility in Canada, and frankly, no other  
15 utility in the United States either, actually shares.  
16 There are many public sectors controlled and  
17 controlled enterprises.

18                   There are some enterprises that produce  
19 power at cost. There are a very, very small number of  
20 enterprises, two (2), in fact, at the Provincial level  
21 in Canada, Hydro Quebec and -- and Nalcor that have an  
22 export mandate.

23                   But none of them have the same  
24 confluence of features, because those two (2)  
25 utilities with an export mandate, Hydro Quebec and

1 Nalcor also pay equity to -- equity returns to their  
2 government and have very different structures with  
3 respect to their domestic customers.

4           In Nalcor's case the Government of  
5 Newfoundland actually invested equity capital in the  
6 business to support an ex -- construction of an export  
7 project. Manitoba has never done that with Manitoba  
8 Hydro.

9           In Hydro Quebec's case, they have split  
10 the output of the company into a heritage pool of  
11 power that is used to provide energy to domestic,  
12 residential and small business consumers, whereas  
13 exports are priced and treated very differently, as  
14 are power for very large transmission connected  
15 customers in Quebec.

16           The Province of Quebec uses Hydro  
17 Quebec as an enticement for major investments into the  
18 profits. But it has a set of economic arrangements  
19 that are very different from those that apply in  
20 Manitoba.

21           And in the case of other provincial  
22 utilities, like BC Hydro, or SaskPower, or NV Power,  
23 none of them have an export mandate. And -- and so  
24 comparing Manitoba Hydro to those utilities doesn't  
25 work very well.

1                   The same question -- the same  
2 comparison can be made with a number of publically  
3 owned power-at-cost utilities in the United States,  
4 like Bonneville Power and the Tennessee Valley  
5 Authority, and the Long Island power authority. They  
6 are all non-share capital corporations.

7                   No equity dividends, but they don't  
8 have export mandates. And -- and so, you're really at  
9 a loss in looking for a peer group. You can look at  
10 all of these, but none is a perfect comparison. I  
11 factiously call it apples to pineapples as opposed --  
12 as opposed to apples to apples.

13                   But in making any of those comparisons,  
14 those comparisons have to be nuanced. They have to  
15 discuss why, in fact, these utilities are different  
16 and why those different features bear on appropriate  
17 financial targets, and financial management, and  
18 timing of targets over time, and treatment of  
19 customers and so on and so forth.

20                   And -- and that's a level of analysis  
21 that Manitoba Hydro has never presented; did not  
22 present it in past GRAs and has not presented it  
23 currently either.

24                   There has been a very top level -- high  
25 -- a high-level, macro-level comparison with other

1 provincial utilities, and -- and that has been the sum  
2 of the comparison. If we can move to the next slide.  
3 Thank you.

4                   So why does a not-for-profit enterprise  
5 like Manitoba Hydro actually have equity? What does  
6 that even mean?

7                   There are a number of other utilities  
8 that are non-share capital corporations that don't use  
9 the word 'equity'. You know, this was something that  
10 I went into in -- in the last GRA, but there are a  
11 number of -- of publicly-owned utilities in the United  
12 States that just don't use the word 'equity' in their  
13 financial statements because it confuses the issue.

14                   They may call it 'net invested  
15 capital', they may call it 'contributions'. They --  
16 you know, they use a different -- different  
17 terminology. But in the case of Manitoba Hydro, the  
18 word 'equity' is used. So -- so what is that equity,  
19 and -- and why is there equity?

20                   In the private sector, we know that  
21 utilities are typically capitalized by a combination  
22 of debt and equity, and the dividing line between debt  
23 and equity is sometimes fuzzy. There can be different  
24 flavours of debt, not only senior debt, but there  
25 could be subordinated debt and there could be

1 mezzanine debt and -- and a variety of other types.

2           But -- but there is traditionally a  
3 fairly bright-line distinction between debt and equity  
4 in that equity is the holder of all residual risks in  
5 an enterprise; that debt takes a certain degree of  
6 risk, but debt ranks ahead of equity in a variety of  
7 different ways.

8           And that's true that that ranking of  
9 capital is true both from a cashflow perspective and  
10 from a residual perspective in the -- in the case of  
11 enterprise failure. So debt always has a higher claim  
12 on cashflows than equity does. Debt has a higher  
13 claim on residual value of assets in the case of  
14 enterprise failure than equity does.

15           And, crucially, if there is no equity  
16 in an enterprise, then it's hard to justify that debt  
17 is taking on any sort of limited risk. It may not, in  
18 fact, qualify as debt if there is no equity in an  
19 enterprise. So in -- in some ways, the existence of  
20 equity is a requirement in order to provide comfort  
21 for debt.

22           Now, that equity, loosely understood as  
23 it is in the case of a not-for-profit enterprise, can  
24 be internal to the enterprise or it in some instances  
25 can be external, and external in the sense of provided



1 by a guarantor.

2                   That -- that equity, that cushion of  
3 comfort for lenders can be provided by the assets of  
4 the enterprise itself or by a guarantor. And  
5 depending on the nature of the business, different  
6 amounts of equity are going to be required. Different  
7 amounts or types of guarantee are going to be  
8 required.

9                   In the case of Manitoba Hydro, the  
10 Province of Manitoba guarantees Manitoba Hydro's debt.  
11 In actual fact, the Province of Manitoba issues debt  
12 which is then on-lent to Manitoba Hydro. So it's --  
13 it's actually a higher level of guarantee as compared  
14 to what is traditionally done or has been done in  
15 other provinces.

16                   Quite famously, the old Ontario Hydro,  
17 which ceased to exist in 1998, had debt which was  
18 guaranteed by the Province of Ontario, but they were  
19 actually Ontario Hydro bonds that were directly issued  
20 to public-bond investors.

21                   In the case of Manitoba, there are no  
22 public bond that -- that have Manitoba Hydro's name on  
23 them anymore. There were at one time. The Province  
24 of Manitoba simply issues -- issues Province of  
25 Manitoba debt, and some of that is then on-lent to

1 Manitoba Hydro.

2                   And so the Province of Manitoba very  
3 directly guarantees Manitoba Hydro's debt because all  
4 of that debt passes through the hands of the Province  
5 of Manitoba.

6                   However, notwithstanding the fact that  
7 that debt is on-lent, lenders do know and do  
8 understand exactly what is happening with those funds.  
9 They know that a significant portion of all the  
10 Government of Manitoba's debt is actually debt of  
11 Manitoba Hydro.

12                   And so there is close analysis of what  
13 Manitoba Hydro is doing with that capital -- close  
14 analysis, but nonetheless analysis in light of the  
15 fact that it is guaranteed by the Province of  
16 Manitoba.

17                   If we could go to the next slide,  
18 please. So what is equity at Manitoba Hydro  
19 specifically? Well, equity is retained earnings or  
20 customer contributions, and those are contributions to  
21 the Utility over and above the amounts required to pay  
22 the annual operating costs of the business.

23                   And in effect, they turn into net  
24 investments and capital assets. Capital assets are  
25 funded by mostly debt, but a portion of equity as

1 well. And another way to describe it would be that  
2 equity is the retained earnings which is also  
3 financial reserves.

4           You know, planning to regularly earn  
5 and accumulate those retained earnings is -- is  
6 another way for the Utility to have financial  
7 resources that will help it weather difficult times.

8           In years in which profits cannot be  
9 earned, there is the opportunity to accumulate greater  
10 amounts of debt. In years when the -- the business  
11 performs better, debt can be paid down in order to  
12 provide that financial reserve, that financial cushion  
13 for more difficult years. If we could go to the next  
14 slide.

15           Now, how much equity is specifically  
16 required in a not-for-profit enterprise like Manitoba  
17 Hydro, unique as it is, operating in the circumstances  
18 in which it does?

19           Well, that equity target can be  
20 determined by legislation or regulations. And, in  
21 fact, the Government of Manitoba has come forward with  
22 Bill 36, and it has provided a set of targets and a  
23 set of timing.

24           Governments are well within their  
25 rights to do so. They can do so at any time. They

1 can make choices on any basis they wish, but  
2 fundamentally, government's choices are political  
3 choices.

4           They can be analysed from a variety of  
5 perspectives, financial or economic or what have you,  
6 but they are political choices.

7           And, importantly, governments can  
8 change their opinion at any time. A new piece of  
9 legislation can change the targets. They're not  
10 beholden to or required to justify those targets  
11 before anyone other than the voters of their  
12 jurisdiction -- the Province of Manitoba in this case.

13           The targets can also be chosen by a  
14 regulator in the absence of legislation. And, you  
15 know, if a regulator is making those decisions, then  
16 the regulator should make those decisions on the basis  
17 of regulatory principles and practice: efficiency and  
18 prudence and fairness.

19           And there's -- there are many different  
20 formulations of regulatory principles, most famously  
21 the Bonbright Principles, but many others. And  
22 Manitoba -- the Manitoba PUB, in fact, has one (1)  
23 particular formulation of regulatory principles  
24 available on its own website.

25           In Order 59/'18, the PUB recommended

1 further issue into the specific question of equity  
2 targets and timing for Manitoba Hydro.

3           Through that particular GRA and its  
4 outcome, there was a determination that having equity  
5 reserves, in fact, was appropriate to manage drought  
6 risk, but potentially not appropriate to manage  
7 several other risks such as inflation rates and  
8 interest rates and foreign exchange rates and so on.

9           And therefore, having a follow-up  
10 process after that GRA was intended to deepen the  
11 understanding and allow for a sharpening of policies,  
12 a sharpening of the regulatory policy decision on  
13 exactly how much equity Manitoba Hydro should have  
14 and, you know, the transition period in terms of  
15 building that equity up over time. As mentioned  
16 earlier, that process did not happen.

17           Another alternative in terms of  
18 deciding how much equity is required and the timing  
19 and targets and so on is to look at historical  
20 precedent.

21           And in fact, Manitoba Hydro itself has  
22 a history where there was a major export project  
23 undertaken in the late 1980s that came into service in  
24 1992, and that was, of course, the Limestone  
25 Generating Station.

1                   Interestingly, the debt ratio or the --  
2 the inverse equity ratio of Manitoba Hydro was quite  
3 challenged during the construction of Limestone. Debt  
4 reached well over 90 percent of total assets for  
5 Manitoba Hydro, and the number went to 19 -- or 94  
6 percent in 1992.

7                   In 2012, prior to beginning the Keeyask  
8 Project, twenty (20) years later, the debt ratio had  
9 fallen a full 20 percent over twenty (20) years. But  
10 it is also important to remember that the Limestone  
11 station was built under budget in 1992 and was  
12 immediately profitable from an export perspective.

13                   It was an extremely successful project  
14 and, in fact, is delivering value to this day for  
15 Manitoba Hydro and Manitoba ratepayers.

16                   Unfortunately, the Wuskwatim Project  
17 early in the 2000s and the Keeyask and Bipole projects  
18 in the 2010s did not, unfortunately, have that same  
19 outcome. They were not under budget, and they are not  
20 immediately profitable.

21                   And yet, you know, if historical  
22 precedent is to be a guide, you know, is the debt  
23 ratio intended to fall the same 20 percent over twenty  
24 (20) years after projects that had very, very  
25 different outcomes?

1                   This brings back to the, you know,  
2 should comparisons be apples to apples or applies to  
3 pineapples. If we could go to the next slide, please.

4                   The other complicating factor, of  
5 course, in -- in considering an equity requirement for  
6 Manitoba Hydro is the fact that it has an export  
7 mandate. And this goes back to the fact that there  
8 are no direct comparisons for Manitoba Hydro in terms  
9 of peer group.

10                  The export mandate does complicate the  
11 question of equity, of where that equity should come  
12 from and -- and how that equity should be treated over  
13 time, how much of it should there be, how quickly  
14 should equity be built up.

15                  Given that the government of Manitoba  
16 makes all decisions with respect to export focussed  
17 projects, you know, and yet Manitoba domestic  
18 ratepayers are expected to make up any shortfalls and  
19 provide equity through higher rates creates some  
20 challenges.

21                  And from the perspective of regulatory  
22 policy, managing the fair distribution of these  
23 burdens is not easy. It's a difficult choice to -- to  
24 be made. It -- it does present some fairness issues  
25 as between ratepayers and taxpayers, for example,

1 because the government benefits from increased water  
2 rental fees, increased debt guaranteed fees, increased  
3 capital taxes.

4                   And in the case of an expensive export  
5 project that increases the asset base of the Company,  
6 it will also benefit from an increase in the equity  
7 ratio over time, or a decrease in the debt ratio over  
8 time, because since Manitoba Hydro is a government  
9 business enterprise, all incremental retained earnings  
10 are recorded as revenue by the government.

11                   And so, over that twenty (20) year  
12 period when the debt ratio is presumed to be falling,  
13 revenues are, in effect, being recognized on the  
14 government's books.

15                   So, for the government, there is no  
16 risk in pursuing an export project; but for  
17 ratepayers, there absolutely is risk. Those -- those  
18 export projects can turn out well like Limestone  
19 certainly did. Those export projects can turn out  
20 poorly like Keeyask did.

21                   Those very different outcomes produce  
22 very different pressures on ratepayers versus  
23 taxpayers, and that's an important issue that has to  
24 be taken into account if the regulator is being called  
25 on to determine targets and timing for equity. If we



1 might go to the next slide, please.

2                   This slide, it's a complicated looking  
3 slide, and I have to pause for a moment to explain it.  
4 On the left-hand side is a chart that is drawn from  
5 Manitoba -- one (1) of Manitoba Hydro's own exhibits.  
6 It's the -- from the hydrology presentation that was  
7 made before the PUB a couple of weeks ago.

8                   And what it shows is expected hydraulic  
9 generation outcomes as those were forecasted, and then  
10 actually delivered at different times.

11                   The important fact on -- on that left  
12 side chart is to see the height of the bars. And the  
13 height of the bars represent the uncertainty range for  
14 power production, with the -- the black line appearing  
15 at a certain portion of the bar being the average  
16 hydraulic generation that is forecasted at the time of  
17 forecasting but uncertainty being higher and lower  
18 because no one is sure exactly how much hydroelectric  
19 energy gets produced until after it's already  
20 produced.

21                   On the right-hand side of this slide,  
22 this is an excerpt from the presentation that I did in  
23 the 2017/'18 GRA which tries to capture and represent  
24 the potential range of the net export revenues that  
25 might have resulted from the forecast, the power

1 generation forecast, the hydraulic forecasts at that  
2 time.

3           Now, I did not produce one of these  
4 charts for the current GRA. Unfortunately, that  
5 information wasn't available to me, and nor was I  
6 tasked with producing a new version of this. But  
7 notionally speaking, and if you ignore the -- the  
8 particular numbers, this has not changed.

9           If anything, there is a -- there would  
10 be a slightly wider chart because there's ten (10)  
11 more years of -- of hydrological record that can be,  
12 you know, used in -- in analysis.

13           But what that shows is the range of  
14 outcomes that might be expected in any given year for  
15 net export revenues because hydrology is so uncertain.

16           So, in -- in some sense, the amount of  
17 water that is -- that falls into the river systems  
18 that -- that Manitoba Hydro uses to produce power will  
19 determine which column any given year lands in. And  
20 the height of those green bars is determined by things  
21 like export prices, import prices, fuel prices, and so  
22 on.

23           And so, water will determine where you  
24 are from left to right and other variables will  
25 determine how high those bars get, whether it's on the

1 low side or the high side.

2                   And I think it's -- it's particularly  
3 interesting to point out that the mean net export case  
4 is not the same as the median case or the mean energy  
5 case, and that happens for a variety of reasons.

6                   But the way the math works, in -- in  
7 approximately 60 percent of cases you would expect net  
8 export revenues to be above average and in 40 percent  
9 of cases you would expect net export revenues to be  
10 below average.

11                   But the likelihood is, if you are below  
12 average, you are more below average than if you are  
13 above average. There is a flattening, in effect, of  
14 the curve to the right. It's not a normal  
15 distribution curve. It is skewed to the left.

16                   And so, colloquially, if you have a bad  
17 year, it's probably a very bad year. If you have a  
18 good year, it might only be modestly good, you know,  
19 or it can be quite good, but good years are never as  
20 good as bad years are bad.

21                   And -- and so, on -- in that particular  
22 analysis there, the range from an -- from the mean to  
23 the worst possible case was approximately \$400  
24 million, whereas the range from the mean to the best  
25 possible case was only \$200 million, so to -- to give

1 you a sense.

2                   That particular year is not relevant to  
3 any years in the future, but the same kind of math  
4 works now as it -- as did before. And so, when  
5 Manitoba Hydro is presenting a twenty (20) year  
6 forecast, all they've done is they've chosen that mean  
7 net export revenue for each year estimated into the  
8 future but, in fact, the range of outcomes is plus or  
9 minus hundreds of millions of dollars in any given one  
10 of those years.

11                   And -- and hence my contention earlier  
12 on, that Manitoba Hydro's presented a twenty (20) year  
13 forecast that incrementalist and based -- you know,  
14 should be understood as just a scenario model, not a  
15 path, because when you have up to \$600 million of  
16 variability in any given year, you know, it's not  
17 actually going to look like a path in any traditional  
18 sense of the word. If we could jump to the next  
19 slide.

20                   DR. BYRON WILLIAMS: Mr. Colaiacovo,  
21 I'm just going to interrupt for one (1) second.

22                   And Mr. Chair, we're running just  
23 slightly behind schedule. I'm just -- we're okay with  
24 time? Thank you very much.

25                   Thank you. Sorry to interrupt.

1 MR. PELINO COLAIACOVO (by TEAMS): So  
2 I think it's important to recognize that based on  
3 hydrological risk, there is some level of equity that  
4 is absolutely required in Manitoba Hydro.

5 I would completely agree -- and I think  
6 any competent third-party observer would agree -- that  
7 Manitoba Hydro requires some level of equity,  
8 particularly, to manage hydrological variability and  
9 hydrological risk. In my view, that's -- that's not  
10 in contention.

11 The only question is what should that  
12 equity reserve, what should that equity cushion be,  
13 how big should it be, and how much should any given  
14 cohort of ratepayers contribute to achieve that equity  
15 target.

16 And that determination was not made in  
17 -- in 59/18 and I believe it has not -- it's not made  
18 now. The Government has put forward that target, but  
19 it only applies in 2025. It does not apply today.

20 So as of today, there's still no  
21 clarity on what that equity target should be from a  
22 regulatory perspective; not from a legislative  
23 perspective.

24 And if we could go to the next slide,  
25 please. I'm cognizant of time. I'm going to try to

1 cover these last issues.

2 Manitoba Hydro has an interest coverage  
3 ratio target. It is focussed on cash flow. It's an  
4 important target. We can quibble about whether  
5 they've chosen exactly the right cash flow target, but  
6 there is no dispute that cash flow is important.

7 And I -- I think that if Manitoba Hydro  
8 was at risk of breaching a critical cash flow target,  
9 we would all agree that rates should rise as a result.  
10 However, the reality is Manitoba Hydro is currently in  
11 no danger of breaching its cash flow targets.

12 Even two (2) years ago, when it faced a  
13 severe drought, operating cash flows were sufficient  
14 to cover interest costs. Yes, net income was  
15 negative. But net income was negative because of a  
16 large non-cash charge, which is depreciation. But  
17 operating cashflows were still sufficient to cover  
18 finance charges.

19 And that was in a severe unprecedented  
20 drought year. So Manitoba Hydro is not in any danger  
21 of breaching cashflow targets.

22 And, you know, I think in -- in moving  
23 forward and looking forward at rates in the near term,  
24 those cashflow targets are very legitimate concerns,  
25 but are certainly not significantly in danger at the

1 moment. Next slide, please.

2 Manitoba Hydro also tracks another  
3 target, which is capital coverage ratio. It is  
4 longstanding at Manitoba Hydro. It's said the capital  
5 coverage ratio is at one-point-two (1.2) times  
6 cashflow versus non-major capital spending.

7 I'm reiterating arguments that I made a  
8 number of years ago in the previous GRA that I  
9 participated in. But this is a non-standard measure.  
10 It's questionable, the value of this -- what the value  
11 of this measure is.

12 And -- and I think the -- the best  
13 highlight for it would be to look forward to a point  
14 where Manitoba Hydro has achieved the level of equity  
15 that it should achieve; whether that's set by the  
16 Government or set by the regulator.

17 Would you still want to achieve one-  
18 point-two (1.2) times cashflow to non-major capital  
19 spending when you have already achieved your -- your  
20 equity target?

21 And I think the question -- the answer  
22 you'd come to that question is no. It doesn't  
23 actually make sense. And therefore, this target  
24 appears to just be a re-statement of a desire to make  
25 progress on -- on reducing a debt ratio. And I don't

1 think much more time has to be spent on it than that.

2 If we could turn to the next slide, please.

3                   So what is the revenue requirement for  
4 Manitoba Hydro domestic customers? And there's a  
5 formula here that's -- that's written out in the style  
6 of revenue requirement formulas that are used at other  
7 utilities and other regimes.

8                   But the domestic revenue requirement of  
9 this -- in this formulation is operating expenses plus  
10 interest costs plus depreciation plus capital taxes  
11 and other charges, some of which relate to pensions  
12 and so on and regulatory adjustments.

13                   Minus net export revenues. And plus an  
14 equity contribution by customers to Manitoba Hydro's  
15 retained earnings.

16                   Now, we know that the net export  
17 revenues will not be known until after a financial  
18 year is over. And yet, we're making -- we're choosing  
19 the equity contribution in a twenty (20) year rate  
20 path, for example, in advance.

21                   And -- and they're -- this is  
22 problematic because the actual course of Manitoba  
23 Hydro's retained earnings are going to be powerfully  
24 affected by how things work out in -- in a series of  
25 years based on net export revenues.



1                   And yet, we're trying to forecast a  
2 rate path that is required to be smoothed out in  
3 advance, when we don't know what's going to happen  
4 with net export revenues. With the high variability  
5 that results from next -- from the net export revenue  
6 calculation. If we might move to the next slide,  
7 we'll go into this a little bit more.

8                   You know, if -- if you think about what  
9 the twenty (20) year forecast actually is for Manitoba  
10 Hydro, it's a -- an estimation of all of the variables  
11 in that formula, except for equity contribution. And  
12 once estimations for all the other formulas are done,  
13 equity contribution is manipulated to achieve a  
14 certain end.

15                   And the end, in the case of Manitoba  
16 Hydro's current application, appears to be rate  
17 smoothing. The equity contribution for any given year  
18 was manipulated so that rates would go up by 2 percent  
19 a year.

20                   But we know that actual financial  
21 results are not going to be consistent with the rate  
22 path because net export revenues will drive the actual  
23 financial results up and down.

24                   So why is it so important to smooth  
25 that rate path for the purposes of applications? Why

1 is rate smoothing a critical issue that -- that needs  
2 to be addressed in choosing near-term rates?

3           We know that rates are going to be  
4 reset every two (2) or three (3) years; whether it's  
5 under a regulatory process or under the future  
6 legislative process defined by Bill 36, there will be  
7 rate hearings every two (2) or three (3) years.

8           We know there is an opportunity to  
9 adjust every two (2) or three (3) years based on what  
10 actually happens with profits in the enterprise based  
11 on net export revenues.

12           And yet, we're being told that the PUB  
13 should accept a rate path -- effectively a  
14 manipulation of customer equity contributions -- for a  
15 twenty (20) year period because smoothing is that  
16 important.

17           And yet, smoothing was not important  
18 two (2) years ago when there was a drought. When  
19 there was a drought, Manitoba Hydro asked for a 5  
20 percent increase in response to the drought. So  
21 clearly, smoothing was not important two (2) years  
22 ago.

23           There has been discussion and testimony  
24 about what might happen in the future if financial  
25 results don't work out as planned. And it looks like

1 the equity targets are not going to be met.

2 Well, in that instance, apparently  
3 there are to be some discussions with the Province to  
4 determine what to do. Does that mean that the request  
5 would be made to the Province to allow for higher than  
6 2 percent increases?

7 In that case, is rate smoothing more  
8 important than financial targets or less important  
9 than financial targets?

10 But what about intergenerational equity  
11 fairness for customers? What about prudence? What  
12 about economic efficiency? What about all of the  
13 other regulatory principles that have to be taken into  
14 account?

15 Why is rate smoothing the primary  
16 regulatory principle that -- that should underpin this  
17 twenty (20) year forecast, which we know is notional.  
18 It's a scenario, at best, to begin with. If we might  
19 move to the next slide.

20 So, what is the case for near term rate  
21 increases? You know, if -- there are some important  
22 questions I think to get out of the way. First of  
23 all, if increases in operating expenses are not all  
24 just and reasonable, then it, you know, it's likely  
25 that rates should not be increasing in the way that

1 the application requested.

2 Others have commented on operating  
3 expenses, it's outside my scope. All of my  
4 presentation has assumed that every -- every one of  
5 the -- the figures that Manitoba Hydro has applied  
6 for, are justified. But, if they are not, that lends  
7 quite -- that raises questions about the applied for  
8 rates.

9 The same thing can be said about  
10 capital expenses. Others have provided testimony and  
11 evidence with respect to asset management and capital  
12 expenses, and if Manitoba Hydro's plans are not just  
13 and reasonable, then should they be afforded the  
14 benefit of rate increases.

15 Same thing applies to all of the  
16 estimates and variables and forecasts, if load  
17 forecasts or inflation or interest rates and so on,  
18 you know, are not just and reasonable then should  
19 rates be increased in the near term.

20 I have an enormous amount of sympathy  
21 for Manitoba Hydro's position on all of these kinds of  
22 variables, because they are outside of Manitoba  
23 Hydro's controls and -- and I think forecasts whether  
24 they are consensus forecasts or not, are only so  
25 reliable. As we've seen in the last few years, when

1 inflation -- a spike in inflation, a spike in interest  
2 rates took people by surprise.

3           So, I think, you know, all you can do  
4 is rely on consensus forecasts, but don't rely on them  
5 too much. If we might turn to the next slide.

6           We know that there are no pressing  
7 short-term justifications for a rate increase. There  
8 is no drought, there is no cash flow crisis, there is  
9 no substantial pressure in debt mark -- debt markets  
10 on -- on Manitoba's credit spreads that indicates that  
11 debt markets are concerned about Manitoba Hydro's  
12 situation.

13           There simply are -- there is no burning  
14 platform for, you know, where -- that are -- that is  
15 demanding that there be rate increases in the near  
16 term. Maybe that was the case two (2) years ago when  
17 there was a drought. It is not the case today.

18           It's also clear that customers over the  
19 past decade have borne a significant burden in  
20 supporting Manitoba Hydro's construction of an export  
21 focused project in Keeyask and, arguably, Bipole III  
22 as well.

23           You know, the ratepayers have seen  
24 increases that have amounted to 42 percent, well ahead  
25 of inflation for the past decade. And that has

1 directly been the result of, you know, an  
2 entrepreneurial export plan to, you know, build a  
3 facility that was going to be largely focused on  
4 exports for a number of years, in the hopes that those  
5 exports would be profitable. And, unfortunately, that  
6 has not been the case.

7 Bill 36 is not operative until April  
8 1st of 2025. The political decision with respect to  
9 rates could have applied as of today. It could have  
10 applied already. The government chose not to apply  
11 it. The government did -- in its wisdom, decided that  
12 -- that, you know, set of decisions would only come  
13 into force on April 1st of 2025.

14 That leaves the regulator to decided  
15 what to do. Is there enough evidence before the PUB,  
16 in this hearing, to come to a set of decisions that  
17 the PUB did not come to in Order 59/18, or in any  
18 subsequent regulatory process after 59/18.

19 The PUB had not, at that time, made  
20 determinations about what those long-term targets  
21 should be. And so the question to be asked is, you  
22 know, what should the PUB do in the current  
23 circumstances? And if we could turn to the last slide  
24 please.

25 So, there is one opportunity which, I

1 believe is to at least do no harm and -- and that  
2 would suggest approving the interim rate increase.  
3 It's already been accepted by customers, but to not  
4 approve new increases over the next two (2) years.

5           That would, at least, reflect the  
6 burdens that customers over the past ten (10) years  
7 have had to bear already. If there were no increases  
8 for two (2) years, then -- then the current cohort of  
9 customers would at least, in some sense, be, you know,  
10 facing a little bit less of a burden in aggregate over  
11 time.

12           On the other hand, if rates are  
13 increased with inflation from now forward, then, you  
14 know, that cohort of ratepayers have accepted that  
15 extraordinary burden and never gotten any benefit or  
16 compensation or -- or relief from it.

17           The reality is that the government of  
18 Manitoba is scheduled to be taking over rate policy as  
19 of the April 1st, 2025. Governments have been known  
20 to change their positions at any time and -- and I  
21 think that that legislative reality should not drive  
22 regulatory policy in the mean time.

23           And so, you know, if the PUB chooses to  
24 enunciate a set of regulatory principles that could  
25 guide Manitoba Hydro towards an equity target and

1 equity timing, I think that would be fantastic. If  
2 the PUB has enough evidence before it to do so, or if  
3 the PUB could set out a road map for doing that, that  
4 might be useful, should the government ever choose to  
5 return to this question.

6           If, for whatever reason, the targets  
7 and timing that are outlined in Bill 36 do not work  
8 out, then there may be, on the record, some useful  
9 advice with respect to how to determine those targets  
10 and timing. And -- and the validity and the  
11 usefulness of those targets and timing.

12           But, you know, the -- based on the much  
13 more extensive regulatory process a number of years  
14 ago, that culminated in 59/18, it was clear that the  
15 PUB at the time, thought that more work was required.

16           And in reviewing the application that  
17 Manitoba Hydro put forward, it did not appear to me  
18 that there was any significantly new information that  
19 they had added, absent the Bill 36 legislation that  
20 would provide the PUB the ability to -- to make that  
21 determination.

22           It's something that I think still  
23 requires additional work, additional testing,  
24 additional scenario planning.

25           And, so with that, I would conclude.



1 Thank you very much for your time and attention.

2 THE CHAIRPERSON: Thank you very much,  
3 sir.

4 DR. BYRON WILLIAMS: Mr. Chair, I have  
5 no further questions. So, we'll invite questions from  
6 the Panel or to -- or otherwise. Thank you.

7 THE CHAIRPERSON: Yeah. Kapitany...?

8 VICE-CHAIR KAPITANY: Thanks, Mr.  
9 Colaiacovo. This is on the issue of the PUB's role in  
10 setting the debt/equity target, which you've referred  
11 to a number of different times, most recently on slide  
12 20 where you said:

13 "If the PUB adopts as its own, the  
14 financial targets of Bill 36."

15 Is it your view that the Public  
16 Utilities Board has the jurisdiction and the  
17 responsibility to set a debt/equity target for  
18 Manitoba Hydro?

19 MR. PELINO COLAIACOVO (by TEAMS): I  
20 think it -- for the purposes of setting rates, if  
21 rates are being set in order to achieve a certain  
22 debt/equity target, then yes. Under the current  
23 regulatory regime that is going to continue to obtain  
24 until April 1st of 2025.

25 The legislation, and this was an issue

1 that was addressed pretty extensively in the -- in the  
2 2017/'18 GRA, the existing legislation talks about  
3 financial reserves and says there is to be an  
4 appropriate amount -- I'm paraphrasing, but an  
5 appropriate amount of financial reserves and doesn't  
6 define it.

7                   And the -- effectively, it's up to the  
8 PUB, for the purposes of rate setting, to decide what  
9 an appropriate amount of financial reserves would be.

10                   And that appropriate amount had not  
11 ever been clearly defined by the PUB.

12                   VICE-CHAIR KAPITANY:    Okay.  My next  
13 question is, on your -- in your report, which is CC  
14 Exhibit 9, on page 27.  So in the middle paragraph --  
15 I'll just wait for Ms. Schubert -- sorry, I didn't  
16 like -- oh, yeah, it's frozen, okay?

17                   So, it's on page 27 of your report, at  
18 Line 21.  I'll just read the line to you, then:

19                    "It is hoped the PUB would consider  
20 taking as strong a stand on this  
21 issue as it did in Order 59 of '18  
22 on Bipole III."

23                   And the relate -- the reference to this  
24 issue is promulgating of Bill 36.  So --

25                   MR. PELINO COLAIACOVO (by TEAMS):

1 Right.

2 VICE-CHAIR KAPITANY: -- do you see  
3 these two (2) issues as the same?

4 MR. PELINO COLAIACOVO (by TEAMS):  
5 Okay. I'm just going to pull up the report, 'cause I  
6 want to make sure I'm referring to the right piece of  
7 it. Sorry, here. So, page 27.

8 VICE-CHAIR KAPITANY: Yeah, the  
9 paragraph starting at Line 18.

10 MR. PELINO COLAIACOVO (by TEAMS):  
11 Right. Yeah. So, yes. The point that I'm making in  
12 that section is that setting a debt/equity target, as  
13 has been done by the government, in Bill 36, is going  
14 to require rates to be high enough to generate an  
15 accumulation of a substantial amount of retained  
16 earnings over time, you know, and -- and this is  
17 something that's already been discussed before the BUB  
18 (sic).

19 Retained earnings are going to increase  
20 by approximately \$5 billion over the next 18 years, in  
21 order to try and achieve those debt-to-equity targets,  
22 the -- the debt ratio target.

23 I do not believe that if the PUB had,  
24 following the 2017/'18 GRA, if the PUB had gone  
25 forward and held the workshop that had been proposed

1 and done additional scenario testing and -- and so on  
2 and so forth, I don't believe that the PUB would have  
3 arrived at a debt ratio target of 70 percent, and,  
4 therefore, less equity would have been required to be  
5 accumulated over time.

6                   And -- and I think, in my view, based  
7 on regul -- analyzing the regulatory principles, you  
8 know, the Bill 36 requirement of a 70 percent  
9 capitalization is excessive and I think, you know, the  
10 -- the PUB would not have arrived there on its own  
11 volition and, from that perspective, you know, the  
12 government made a decision that was criticized in --  
13 in Order 59/18.

14                   The PUB took a very strong stand in  
15 that case, because it was a decision that led to extra  
16 costs for ratepayers and, I think, in this instance,  
17 in Bill 36, setting a 70 percent target for the debt  
18 to capital -- capitalization ratio is similarly going  
19 to lead to excessive charges to ratepayers, if that  
20 answers your question.

21                   VICE-CHAIR KAPITANY:   Sort of.  Yeah.  
22 You -- you would be aware, because you've been  
23 involved as long as I have, since the NFAT, that  
24 Manitoba Hydro, at that time, had said that they were  
25 looking for a long-term goal to be a debt/equity ratio

1 of 75/25 --

2 MR. PELINO COLAIACOVO (by TEAMS):

3 Yes.

4 VICE-CHAIR KAPITANY: -- and, while  
5 the Public Utilities Board didn't approve that, per  
6 se, because I've -- that's not our responsibility, but  
7 we did accept that.

8 MR. PELINO COLAIACOVO (by TEAMS): The  
9 -- as I -- as I said earlier, my reading of the  
10 existing legislation is that rates are to take into  
11 account the need for financial reserves and, in order  
12 to take into account financial reserves, the Board  
13 needs to decide how much financial reserves there  
14 should be, and equity and retained earnings is nothing  
15 other than financial reserves in the Manitoba Hydro  
16 context.

17 Therefore, the Board needs to take a  
18 position on what that quantity should be, in my view,  
19 and -- and, if the Board -- I -- I don't know how the  
20 Board would justify setting rates to achieve a target,  
21 if it didn't agree with the target. So, if -- if  
22 rates -- if rate increases are -- are going to be  
23 imposed, then -- then, I think the -- the Board really  
24 does need to clarify which targets and timelines those  
25 rates are related to.

1 VICE-CHAIR KAPITANY: Okay. Thank  
2 you.

3 THE CHAIRPERSON: Sorry. Ms.  
4 Bellringer?

5 BOARD MEMBER BELLRINGER: Sorry.  
6 Thank you. Good morning. I have two (2) questions.  
7 One is further exploring, if the Board  
8 does go forward with some form of, let's just say,  
9 examination of the -- of the target, what mechanisms  
10 would you recommend?

11 I mean, the -- the reference has been  
12 made to and from -- from the -- the previous Order  
13 but, also, a workshop and additional scenario testing.

14 Is -- is there anything else that you  
15 would recommend be done, in terms of format?

16 MR. PELINO COLAIACOVO (by TEAMS):  
17 Well, the discussion, back at that previous GRA,  
18 centered on drought risk and -- and there was  
19 consideration of five-year droughts and seven-year  
20 droughts and 10-year droughts as potential tests.

21 There was an -- also, an understanding  
22 that other variables also contribute to risk and that  
23 those other variables were including interest rates  
24 and inflation and market prices for power and a whole  
25 variety of -- of variables that are outside of

1 Manitoba Hydro's control.

2                   And the discussion, at the time,  
3 focussed on whether those were appropriate variables  
4 to be addressed by financial reserves or whether those  
5 were appropriate variables that should form part of  
6 rate policy and -- and to try and, you know, use those  
7 two (2) different mechanisms, financial reserves on  
8 the one hand and rate policy on the other hand to  
9 address the universe of risks.

10                   Now, the PUB, at the time, came to a  
11 tentative conclusion, that a number of those risks  
12 should be addressed through rate policy but, you know,  
13 I -- I -- I don't think that that conclusion was  
14 final, if -- in any sense of the word. Even in -- in  
15 reading 59/18, it appeared to be a tentative  
16 conclusion.

17                   So, you know, I -- I think it -- it's  
18 legitimate to consider how many different risks should  
19 be addressed by building up financial reserves,  
20 building up retained earnings over time, how -- and  
21 which kinds of risks should just be reflected in rate  
22 policy.

23                   Bill 36 absolutely does not do that.  
24 Let's -- I mean, I'm -- I fully recognize that. Bill  
25 36 sets a hard cap on rates and it sets a defined

1 target for reserves, for -- for the debt-to-  
2 capitalization ratio, and it ignores variability  
3 that's, you know, inherent, in the system.

4           Are the hard -- is the hard cap on  
5 rates appropriate? Is it going to actually work over  
6 time? I don't know. I think it remains to be seen  
7 and that's something that the government is going to  
8 have to grapple with and, potentially, they might have  
9 to grapple with it through making legislative changes  
10 in the future.

11           But I think, if -- if what we're  
12 talking about is today and the existing regime, where  
13 the regulator has authority over rates, you know, I --  
14 I think that's a critical issue, is revisiting that  
15 question of which risks should be managed by reserves  
16 and which risks should be managed by rates.

17           Are rates going to be, for example,  
18 automatically tied to inflation, plus something else?  
19 You know, are -- are changes in export markets  
20 something that should be appropriately managed through  
21 rates or through reserves?

22           You know, I think there -- as I said, I  
23 think there was some tentative decision-making in  
24 59/18 on that question, but, subject to further  
25 analysis and further review.



1                   My own view, back then, and -- and, you  
2 know, we did a lot of work back then on -- on these  
3 issues, in terms of scenario testing and modelling and  
4 all the rest, was that something like a seven (7) year  
5 drought test should underpin the -- you know, the  
6 amount of financial reserves, and that most of the  
7 other long-term variables had to be addressed through  
8 rate policy.

9                   You know, in -- in the financial world  
10 we talk about what's hedgeable and what's not  
11 hedgeable and, you know, energy prices after --  
12 anything longer than five (5) to seven (7) years is  
13 pretty much unhedgeable.

14                   Foreign exchange more than a --

15                   BOARD MEMBER BELLRINGER:    Sorry, can I  
16 --

17                   MR. PELINO COLAIACOVO (by TEAMS):  
18 Sorry.

19                   BOARD MEMBER BELLRINGER:    Sorry to  
20 interrupt you, but it's just -- sorry, and I was -- I  
21 wasn't asking so much around the content, and -- but  
22 having said that --

23                   MR. PELINO COLAIACOVO (by TEAMS):  
24 Right.

25                   BOARD MEMBER BELLRINGER:    -- I

1 appreciate the input. It was more around just  
2 mechanisms, like what kind --

3 MR. PELINO COLAIACOVO (by TEAMS):

4 Right.

5 BOARD MEMBER BELLRINGER: -- of thing  
6 -- you know, would we hold a forum, a big huge  
7 conference, say, small meetings.

8 MR. PELINO COLAIACOVO (by TEAMS):

9 Right.

10 BOARD MEMBER BELLRINGER: That -- that  
11 sort of thing. But, I mean, other than -- no need to  
12 get into it if -- if --

13 MR. PELINO COLAIACOVO (by TEAMS):

14 Sure. And -- and --

15 BOARD MEMBER BELLRINGER: -- you don't  
16 wish.

17 MR. PELINO COLAIACOVO (by TEAMS): --  
18 on that front I -- I would suggest that there would --  
19 there -- there be a process, but that there also be  
20 discussions directly with the bond markets.

21 You know, Manitoba Hydro has focussed  
22 on credit rating agencies as a proxy for bond markets  
23 and they are just not the same thing.

24 So, were you to pursue this issue  
25 because of the importance of questions around bond

1 market perceptions of Manitoba Hydro, actually having  
2 a program where someone, you know, consults with  
3 institutional bond market buyers directly, I think  
4 would be valuable rather than trusting to credit  
5 rating agencies.

6 BOARD MEMBER BELLRINGER: Thank you.  
7 That's good. Thank you.

8 THE CHAIRPERSON: Mr. Sy...?

9 BOARD MEMBER SY: Thank you very much.  
10 I guess I sort of maybe found an answer to a -- the  
11 question that has been nagging me for a while, because  
12 I never understood why, you know, Manitoba Hydro  
13 looking for a work on a twenty (20) year forecast.  
14 Why not five (5), why not ten (10), why not fifteen  
15 (15), why twenty (20)?

16 But listening to you talk about  
17 Limestone generation -- generating station with --  
18 which was built in 1992. And, you know, with a debt  
19 about 94 percent, and twenty (20) years later we're  
20 down to 74, so almost basically twenty (20) years, you  
21 know, we were able to bring down the debt by 20  
22 percent.

23 So, you know, that's -- at least it  
24 happened once. So, that was best case. Could we then  
25 -- is it -- is it useful to use it as a model, even

1 though you do indicate that Keeyask and Bipole III are  
2 different, you know, in this case versus what was back  
3 then that Lime -- Limestone was a profitable project,  
4 this one it's questionable.

5                   Could we then use that as a base and  
6 make some adjustment plus and minuses to be able to  
7 come with something that, you know, would explain why,  
8 I guess, we have this twenty (20) year forecast.

9                   I'm just trying to get -- get you to  
10 comment on that, if possible. Thank you.

11                   MR. PELINO COLAIACOVO (by TEAMS): I -  
12 - I think that is a reasonable perspective to take. I  
13 -- I think the adjustments would be very important.  
14 You know, the historical precedent is important,  
15 absolutely.

16                   And -- and, you know, if you look at  
17 the record from 1992 to 2012, Manitoba Hydro did  
18 suffer through a very significant drought during that  
19 period. It had a few years of very bad, you know,  
20 losses. Droughts caused losses, just as droughts  
21 caused losses two (2) years ago.

22                   And nevertheless, over the course of  
23 twenty (20) years, the debt ratio came down, quite  
24 significantly. But, Limestone was incredibly  
25 profitable and it helped to drive that reduction. I

1 don't believe that, if you go back to the record of  
2 rate increases that you would see the same type of  
3 series of rain increases back then as we've seen in  
4 the last ten (10) years.

5                   And -- and so, you know, I think that's  
6 a rather important issue as well, to be taken into  
7 account. You know, in driving down that debt ratio,  
8 should it be done because the assets actually perform  
9 well, or should it be on the backs of ratepayers?

10                   I think that's -- that also has to be  
11 taken into consideration.

12                   THE CHAIRPERSON:    Sorry, I've got a --  
13 I guess, a couple of comments and a couple of  
14 questions. You know, historical precedence is a  
15 really interesting thing because it's always done  
16 after the fact and everybody is really smart later.

17                   Limestone, if I remember correctly, at  
18 the time was considered to be -- was challenged very  
19 seriously and they thought Limestone cost too much.  
20 They didn't think it was going to generate revenues,  
21 and lo and behold years later it turned out to be this  
22 -- this visionary project, much the same as the flood  
23 way around Winnipeg, which at the time was only built  
24 because of one (1) person. Everybody else thought it  
25 was a huge waste of money.

1                   So, I'm always concerned about  
2 historical precedent twenty (20) years or forty (40)  
3 years later, and as well, we didn't set rates when  
4 Limestone was built. The Board only set rates at a  
5 later time.

6                   I -- Mr. Williams is -- when -- when --  
7 Limestone was built before '88, wasn't it?

8                   DR. BYRON WILLIAMS: No, I think it  
9 was built in the -- I'm giving evidence --

10                  THE CHAIRPERSON: Okay. Yes.

11                  DR. BYRON WILLIAMS: -- but the -- the  
12 PUB may take judicial notice --

13                  THE CHAIRPERSON: Yes.

14                  DR. BYRON WILLIAMS: -- of the fact  
15 that it was built in the -- in the '90s --

16                  THE CHAIRPERSON: Okay.

17                  DR. BYRON WILLIAMS: -- finished in  
18 the '90s, and certainly it could also take judicial  
19 notice of the fact that there was a rate setting  
20 authority there. And if you were going to test my  
21 memory, Hydro didn't have rate increases for about --

22                  THE CHAIRPERSON: Yeah.

23                  DR. BYRON WILLIAMS: -- six (6) or  
24 seven (7) years and then the Consumers Association  
25 came in and --

1 THE CHAIRPERSON: Yeah.

2 DR. BYRON WILLIAMS: -- asked for --

3 THE CHAIRPERSON: And then all of a  
4 sudden the trouble started, yeah.

5 DR. BYRON WILLIAMS: Yeah, that's when  
6 things started.

7 THE CHAIRPERSON: Okay.

8 MR. PELINO COLAIACOVO (by TEAMS): The  
9 -- the project was finished in 1992, but you're --

10 THE CHAIRPERSON: Yeah.

11 MR. PELINO COLAIACOVO (by TEAMS): --  
12 you are right. It -- it dates -- initial construction  
13 was in the early '80s and then construction stopped.  
14 There was --

15 THE CHAIRPERSON: Yeah.

16 MR. PELINO COLAIACOVO (by TEAMS): --  
17 there was lots of controversy for a period of time.

18 THE CHAIRPERSON: Yeah.

19 MR. PELINO COLAIACOVO (by TEAMS):  
20 Then they finished the project and it turned out to be  
21 a big success.

22 THE CHAIRPERSON: Yeah.

23 MR. PELINO COLAIACOVO (by TEAMS): I  
24 completely agree with you.

25 THE CHAIRPERSON: We wouldn't be here

1 even looking at this if -- if bill 36 was proclaimed  
2 and we were at April 1st of 2025, would we?

3 MR. PELINO COLAIACOVO (by TEAMS):

4 That's right.

5 THE CHAIRPERSON: I mean, the whole  
6 issue of reserves and everything would be settled. We  
7 have legislation in place. So, the issue is, what do  
8 we do now?

9 I'm just wondering -- you -- you put  
10 forward this -- this issue about discussion with the  
11 bond market, as if the bond market was something we  
12 could touch.

13 You know, in fact, we -- we in the  
14 59/18 talked to someone who is an institutional  
15 investor. How -- how do you get an institutional  
16 investor to come to a meeting and tell you what  
17 they're actually thinking and give them scenarios?

18 When -- when we sort of put it, it was  
19 put on -- it was sort of on the basis of, Well, no,  
20 that's not our job. Our job is, you come to us with  
21 an investment and we'll tell you whether interested  
22 and how much it's going to cost.

23 They're not advisors the way you're an  
24 advisor. So how do we get them to -- to tell us, you  
25 know, whether they think, you know, the equity --



1 debt/equity level needs to be at one level versus  
2 another level?

3 MR. PELINO COLAIACOVO (by TEAMS): So,  
4 there are about a hundred and fifty (150)  
5 institutional bond buyers that make up the pool for  
6 the Province of Manitoba. They are all very large  
7 institutions, and they are part of the syndicate that  
8 buys bonds --

9 THE CHAIRPERSON: M-hm.

10 MR. PELINO COLAIACOVO (by TEAMS): --  
11 buys and sells bonds day in/day out, right. And so no  
12 -- no individual member of that pool is representative  
13 of the whole pool.

14 So I completely sympathize with your  
15 concern about how -- how do you actually -- it's  
16 easier to say the bond market, but -- but that's  
17 actually a hundred and fifty (150) or more different  
18 individual investors and they all have slightly  
19 different opinions about stuff.

20 But, you can, you know -- more  
21 realistically, you can hire someone to go out and do a  
22 series of meetings with some representative sample of  
23 those hundred and fifty (150) to two hundred (200)  
24 bond buyers.

25 And to talk to their actual analysts,

1 because each of these institutions has hundreds of  
2 employees and some of them are analysts who do nothing  
3 but, you know, update ongoing models for all of the  
4 issuers that they track 'cause, you know, the Province  
5 of Manitoba is just one (1) of many issuers that they  
6 pay attention to.

7                   But then those analysts will tell you,  
8 well, here are the criteria that we pay attention to,  
9 and this is how we decide. It's -- and -- and they're  
10 much more likely to do that on a, you know, one-on-one  
11 basis with somebody who's doing it on your behalf  
12 who's going to produce a report that says, well, I  
13 talked to twenty (20) representative bond buyers, and  
14 this is the average of what they all said.

15                   These are -- and -- and some of them  
16 were outliers. They said this, and some of them --  
17 many of them agreed that this -- you know, these five  
18 (5) things were most important to them.

19                   Those are the kinds of efforts that you  
20 can undertake to deepen your understanding. Is it  
21 going to be perfect? No, it's not.

22                   THE CHAIRPERSON: I guess, Mr.  
23 Colaiacovo, if -- if Manitoba Hydro was still selling  
24 bonds, I could see that. But you're talking about  
25 going to the -- to these institutional investors who

1 are selling Manitoba -- Government of Manitoba bonds,  
2 not Manitoba Hydro bonds.

3                   So how do you get them to comment on  
4 Manitoba Hydro versus the Government of Manitoba?

5                   MR. PELINO COLAIACOVO (by TEAMS): Oh,  
6 but they -- they do know that -- I mean, especially  
7 now since Manitoba Hydro represents such a large  
8 portion of the Government of Manitoba's total bond  
9 portfolio, it's -- it's in the high 30 percent range  
10 now.

11                   So the entire market knows that, you  
12 know, a very significant portion of Manitoba's issues  
13 are actually for Manitoba Hydro.

14                   And -- and there is attention paid to  
15 Manitoba Hydro's performance as a result of that  
16 because Manitoba's bonds are supported not just by  
17 taxes, but they're also -- those bonds, because they  
18 are on-lent to Manitoba Hydro, are supported by  
19 Manitoba Hydro revenues. So -- so there is full  
20 understanding of that in the market.

21                   You're right, when they buy a bond  
22 issue, it does not have Manitoba Hydro's name on it.  
23 But when they are doing their analysis of, you know,  
24 how much of this bond issue do we want to support and  
25 what price are we going to demand, what's the credit

1 spread that we're looking for, you know, under --  
2 under what Manitoba Hydro circumstances are they going  
3 to -- like what -- it's -- it's almost a theoretical  
4 question to say: What -- if there were an  
5 announcement from Manitoba Hydro that caused you to  
6 change your view on the credit spread, what would it  
7 be, right?

8                   That's -- that's what you're trying to  
9 get at and, you know, it's -- it's not perfect, but if  
10 you were going to be setting some long-term targets  
11 and, you know, communicating with the market about how  
12 Manitoba Hydro was going to behave as a creditworthy  
13 entity, you know, you'd want to understand what those  
14 drivers are.

15                   THE CHAIRPERSON: Okay. My -- sorry.  
16 My final question is: Do you know of any other board  
17 or commission in Canada that communicates directly  
18 with institutional investors?

19                   MR. PELINO COLAIACOVO (by TEAMS): We  
20 did similar work for another government entity, in  
21 fact, a couple of them. The -- it's always  
22 confidential --

23                   THE CHAIRPERSON: Yeah. I -- I  
24 appreciate that.

25                   MR. PELINO COLAIACOVO (by TEAMS): --

1 when -- when you do that. The -- I think it should be  
2 very clear that you will not get that kind of -- you  
3 know, that sort of an institution will not put it on  
4 the public record. They will not attend the  
5 regulatory hearing and volunteer their opinions.

6 But that doesn't mean that information  
7 can't be collected and put on the record in useful  
8 ways.

9 THE CHAIRPERSON: Okay. Thank you  
10 very much. We're going to take our morning break now  
11 and come back in fifteen (15) minutes. Thank you very  
12 much, sir.

13 MR. PELINO COLAIACOVO (by TEAMS):  
14 Thank you.

15

16 --- Upon recessing at 10:39 a.m.

17 --- Upon resuming at 10:55 a.m.

18

19 THE CHAIRPERSON: Sorry. I'm getting  
20 the eye, Mr. Hombach. Am I supposed to go to you, or  
21 am I going to Mr. Czarnecki?

22 MR. SVEN HOMBACH: It was -- it was  
23 not the eye, but I wanted to just --

24 THE CHAIRPERSON: Okay.

25 MR. SVEN HOMBACH: -- advise --

1 THE CHAIRPERSON: Was it the height?  
2 Was it the height? Okay.

3 MR. SVEN HOMBACH: Maybe it was the  
4 eye. Who knows? I just wanted to advise the Panel  
5 that I've canvassed with other counsel during the  
6 break. Mr. Czarnecki does have a few brief comments,  
7 and Mr. Hacault has requested about five (5) minutes  
8 of cross-examination with Mr. Colaiacovo as well. He  
9 was not on the agenda --

10 THE CHAIRPERSON: Okay.

11 MR. SVEN HOMBACH: -- but I do believe  
12 we can accommodate him.

13 THE CHAIRPERSON: Certainly. Okay.  
14 Thank you. Mr. Czarnecki...?

15 MR. BRENT CZARNECKI: Thank you, Mr.  
16 Chairman and Board members, and good -- good morning,  
17 Mr. Colaiacovo.

18 On behalf of Manitoba Hydro, I can  
19 indicate we do not have any cross-examination  
20 questions. But for the record, I want it to be clear  
21 that that is in no way an indication that we are in  
22 agreement with Mr. Colaiacovo's observations and  
23 musings within his pre-filed evidence and that have  
24 occurred today.

25 Rather, we will take the time to

1 address them properly in written or oral final  
2 argument, Mr. Chairman.

3 THE CHAIRPERSON: Understood.

4 MR. BRENT CZARNECKI: Thank you.

5 THE CHAIRPERSON: Thank you, sir.

6 M. Hacaault...?

7

8 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

9 MR. ANTOINE HACAULT: Yes, Mr.

10 Colaiacovo. I'd like to take you to slide 13 of your  
11 presentation, and then I'll refer you to the current  
12 evidence on file.

13 You see on the right-hand side that you  
14 referred to a graph that you had prepared in 2017/'18  
15 GRA, correct?

16 MR. PELINO COLAIACOVO (by TEAMS):

17 That's correct, yes.

18 MR. ANTOINE HACAULT: And as I  
19 understood your testimony this morning, you thought  
20 that there wasn't equivalent data on -- on the record  
21 for this Application, correct?

22 MR. PELINO COLAIACOVO (by TEAMS): The

23 data may -- the raw data may be there to do the  
24 calculation. I did not undertake to do that  
25 calculation, but I'm certainly, you know -- it's not

1 something that I was looking for, let's put it that  
2 way, in order to prepare a similar chart.

3 The only point of including the chart  
4 was to say that I didn't believe that things have  
5 changed from a conceptual perspective. The actual  
6 figures obviously would be updated to today if -- if  
7 those are in the record, and they may be in the  
8 record.

9 MR. ANTOINE HACAULT: Okay. Thank  
10 you. Just by way of factual background, you'll  
11 acknowledge that, since your graph, we've had the MMTP  
12 and Keeyask projects completed, correct?

13 MR. PELINO COLAIACOVO (by TEAMS):  
14 Yes.

15 MR. ANTOINE HACAULT: Okay. Now, I'd  
16 like you, Ms. Schubert, please to bring us to tab 10,  
17 which is MFR-41 amended, page 6 of that document at  
18 Figure 5, which is entitled '110 Year Net Export  
19 Revenues and Net Income for 2024/'2025.'

20 Do you see that before you, sir?

21 MR. PELINO COLAIACOVO (by TEAMS): I  
22 do.

23 MR. ANTOINE HACAULT: Okay. And this  
24 I'll suggest to you is the updated data which is  
25 similar to what's on your table. And if you can't



1 answer that now, we can deal with it by way of  
2 undertaking.

3 MR. PELINO COLAIACOVO (by TEAMS): I  
4 suspect it is. There's a graphic that appears on the  
5 next couple of slides after -- on the next couple of  
6 pages, as you can see, in the MFR --

7 MR. ANTOINE HACAULT: And I'll go --  
8 I'll go to that --

9 MR. PELINO COLAIACOVO (by TEAMS):  
10 Yeah.

11 MR. ANTOINE HACAULT: -- but I first  
12 want to make a couple of observations about this data.

13 On your graph, if we go back to it,  
14 we'll see that there was -- you attributed 15 percent  
15 of I'm going to say drought or less where we had  
16 several years of negative income. It looks like about  
17 fifteen (15) on your graph.

18 Do you see that?

19 MR. PELINO COLAIACOVO (by TEAMS):  
20 Yes.

21 MR. ANTOINE HACAULT: And now if we go  
22 back to the data that I've just shown to you at page  
23 6, Figure 5, we no longer have now that MMTP and  
24 Keeyask are in place a total of fourteen (14) or  
25 fifteen (15) years of negative income, but it's been

1 changed to a period of seven (7) years over the  
2 hundred and ten (110) runs that have been made,  
3 correct?

4 MR. PELINO COLAIACOVO (by TEAMS): So,  
5 I will agree with you that in this set of data there's  
6 only seven (7) or so negative net -- net export  
7 revenue causing negative net income.

8 However, I'm not necessarily going to  
9 agree with you without being able to look at all the  
10 data in detail as to whether the reason for that was  
11 Keeyask and MNTP.

12 My understanding of these calculations  
13 is that the starting position for water in any given  
14 year analyzed is relevant to these outcomes, as is the  
15 assumptions made about import and export prices and  
16 fuel prices.

17 And, of course, those assumptions would  
18 have been different in the past from what they are  
19 today, and -- and so those assumptions may also be  
20 affecting which columns are negative and which columns  
21 are positive.

22 So, I -- I think it requires going into  
23 a lot more of the precursor data to these results of  
24 calculations to understand what's driven the change.

25 MR. ANTOINE HACAULT: Thank you for

1 that, sir. And you'll acknowledge that this is a  
2 prospective calculation for 2024/2025?

3 MR. PELINO COLAIACOVO (by TEAMS):

4 Yes. Yes.

5 MR. ANTOINE HACAULT: And the last  
6 point is going to the figure which you did mention,  
7 Figure 7 at page 8.

8 If we look at the graph, it provides a  
9 visual of the data which was set out in Figure 5;  
10 that's correct?

11 MR. PELINO COLAIACOVO (by TEAMS):

12 Yeah. And -- and I would note, similar to what I -- I  
13 said when I was talking about the data from a number  
14 of years ago, there are more -- like, if you look at  
15 the point at which the blue line crosses the black  
16 line, there is more space to the right than there is  
17 to the left, but the depth of -- of the blue line as  
18 it -- as it reaches its lowest flow is -- is a much  
19 longer distance than it is on the right-hand side from  
20 the average up to the top.

21 And -- and the comments that I made  
22 were that that was true back then, in 2018, and I  
23 believe it also to be true today based on the updated  
24 information, and -- and I think in fact this chart  
25 bears that out.

1                   In fact, this is a bit more extreme  
2 than it was back in 2018. But, you know, I was only  
3 pointing to the fact that, because of the reality of  
4 those challenges with hydrology, equity is required in  
5 the business if for no other reason.

6                   MR. ANTOINE HACAULT: I just have one  
7 (1) final question. Could you undertake to update the  
8 graph on slide 13 by using the current data which I  
9 referred to you from MFR-41 amended at page 6?

10                  MR. PELINO COLAIACOVO (by TEAMS):  
11 Sure. I -- I may need to also use some -- some other  
12 data. I'm going to have to see if it's also available  
13 on the record. Because this is the net income  
14 calculation.

15                  I also needed to -- the corresponding  
16 hydro power output, if there is a similar table in an  
17 MFR that also has that in order to make the -- the two  
18 (2) graphs, like, properly updated from the past to --  
19 to current, but I'd be happy to do that.

20

21 ---UNDERTAKING NO. 53:        To update the graph on  
22                                    slide 13 by using the  
23                                    current data referred to  
24                                    you from MFR-41 amended at  
25                                    page 6

1 MR. ANTOINE HACAULT: Thank you, sir.  
2 Those are all my questions.

3 THE CHAIRPERSON: Thank you. Mr.  
4 Hombach...?

5

6 CROSS-EXAMINATION BY MR. SVEN HOMBACH:

7 MR. SVEN HOMBACH: Thank you. Good  
8 morning, Mr. Colaiacovo. My name is Sven Hombach. I  
9 don't think we have had the pleasure, but I'm counsel  
10 to the Public Utilities Board in this Hearing.

11 MR. PELINO COLAIACOVO (by TEAMS):  
12 Pleasure to meet you.

13 MR. SVEN HOMBACH: You're aware that  
14 one (1) of the themes in this Hearing has been this  
15 concept of a twenty (20) year rate path, correct?

16 MR. PELINO COLAIACOVO (by TEAMS):  
17 Correct.

18 MR. SVEN HOMBACH: And I believe you  
19 referred to that -- that concept of the rate path on  
20 page 12.

21 I -- I heard you say this morning that  
22 it's your view that long-term forecasts are almost  
23 inherently wrong. Did I have that right?

24 MR. PELINO COLAIACOVO (by TEAMS):  
25 That would be a good paraphrasing of my views, yes.

1 MR. SVEN HOMBACH: And I -- I believe  
2 if I saw it right, on page 6 of your presentation, you  
3 had three (3) exclamation marks after the potential  
4 ban on gas turbines?

5 MR. PELINO COLAIACOVO (by TEAMS):  
6 Yes.

7 MR. SVEN HOMBACH: Okay.

8 MR. PELINO COLAIACOVO (by TEAMS):  
9 That's right.

10 MR. SVEN HOMBACH: So -- so, you  
11 referenced the Bonbright criterial in your report.  
12 And I'd like to take you to page 31 of your report,  
13 please.

14 MR. PELINO COLAIACOVO (by TEAMS): M-  
15 hm.

16 MR. SVEN HOMBACH: Now, the -- the  
17 third of those criteria deals with stability and  
18 predictability of the rates themselves with a minimum  
19 of unexpected changes that are seriously adverse to  
20 utility customers and that are intended to provide  
21 historical continuity.

22 I -- I take it you agree that this is  
23 one (1) of the criteria that the Board should take  
24 into account?

25 MR. PELINO COLAIACOVO (by TEAMS):

1 Yes, absolutely.

2 MR. SVEN HOMBACH: So, as far as  
3 you're concerned, does this mean that the Board should  
4 aim for steady and even rate increases to the extent  
5 that it can?

6 MR. PELINO COLAIACOVO (by TEAMS): I  
7 think this is one (1) of the considerations that the  
8 Board should be looking to. I think it is not the  
9 only consideration, but it is one (1) of them, and it  
10 is a very legitimate and important consideration.

11 And I think the Board has, in fact, in  
12 the past in its record of rate increases over the  
13 years, you know, grappled with this issue. And so,  
14 yes, you know, stability and predictability is  
15 important.

16 I think where I'm questioning is  
17 whether a 2 percent rate path, if you will, is  
18 artificial and taking that principle of stability too  
19 far, that -- that sometimes there are other  
20 considerations that should also enter into the  
21 decision making and, in this particular instance, I  
22 think there are.

23 I think, also, there's another issue,  
24 is, you know, there is an MFR that includes a list of  
25 all of the rate decisions over the past twenty (20)

1 years. And I think you can see that, in most  
2 instances, those rate decisions varied anywhere from 2  
3 percent to 3 1/2 percent or so.

4                   And I think it's fair to question  
5 whether differences of that magnitude can be called  
6 instability or unpredictability. I think, in fact,  
7 the PUB has done an admirable job of -- of being  
8 predictable within the scope of what could be done at  
9 the time based on the timing of applications and so  
10 on.

11                   I don't think that 2 percent every  
12 single year is required in order to be predictable.  
13 So, it -- probably added a bit too much, but there you  
14 go.

15                   MR. SVEN HOMBACH:    So -- so, I'd  
16 actually like to take you to that MFR in a bit, Mr.  
17 Colaiacovo, but first, I wanted to -- to pick up on a  
18 comment that you made in your report.

19                   One (1) of the things you pointed out  
20 was that when Manitoba Hydro initially came in with a  
21 3.5 percent rate plan --

22                   MR. PELINO COLAIACOVO (by TEAMS):    M-  
23 hm.

24                   MR. SVEN HOMBACH:    -- that plan would  
25 have contravened the legislated rate cap.



1                   You recall that?

2                   MR. PELINO COLAIACOVO (by TEAMS):

3                   yes.

4                   MR. SVEN HOMBACH:     So -- so, is it  
5                   fair to say that, in your mind, the original 3.5  
6                   percent plan was basically a fiction?

7                   MR. PELINO COLAIACOVO (by TEAMS):     I  
8                   think that's true.    If -- if Bill 36 is to be taken  
9                   seriously and the assumption is that the -- on my  
10                  reading of Bill 36, the rate cap is very clear and  
11                  very firm that it is 5 percent or inflation, whichever  
12                  is less.

13                  And I -- if you believe the Bank of  
14                  Canada statements, they will force the inflation rate  
15                  below 3 1/2 percent; therefore, the 3 1/2 percent rate  
16                  path had very little chance of becoming reality.

17                  MR. SVEN HOMBACH:     So -- so, Mr.  
18                  Colaiacovo, this morning the focus of your evidence  
19                  very much was the debt-to-equity target, but I'd like  
20                  to explore it from that issue of the rate cap.

21                  If the Board were to go along with your  
22                  recommendation and establish a temporary rate freeze,  
23                  in your mind, what would that mean in terms of  
24                  potential rate shock in future hearings?

25                  And -- and I don't want this to be a

1 trick question. Is it your understanding --

2 MR. PELINO COLAIACOVO (by TEAMS): No,  
3 I hear you.

4 MR. SVEN HOMBACH: -- that the rate --  
5 is it your understanding that the rate cap in the  
6 legislation would trump the debt-to-equity target?

7 MR. PELINO COLAIACOVO (by TEAMS):  
8 Yes. That's my reading of the legislation, is that  
9 the rate cap absolutely trumps the debt/equity -- the  
10 -- debt-to-capitalization ratios. Those are targets.  
11 The rate cap is a requirement. I think that's very  
12 clear from the legislation as it currently is written.

13 MR. SVEN HOMBACH: Do you recall, this  
14 morning, that Vice-Chair Ms. Kapitany asked you about  
15 the Board's previous ruling on the 75/25 target that  
16 Manitoba Hydro is at?

17 MR. PELINO COLAIACOVO (by TEAMS):  
18 Yes, I do recall.

19 MR. SVEN HOMBACH: So -- so I'd like  
20 to take you to an excerpt from Board Order 59/18 if I  
21 may -- sorry, actually let's deal with 69/19. Ms.  
22 Schubert, if we could pull that up and go to page 28,  
23 please. And let's scroll down a little bit.

24 There's a quote that the Board adopted,  
25 again, in -- a little bit further up. Thank you.

1 That's good.

2 It -- it's the Board quoting itself  
3 from Order 59/18, saying:

4 "As noted by Manitoba Hydro's  
5 external consultant, KPMG, there's a  
6 practical recognition that this  
7 target will not be met during the  
8 period of large capital expenditures  
9 when newly constructed assets are  
10 placed in service. Accordingly, the  
11 75/25 could remain the long-term  
12 objective. The Board supports this  
13 view. As such, the Board is not  
14 prepared to look at the issue of  
15 pacing to achieve a particular  
16 equity level target at least until  
17 the current phase of major capital  
18 construction is completed. Now  
19 projected by Manitoba Hydro to be in  
20 2024."

21 Mr. COLAIACOVO, would you acknowledged  
22 that, at this point in time, the large capital  
23 projects are effectively done?

24 MR. PELINO COLAIACOVO (by TEAMS):  
25 Absolutely.

1 MR. SVEN HOMBACH: So with that being  
2 the case, do you -- do you disagree that a 75/25  
3 ratio is appropriate?

4 Do you think that ratio should be less?

5 MR. PELINO COLAIACOVO (by TEAMS): So  
6 I would point out that the language says 75/25 could  
7 remain the long-term objective. It could.

8 I don't believe that -- in my own view,  
9 that an arbitrary number like 75/25 is the best  
10 policy.

11 My own view is that the risks that are  
12 being addressed through the retained earnings -- the  
13 buildup of retained earnings should be identified.  
14 And some effort should be made to relate the amount of  
15 retained earnings to a specific benefit. Like  
16 managing drought risk, for example.

17 It may include other risks. And -- and  
18 if the Board's decision is to include other risks,  
19 then so be it. But a 75/25 is an arbitrary number of  
20 convenience, which comes out of history and some  
21 historical decisions.

22 I don't think it's particularly related  
23 to any facts on the ground in Manitoba Hydro's case.

24 MR. SVEN HOMBACH: So -- so let me  
25 pick up on that suggestion of the retained earnings.

1                   And Mr. COLAIACOVO, I'll -- I'm sure  
2 you've reviewed the record to some extent but I don't  
3 want to be unfair. And I'll put the document up on  
4 screen. If we could go to Board counsel book of  
5 documents, volume 4, please. And go to page 47 of  
6 that document.

7                   Mr. COLAIACOVO, this is Manitoba  
8 Hydro's sensitivity analysis. I don't know if you've  
9 had a change to look at the document in getting ready  
10 for today.

11                   MR. PELINO COLAIACOVO (by TEAMS): I  
12 looked at it earlier in the process; not in the last  
13 few days. But yes.

14                   MR. SVEN HOMBACH: So -- so I simply  
15 want to refer you to the top right of that page where  
16 Manitoba Hydro deals with the impact on net income of  
17 a five (5) year drought and a seven (7) year drought.  
18                   You see that in the 2042 line?

19                   MR. PELINO COLAIACOVO (by TEAMS):  
20 Yes.

21                   MR. SVEN HOMBACH: So that suggests  
22 that, according to Manitoba Hydro's assessment, a five  
23 (5) year drought has an impact of about 2.8 to \$2.9  
24 billion, and a seven (7) year drought has an impact of  
25 about 3.7 billion.

1 MR. PELINO COLAIACOVO (by TEAMS):

2 Right.

3 MR. SVEN HOMBACH: You don't have any  
4 reason to disagree with that assessment, I take it?

5 MR. PELINO COLAIACOVO (by TEAMS): No.

6 MR. SVEN HOMBACH: So will you accept,  
7 subject to check, that Manitoba Hydro's retained  
8 earnings at this point are approximately 4 billion?

9 MR. PELINO COLAIACOVO (by TEAMS): I  
10 would accept that, sure.

11 MR. SVEN HOMBACH: So -- so correct me  
12 if I'm wrong, but with your suggestion of a two (2)  
13 year rate pause, under that plan, would Manitoba  
14 Hydro's retained earnings actually go down?

15 MR. PELINO COLAIACOVO (by TEAMS): I'm  
16 not 100 percent clear on the question.

17 So if there were a rate pause, retained  
18 earnings would still be rising from today, based on  
19 Manitoba Hydro's own expected profitability in their  
20 reference case for the next two (2) years, which would  
21 then achieve a certain level.

22 And if a five (5) or a seven (7) year  
23 drought began in -- which are we talking about and,  
24 you know, the five (5) year drought would last five  
25 (5) years from that point onwards.

1 I think -- my reading of the analysis  
2 that Manitoba Hydro did is that there is already  
3 expected to be sufficient retained earnings to manage  
4 a five (5) year drought, even without rate increases  
5 over the next two (2) years.

6 As to a seven (7) year drought, I  
7 believe that also is the case. But -- and I'm not  
8 sure this sensitivity table is exactly answering the  
9 question. But yeah, if we could clarify what's being  
10 requested, then I could respond to it better.

11 Sorry if I'm being unhelpful.

12 MR. SVEN HOMBACH: No, you are being  
13 quite helpful. Thank you.

14 I'd like to take you to page 123 of the  
15 document, please. So in light of Orders 59/18 and  
16 69/19, the Board advisors put a scenario to Manitoba  
17 Hydro that basically said, Show us what even annual  
18 rate increases would have to be to get to 75/25 over  
19 twenty (20) years, as opposed to 70/30.

20 MR. PELINO COLAIACOVO (by TEAMS):  
21 Right.

22 MR. SVEN HOMBACH: And the response  
23 from Manitoba Hydro that you can see on the screen is  
24 the rate path would be 1.59 percent annually, as  
25 opposed to 2 percent.

1 MR. PELINO COLAIACOVO (by TEAMS):

2 Right.

3 MR. SVEN HOMBACH: Again, you don't  
4 have any reason disagree with that math, I take it?

5 MR. PELINO COLAIACOVO (by TEAMS): No,  
6 no. And that's always using the same set of reference  
7 assumptions that underlie the application.

8 So yes, I completely agree with that.

9 MR. SVEN HOMBACH: So if that is the  
10 case, Mr. COLAIACOVO, and you suggest a two (2) year  
11 rate pause, is it your understanding that rates behind  
12 the two (2) year rate pause would likely have to be  
13 higher than 2 percent or higher than 1.59 percent to  
14 make up for it?

15 MR. PELINO COLAIACOVO (by TEAMS):

16 That would likely be the case, yes. They would have  
17 to be higher than one-point-five-nine (1.59).

18 If -- if the first two (2) years were  
19 zero (0) and the subsequent eighteen (18) years then  
20 over -- if the time horizon were twenty (20) years, in  
21 order to achieve 75/25 it would have to be higher than  
22 one-point-five-nine (1.59) certainly.

23 As to whether they would have to be  
24 higher than two (2), I don't know. That -- that  
25 actually requires doing the math.



1 MR. SVEN HOMBACH: And you'd accept  
2 that this would likely mean that Manitoba Hydro would  
3 not actually be able to make the -- to meet the 70/30  
4 target that's currently in the legislation?

5 MR. PELINO COLAIACOVO (by TEAMS):  
6 Well, this -- this analysis is for 75/25 as opposed to  
7 70/30. I think Manitoba Hydro's own analysis is that  
8 2 percent is required for 70/30.

9 You know, so that -- I'm not  
10 disagreeing with their analysis. Based on the --  
11 like, in the reference case, they would achieve that.

12 They, themselves, have pointed out that  
13 there are many cases where they don't achieve it, even  
14 with a 2 percent rate path. Just adverse water  
15 conditions, lower prices, higher fuel costs, et  
16 cetera, et cetera.

17 You know, there are many instances  
18 where they would under achieve. There are other cases  
19 where they would over achieve, in fact.

20 And -- and on a percentage basis, I  
21 actually think it's something that has not been much  
22 addressed, but if you look at that net export revenue  
23 analysis, in 60 percent of cases, in any given year,  
24 you're over achieving.

25 And -- and so if you do a Monte Carlo

1 analysis of, like a multi variant -- Monte Carlo  
2 analysis, on the twenty (20) year time horizon, what  
3 probability do you have of over achieving versus under  
4 achieving because timing matters in -- in all of that.

5           And that's something that's never  
6 really been addressed, because a 2 percent rate path  
7 is just the center line of a cloud of -- of possible  
8 outcomes. And some of them will be better and some of  
9 them will be worse.

10           And -- and that goes -- that's true for  
11 all of these different rate paths. I mean, if you  
12 assume a 75/25 target or a 70/30 target or some other  
13 target, actual reality will vary from whatever the,  
14 you know, the -- the financial forecast is,  
15 potentially by a significant amount.

16           And -- and the whole point of resetting  
17 rates every two (2) years or three (3) years is to  
18 reflect reality. So, if the primary objective is  
19 hitting a target by a certain year, I can virtually  
20 guarantee you that you will not have a smooth rate  
21 path.

22           On the other hand, if the primary  
23 target is having a smooth rate path, then I can pretty  
24 much guarantee you you're not going to hit your  
25 specific target. You're much more likely to be off

1 target. You might be higher or you might be lower,  
2 but you're probably not going to be on target.

3                   So -- so there is a ranking process  
4 that's required. Is it more important to hit a  
5 specific target in a specific year, in which case you  
6 have to adjust rates over time, or is it -- more  
7 important to have a smooth rate path, and -- and  
8 therefore, you don't adjust rates, but the target goes  
9 where it goes?

10                   And, in my view, the history of the PUB  
11 is to set rates every two (2) or three (3) years.  
12 Bill 36 also has a requirement that -- that rates get  
13 re-set every couple of years. And so, it's not a  
14 smooth even annual rate path, it's -- it's going to be  
15 a bumpy rate path, within limits. Right? With --  
16 because the limits of what is reasonable and  
17 predictable and -- and so on.

18                   All of that is, of course, very  
19 important. But it's never going to be a smooth rate  
20 path to hit a specific target, just because of the  
21 nature of the variability of the outcomes.

22                   MR. SVEN HOMBACH:    And -- and you drew  
23 that distinction, Mr. Colaiacovo, I believe between a  
24 -- a regulatory perspective and a legislative  
25 perspective.

1 MR. PELINO COLAIACOVO (by TEAMS): M-  
2 hm.

3 MR. SVEN HOMBACH: So, so I -- I  
4 wanted to pick up on that issue. You -- you made an  
5 interesting comment this morning, which is that,  
6 legislatures can change their mind, I believe you  
7 said.

8 MR. PELINO COLAIACOVO (by TEAMS):  
9 That's right.

10 MR. SVEN HOMBACH: So -- so, in your  
11 view, I take it, the legislature could change its mind  
12 with respect to the target as well as the rate cap?

13 MR. PELINO COLAIACOVO (by TEAMS):  
14 Sure.

15 MR. SVEN HOMBACH: So --

16 MR. PELINO COLAIACOVO (by TEAMS):  
17 Absolutely. And -- and in fact, in the legislation, I  
18 believe the targets can be amended -- the targets and  
19 the timing, financial targets and timing can be  
20 amended by regulation.

21 The rate cap, itself, I -- my reading  
22 of it, and I am not a lawyer, I'm not a practicing  
23 lawyer, et cetera. My reading of it, however, is that  
24 in order to change the rate cap, they would have to  
25 change the -- amend the legislation.

1 MR. SVEN HOMBACH: So, so your comment  
2 was not intended to mean that if there is a change in  
3 government, the rate cap might disappear.

4 It was simply to point out that there's  
5 some flexibility?

6 MR. PELINO COLAIACOVO (by TEAMS): I -  
7 -- I think if there was a change in government, you  
8 know, you -- people in Manitoba who follow Government  
9 of Manitoba issues, could tell me whether a change of  
10 government is likely to affect this or not.

11 It -- changes in government often do  
12 affect questions like this that are controversial in -  
13 - in the public, but having said that, even without  
14 changing government, governments change their minds.  
15 It happens, in the face of circumstance, you know,  
16 there's an unexpected outcome and government changes  
17 its position. I -- I don't think that's unreasonable.  
18 It happens all the time.

19 MR. SVEN HOMBACH: Okay. The -- the  
20 last thing I wanted to ask you is about your concept  
21 of inter-generational equity and the ten (10) year  
22 path and ten (10) year history of rate increases.

23 Let's go to page 9 of the Board Counsel  
24 Book of Documents, Volume 4. That is --

25 MR. PELINO COLAIACOVO (by TEAMS):

1 M-hm.

2 MR. SVEN HOMBACH: -- the IR, I  
3 believe, that you're referring to when Manitoba Hydro  
4 indicated that -- if you look back one decade,  
5 Manitoba Hydro CPI was about 25 percent, while  
6 cumulative rate increases were about 43 percent.

7 MR. PELINO COLAIACOVO (by TEAMS):  
8 That's correct.

9 MR. SVEN HOMBACH: Okay. So I -- I  
10 wanted to take a slightly different perspective and  
11 turn your attention to Manitoba Hydro Exhibit 42,  
12 second page of the document, I believe. There we go.

13 Mr. Colaiacovo, you probably haven't  
14 seen this. This is an updated chart that rather than  
15 looking back ten (10) years, looks back twenty (20)  
16 years.

17 MR. PELINO COLAIACOVO (by TEAMS):  
18 M-hm.

19 MR. SVEN HOMBACH: To -- to the  
20 beginning of the millennium, and those numbers, if you  
21 look at the very last row, middle of the column, would  
22 show that over twenty (20) years cumulative rate  
23 increases have actually been less than CPI.

24 MR. PELINO COLAIACOVO (by TEAMS):  
25 Right.

1 MR. SVEN HOMBACH: So, I'd like to ask  
2 you why you believe that the Board should be looking  
3 back ten (10) years to, I believe what Manitoba Hydro  
4 called the decade of investment as opposed to a little  
5 bit longer in taking, perhaps, a twenty (20) year  
6 view.

7 MR. PELINO COLAIACOVO (by TEAMS): So,  
8 I think the critical decision point that -- the  
9 critical point in time, that's relevant, is the  
10 government's decision to embark on the Bipole and  
11 Keeyask projects. And that occurred, I mean,  
12 preliminary construction started on Keeyask in 2012.  
13 Hence the decade. The -- before that, I mean, yes,  
14 there was -- the Wuskwatim Project in early -- in the  
15 early 2000's.

16 But, largely, the two (2) decades, from  
17 1992 to 2012, were reaping the benefits of the  
18 Limestone project, which we talked about briefly  
19 earlier. The -- those two (2) decades were largely  
20 driven by the infrastructure that was built which  
21 culminated with Limestone.

22 In 2012 you begin kind of a new era,  
23 which is Keeyask and Bipole and -- and -- the new  
24 transmission lines for export purposes and -- and so  
25 on and so forth. And -- and that's why I think it's -

1 - it's appropriate to take that as a bright line and  
2 say, okay, you know, there were -- there -- there was  
3 a cohort of ratepayers that benefitted from the  
4 Limestone success.

5                   Whether or not Limestone was considered  
6 a success when it was being built, it -- it actually  
7 turned out to be a success.

8                   And now you're talking about ratepayers  
9 who have been required to invest in Bipole and Keeyask  
10 and the MMTP transmission line. And it's those ones  
11 that I think, you know, we're looking at. Because  
12 that was an important change in the nature of Manitoba  
13 Hydro's asset base.

14                   Manitoba Hydro has talked about the  
15 fact that its asset base has grown so much over the  
16 last ten (10) years and -- and that dividing line is  
17 really 2012.

18                   MR. SVEN HOMBACH:    Thank you, Mr.  
19 Colaiacovo. Those are all of my questions.

20                   THE CHAIRPERSON:    Thank you. Mr.  
21 Williams...?

22                   DR. BYRON WILLIAMS:    No re-  
23 examination. We -- we appreciate Mr. Colaiacovo's  
24 time and unless there's any questions from the Board,  
25 we'd -- we'd ask that he be excused.



1 THE CHAIRPERSON: Okay. Other  
2 questions? No? No.

3 Thank you very much, Mr. Colaiacovo.

4 MR. PELINO COLAIACOVO (by TEAMS): It  
5 was a pleasure, as always. Thank you.

6 THE CHAIRPERSON: It was a pleasure,  
7 yes. Thank you.

8 MR. PELINO COLAIACOVO (by TEAMS):  
9 Thanks. Bye-bye.

10

11 (PANEL STANDS DOWN)

12

13 MR. SVEN HOMBACH: So, Chair, I note  
14 it's 11:30 --

15 THE CHAIRPERSON: Yeah.

16 MR. SVEN HOMBACH: --- the next item  
17 on the agenda is the direct examination and  
18 presentation by Manitoba Hydro's Rates and Cost of  
19 Service Panel.

20 It would be helpful to have some  
21 guidance from the Panel as to whether we should break  
22 for lunch now and regroup after lunch or get that  
23 panel started?

24 MR. BRENT CZARNECKI: If I can help  
25 with respect to timing, I'm advised the direct

1 presentation of the panel will be approximately one  
2 (1) hour.

3 THE CHAIRPERSON: Yeah, and I -- I  
4 quite frankly would not want to break -- break it in  
5 half. I'm just -- do we just -- give me two (2)  
6 minutes. I just want to find out who we -- well the -  
7 - I just want to see where lunch is at, otherwise,  
8 we'll -- sorry, well...

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: Yeah. We're --  
13 sorry, we're going to break for an hour for lunch and  
14 reconvene at 12:30.

15

16 --- Upon recessing at 11:33 a.m.

17 --- Upon resuming at 12:33 p.m.

18

19 THE CHAIRPERSON: Ms. Fernandes, it's  
20 up to you to bring sanity back to the process.

21 Mr. Hombach, is it you or am I going to  
22 Ms. Fernandes?

23 MR. SVEN HOMBACH: It is me for a  
24 brief moment.

25 THE CHAIRPERSON: Okay.

1 MR. SVEN HOMBACH: I just wanted to  
2 let you know that I appre -- that I appreciate Ms.  
3 Bellringer's precision when it comes to time.

4 The -- the next item on the agenda, Mr.  
5 Chair, is the direct-examination and presentation by  
6 Manitoba Hydro's Rates and Cost of Service Panel.

7 And before we turn it over to Ms.  
8 Fernandes, I would suggest that we take a moment to  
9 swear in Ms. Van Hussen and Ms. Gregorashuk, who have  
10 not testified before in this proceeding.

11

12 MANITOBA RATES AND COST OF SERVICE PANEL

13 SHANNON GREGORASHUK, Affirmed

14 MARNIE VAN HUSSEN, Affirmed

15 KEVIN GAWNE, Resumed

16

17 THE CHAIRPERSON: Ms. Fernandes...?

18

19 EXAMINATION-IN-CHIEF BY MS. ODETTE FERNANDES:

20 MS. ODETTE FERNANDES: Thank you.

21 Good afternoon, Mr. Chairman, Madam Vice Chair, and  
22 Panel Members.

23 For the record, my name is Odette  
24 Fernandes and I am legal counsel for Manitoba Hydro.  
25 Seated directly behind me is Gwen Muirhead. She is

1 familiar to this Panel. She will also be acting as  
2 legal counsel for Hydro.

3 Before we get into Manitoba Hydro's  
4 direct presentation, I thought Ms. Gregorashuk and Ms.  
5 Van Hussen could just take a couple of minutes to  
6 introduce themselves to the Board, provide you with a  
7 bit of background, and what they will be speaking to  
8 as part of this panel.

9 MS. SHANNON GREGORASHUK: Thank you.  
10 Good afternoon, Chairman Gabor, Vice Chair Kapitany,  
11 Board Members Sy, Bellringer, and Bass. My name is  
12 Shannon Gregorashuk and I'm the Director of Rates and  
13 Regulatory for Manitoba Hydro.

14 I'm a chartered professional  
15 accountant, have a masters in business administration,  
16 and have been with Manitoba Hydro for over twenty-  
17 seven (27) years. The mis -- majority of those years  
18 were spent in various positions in Rates and  
19 Regulatory of both Centra Gas and Manitoba Hydro.

20 I've also held positions in the  
21 controller's division, treasury, corporate strategic  
22 planning, and long-term export sales.

23 In my current role my responsibilities  
24 include development, preparation and submission of  
25 regulatory filings and applications, overseeing the

1 development of Cost of Service studies and Rate -- and  
2 customer rates, as well as overseeing regulatory  
3 compliance activities to this Board.

4 My responsibilities on this Panel  
5 relate to Manitoba Hydro's overall approach to rate  
6 setting that resulted in a specific rate design  
7 proposals for each customer class. Thank you.

8 MS. MARNIE VAN HUSSEN: Good  
9 afternoon, Board Chair, Vice Chair, Board Members,  
10 Board Counsel, and Staff, Interveners, Counsel, and  
11 members of the public.

12 My name is Marnie Van Hussen. I am a  
13 chartered professional accountant and I have a  
14 bachelor of commerce honours degree from the  
15 University of Manitoba.

16 I've been employed with Manitoba Hydro  
17 for nineteen (19) years. For the last sixteen (16)  
18 years I have been employed in the Rates and Regulatory  
19 Division holding positions as a cost of service  
20 analyst, a senior rate analyst, and most recently I've  
21 been the manager of the Rate Analysis and Design  
22 Department since December of 2020.

23 In my current role I am responsible for  
24 the development of Manitoba Hydro's perspective Cost  
25 of Service studies and development of customer class

1 rates for both the gas and electric segments of the  
2 business.

3 MS. ODETTE FERNANDES: Thank you. And  
4 to Ms. Van Hussen's right is Mr. Kevin Gawne, who was  
5 -- who was part of the Export and Hydrology Panel.  
6 And just seated directly behind them for the record,  
7 if we start at my furthest right, it is Mr. Kelly  
8 Hunter and he is a Senior Market and Resource Adequacy  
9 Engineer.

10 Then we have Michael Dust, who is a  
11 Senior Cost of Service Analyst. Then, Natalia  
12 Giraldo-Gomez, who's the Senior Rates Analyst. And  
13 seated beside Ms. Geraldo Gomez is Ms. Ashley Jansen,  
14 who's the Manager of Regulatory Strategy and Planning.

15 And finally, just before turning it  
16 over to Ms. Gregorashuk, just some housekeeping  
17 matters. The CVs for the Panel were sent yesterday  
18 and I believe they are Exhibit Manitoba Hydro 50. And  
19 the direct presentation we would have marked as  
20 Manitoba Hydro Exhibit 51.

21

22 --- EXHIBIT NO. MH-50: CVs of Ms. Gregorashuk and  
23 Ms. Marnie Van Hussen.

24

25 --- EXHIBIT NO. MH-51: Rates and Cost of Service

1 Panel presentation.

2

3 CONTINUED BY MS. ODETTE FERNANDES:

4 MS. SHANNON GREGORASHUK: Thank you,  
5 Ms. Fernandes. I'm pleased to be here this afternoon  
6 with my colleagues as part of Manitoba Hydro's final  
7 witness panel for the current application.

8 In terms of the specific topics we will  
9 cover as part of our opening comments, I'm going to  
10 spend a few minutes summarizing the rate approvals  
11 requested as part of this application, as well as the  
12 steps involved in the rate development process.

13 I will also summarize the rate design  
14 objectives Manitoba Hydro considered for this  
15 application. And will then turn it over to Ms. Van  
16 Hussen, who will take us through a much more detailed  
17 discussion on cost allocation methodology, followed by  
18 Manitoba Hydro, the results of the cost-of-service  
19 study completed for this application, and the rate  
20 proposals we have brought forward for approval by this  
21 Board.

22 All of the approvals requested as part  
23 of this Application have been set out in tab 1, the  
24 letter of application. The Revenue Requirement Panel  
25 addressed some of these approvals, including that

1 Manitoba Hydro is seeking final approval of rate  
2 schedules that were previously approved by this Board  
3 on an interim basis in Orders 137/'21 and 140/'21 that  
4 incorporates an overall 3.6 percent increase effective  
5 January 1, 2022, in general consumers' revenue.

6           That panel also addressed the proposed  
7 overall general revenue increase of 2 percent  
8 effective September 1 of '23 and April 1 of '24 that  
9 Manitoba Hydro has requested as part of this  
10 Application which is sufficient to generate additional  
11 revenues of 24 million in '23/'24 and 38 million in  
12 '24/'25.

13           Our panel today will speak to how we  
14 are proposing to collect those additional revenues,  
15 namely, through differentiated rate adjustments to  
16 customer classes as shown in Figure 8.1 of tab 8 of  
17 our Application and reflected in the rate schedules  
18 included as Appendix 8.4 and 8.7.

19           Other rate approvals requested as part  
20 of the Application are listed on this slide, including  
21 final approval of light-emitting diode, or LED, rates  
22 for the area and roadway lighting class approved on an  
23 interim basis in Order 150 of 2020, and approval of  
24 additional area and roadway lighting rates that are  
25 also reflected in the rate schedules included in



1 Appendix 8.4 and 8.7.

2 Other approvals that Manitoba Hydro has  
3 requested as part of its Application that were  
4 identified by this Board in Order 42 of 2023 as issues  
5 that are out of scope for oral evidence are shown on  
6 this slide.

7 I won't go into any details on these,  
8 but they are listed here just for completeness and  
9 include: final approval of interim orders related to  
10 our Surplus Energy Program and Curtailable Rates  
11 Program summarized in Appendix 9.1;

12 As well as any interim Orders that have  
13 been approved by this Board related to these programs  
14 since we filed our Application last November;

15 Endorsement of modifications to the  
16 terms and conditions of service for the Curtailable  
17 Rates Program and the Surplus Energy Program to ensure  
18 programs continue to provide value to customers;

19 Endorsement of the change in  
20 methodology used for the allocation of the LED Roadway  
21 Lighting Conversion Program costs in order to better  
22 reflect cost causation;

23 And finally, approval to remove cooking  
24 and heating rates from our rate schedules that are  
25 outdated and no longer in use.

1                   For an overview of the rate development  
2 process, we can look to the National Association of  
3 Regulatory Utility Commissioners' -- or NARUC's --  
4 Electric Utility Cost Allocation Manual that describes  
5 rate development in utilities as occurring in steps.

6                   The NARUC manual explains that in order  
7 for a utility to remain viable and continue to be able  
8 to serve its customers, it must be given an  
9 opportunity to recover its prudently incurred costs  
10 through rates charged to customers.

11                   So the first step in rate development  
12 is for a utility to identify its revenue requirement  
13 which is generally defined as the total cost incurred  
14 for providing service to customers, including a  
15 reasonable return, or net income.

16                   The next step according to the NARUC  
17 manual is to then attribute the revenue requirement to  
18 various classes of customers in a manner that reflects  
19 the cost of providing utility services to each class.  
20 The cost allocation process consists of three (3)  
21 major parts which Ms. Van Hussen will get -- will  
22 discuss further in just a few moments.

23                   And finally, the last step in the rate  
24 development process is the design of rates, or the  
25 prices charged to customer classes. This is primarily

1 done by using the costs incurred by each class as a  
2 major determinant.

3                   However, other non-cost attributes may  
4 be considered by regulators in designing rates and  
5 include revenue stability for the Company and rate  
6 continuity for the customer, as well as such practical  
7 criteria as simplicity and public acceptance.

8                   Manitoba Hydro's approach to rate  
9 development occurs in two (2) phases and in three (3)  
10 sequential steps that closely follows the steps  
11 outlined by NARUC.

12                   Phase 1 focusses on defining revenue  
13 requirement and includes step 1 of the rate  
14 development process.

15                   Phase 2 includes allocating revenue  
16 requirement and designing rates by customer class, and  
17 this phase includes step 3 -- 2 and 3 of the rate  
18 development process.

19                   So as analogies are often helpful when  
20 discussing concepts related to our Applications, it  
21 may be helpful to consider the steps in rate  
22 development using a pie analogy.

23                   As previously discussed, step 1 is  
24 about determining revenue requirement for the utility  
25 which also establishes the average rate increase

1 Manitoba Hydro will require, which for this  
2 Application is 2 percent.

3           A determination of revenue requirement  
4 and the 2 percent rate path has been the focus of the  
5 hearing up to today and was specifically discussed as  
6 part of the Revenue Requirement Panel, so I'm not  
7 going to spend any additional time here.

8           However, for this analogy, I am going  
9 to suggest that we think about step 1 as determining  
10 how big of a pie Manitoba Hydro needs to serve all of  
11 its customers safely, reliably, and efficiently.

12           Once the size of the pie is determined,  
13 we can move on to step 2, which we discussed on a  
14 previous slide is about allocating the revenue  
15 requirement, or total costs of the utility, to  
16 customer classes.

17           So continuing with the pie analogy,  
18 cost allocation is about measuring how big a slice of  
19 pie -- each customer class -- should receive, or  
20 measuring the costs that each customer class is  
21 responsible for. And this is done by completing a  
22 cost-of-service study.

23           Given the integrated nature of a  
24 utility's system and the significant number of  
25 customers it serves, it is not possible to precisely

1 determine the cost of serving each customer or  
2 customer class.

3                   However, using well-established  
4 principles and a methodology that is based on cost  
5 causation, the Cost of Service study provides us with  
6 a useful guide for identifying costs to serve each  
7 customer class.

8                   Manitoba Hydro's Cost of Service study  
9 methodology was extensively reviewed and refined in  
10 the public hearing process that led to the issuance of  
11 Order 164 in 2016. Manitoba Hydro's rate proposals  
12 are consistent with the PUB's direction in that Order.

13                   So now that we've measured the cost  
14 that each customer is responsible for through the Cost  
15 of Service study, we can move on to the next step in  
16 the rate development process, that being rate design.

17                   So back to the pie analogy, rate design  
18 is where we actually cut the pie into slices for each  
19 customer class. In doing so, we give consideration as  
20 to whether it is appropriate to cut the pie as  
21 suggested by the measurements in step 2, or, after  
22 considering other factors, whether we slice -- whether  
23 each slice should be smaller or larger than the  
24 measurements in the previous step.

25                   And some of these other factors include

1 results from previous Cost of Service studies,  
2 direction from this Board, and other rate objectives  
3 which we will talk about in just a few moments.

4           Here is where we also have to keep in  
5 mind that rate design does not change the size of the  
6 pie that was determined in step 1, and this means that  
7 if we cut a bigger or smaller piece for one class, we  
8 also change the size of the pieces for another class  
9 or multiple classes.

10           During this step is where we also  
11 determine rate structures and components for each  
12 class which can include fixed monthly charges, energy  
13 charges, and demand charges.

14           So thank you for your indulgence as we  
15 walked through the important steps associated with  
16 developing rates for our customers using a simplified  
17 pie analogy. Obviously, the actual data analysis and  
18 considerations that go into rate development are much  
19 more involved and complex, as will be discussed by Ms.  
20 Van Hussen. Next slide, please. Thank you.

21           So on the previous slide, I mentioned  
22 that proposed rate design changes are evaluated to  
23 ensure they continue to be in alignment with Manitoba  
24 Hydro's rate objectives.

25           A summary of the rate objectives that

1 have been prioritized for this application are  
2 included on this slide. However, before I speak  
3 briefly to each of these, I wanted to note that  
4 prioritizing certain objectives in this application  
5 does not mean that Manitoba Hydro has not considered  
6 other traditional objectives of rate making.

7                   On the contrary, Manitoba Hydro's rates  
8 continue to be competitive compared to other  
9 jurisdictions. They are understandable, and they  
10 continue to ensure equitable treatment of customers  
11 within and between customer classes.

12                   So, starting with the cost of providing  
13 service, this is a principle that is fundamental to  
14 rate making that says rates should be designed to  
15 ensure the utility is able to earn its revenue  
16 requirement and are reflective of costs.

17                   Our rate proposals are designed so  
18 rates continue to reflect the cost to serve and to  
19 give consideration to ensuring revenue to cost  
20 coverage ratios for each customer class are within or  
21 are moving toward the zone of reasonableness.

22                   And both of these concepts will be  
23 explained by Ms. Van Hussen in just a few moments.

24                   Rate stability is another fundamental  
25 objective that is important both for our customers and

1 for Manitoba Hydro. Stable and predictable rates was  
2 identified as a priority in determining our overall  
3 rate path, as was discussed with the Revenue  
4 Requirement Panel.

5           Rate stability is also reflected in our  
6 rate proposals as we've proposed a gradual movement of  
7 customer classes outside the zone of reasonableness  
8 into the zone, but the need to ensure customer rates  
9 and bills continue to be stable and predictable as  
10 possible.

11           In this Application, we've introduced  
12 the objective of flexibility which we are also seeing  
13 other utilities focus on given the evolving energy  
14 landscape. Introduction of this objective considers  
15 that there is uncertainty with respect to the pace of  
16 change in government policies and the trends in the  
17 evolving energy landscape.

18           So, we have considered the impact of  
19 our proposals on the ability to respond to future  
20 changes in the energy landscape.

21           Efficiency continues to be an important  
22 rate objective for Manitoba Hydro and, as such, we  
23 have considered the results of the cost of service  
24 study and the indicative unit costs in determining  
25 whether or not changes to rate components are required



1 to ensure rates continue to send appropriate price  
2 signals.

3                   Finally, affordability is an important  
4 consideration for Manitoba Hydro. This was discussed  
5 as part of previous panels, both in terms of our  
6 commitment to maintain stable and predictable rates  
7 for customers, keeping rates low compared to other  
8 jurisdictions, as well as in the programs and services  
9 Manitoba Hydro has developed to help customers manage  
10 their energy bill.

11                   And affordability has been specifically  
12 incorporated into the rate development process through  
13 consideration of the magnitude of bill impacts of each  
14 of the proposed rate design changes.

15                   So, as discussed throughout tab 8 of  
16 our Application, Manitoba Hydro has followed a  
17 principled approach to rate setting on behalf of our  
18 customers.

19                   Our proposed rates closely recover the  
20 underlying costs incurred to provide service to each  
21 customer class and are designed to balance the  
22 achievement of various objectives, traditional and  
23 new, related to cost causation, efficiency,  
24 flexibility, stability, and affordability.

25                   I will now turn it over to Ms. Van

1 Hussen who will provide further details and discussion  
2 of how Manitoba Hydro's approach to cost allocation  
3 and the consideration of rate objectives and policies  
4 ensure that revenue requirement is being fairly  
5 recovered from customers and results in just and  
6 reasonable rates for all classes.

7 MS. MARNIE VAN HUSSEN: Thank you.

8 Ms. Gregorashuk gave us an overview of the three (3)  
9 general rate making steps. And now I'm going to walk  
10 us through in a bit -- the second and third phases of  
11 cost allocation and rate design in a bit more detail.

12 We will focus on the key inputs and  
13 results of the cost allocation study that was  
14 completed for this application referred to as PCOSS24  
15 and the specific rate proposals that have been  
16 advanced.

17 When we talk about cost allocation, we  
18 are talking about the mechanism we use to split costs  
19 between customer classes in order to determine a fair  
20 sharing of the Utility's revenue requirement.

21 While we use known customer  
22 characteristics as the basis to split costs, cost of  
23 service is still only able to provide an approximation  
24 of the actual cost of serving a particular customer or  
25 class of customers given the many judgments and

1 estimates that are required throughout the process.

2           Once all of the costs have been  
3 allocated, they are compared to class revenue at  
4 approved rates in order to determine whether rates are  
5 sufficient to cover the costs that have been allocated  
6 to the class.

7           Cost of service studies are fairly  
8 unique to the utility industry and tend to serve a  
9 fairly niche role. Given the passage of time since  
10 cost of service has been discussed at a General Rate  
11 Application and for the benefit of some of the new  
12 Panel members, I wanted to review the process in a bit  
13 more detail over the next few slides. Next slide,  
14 please. Sorry, next slide, please.

15           Cost allocation follows three (3)  
16 sequential steps: functionalise, classify, and  
17 allocate. In step 1, costs are functionalised, which  
18 means they are separated into broadly defined groups  
19 which describe the purpose or function of the costs.

20           Manitoba Hydro has five (5) functions:  
21 generation, transmission, sub-transmission,  
22 distribution, and customer service. Consistent with  
23 PUB direction, Manitoba Hydro uses net export revenue  
24 to offset the costs of the generation and transmission  
25 functions as these are the functions that allow

1 Manitoba Hydro to earn revenue in the export market.

2                   Visually, you can see that marked as  
3 the green box under the generation and transmission  
4 function.

5                   With the exception of customers in our  
6 remote diesel communities, all Manitoba Hydro  
7 customers make use of the generation function.  
8 Manitoba Hydro has almost 15,000 kilometres of  
9 transmission lines that account for 8 percent of its  
10 revenue requirement. All customers use the  
11 transmission system.

12                   Sub-transmission and distribution  
13 accounts for 29 percent of the revenue requirement and  
14 includes over 75,000 kilometres of distribution lines.  
15 Approximately 75 percent of consumption is served at  
16 the distribution level.

17                   The schematic also shows where some of  
18 the different types of customers are attached to  
19 Manitoba Hydro's system. There are three (3)  
20 subclasses of general service large customers to  
21 recognize that the general service greater than a  
22 hundred kV industrial customers are served directly  
23 off the transmission system.

24                   Customers in the GSL30 to a hundred  
25 subclass are served off the sub-transmission system,

1 and while the general service large less than 30 kV  
2 customers are served off the distribution system at  
3 primary distribution voltages.

4 In order to attach to the system at  
5 primary voltages, all general service large customers  
6 must own their own transformation. Residential  
7 general service small and general service medium  
8 customers are served off the distribution system at  
9 secondary distribution voltages and use Manitoba Hydro  
10 substations and transformers to reduce power to  
11 useable voltage.

12 Once costs are functionalised, step 2  
13 is to classify them according to the system design and  
14 operating characteristics that cause the cost to be  
15 incurred. These classifications are based on cost  
16 drivers, namely, energy, demand, and customer.

17 A customer classification reflects that  
18 some costs vary with the number of customers on our  
19 system. As an example, the number of metres we have  
20 will change as the number of customers we have  
21 changes.

22 Energy is the amount of electricity  
23 that is consumed over a period of time measured in  
24 kilowatt hours and demand is the maximum -- maximum  
25 amount of electricity that is consumed at any

1 particular time.

2                   And when we talk specifically about  
3 peak demand, it refers to the time that has the  
4 greatest need for electricity.

5                   Functions can be split into more than  
6 one (1) classification. As an example, generation is  
7 classified as both energy and demand to reflect that  
8 its purpose is twofold. We need enough generation to  
9 meet the energy needs of our customers over the course  
10 of the year, but we also need it to have enough  
11 capacity in the system to meet the peak simultaneous  
12 demand of customers.

13                   PCOSS24 continues to reflect the  
14 direction on classification from Order 164/'16 and is  
15 consistent with the classifications used in PCOSS21.

16                   Once costs are functionalised and  
17 classified, step 3 is to allocate them to customer  
18 rate classes on the basis of the amount of energy  
19 consumed, peak demand, or weighted customer count.

20                   The weightings take into account that  
21 some customers are more costly to serve. If we think  
22 back to our meter example, meters for demand build  
23 customers are more expensive than meters for  
24 residential customers and, therefore, get a higher  
25 weighting.

1                   When we look at the table on the right-  
2 hand side of the slide we see the specific costs that  
3 are allocated to each customer class. The five (5)  
4 functions have been broken down into a number of sub-  
5 functions to allow a more granular allocation of  
6 costs.

7                   And what we see consistent with what we  
8 would expect when we reflect on the graphic on the  
9 left is that the largest GSL customer class does not  
10 receive any costs related to the sub-transmission or  
11 distribution system given they are served upstream of  
12 these assets, while the less than 30 kV class of  
13 general service large customers that are served at  
14 primary voltage receives an allocation of the  
15 distribution system for the same reason. Next slide,  
16 please.

17                   Manitoba Hydro completed a cost of  
18 service study for fiscal year '23 -- 2023/2024. Some  
19 of the notable inputs from revenue requirement of this  
20 study include: reduced water rental and provincial  
21 guarantee fees which were cut in half due to the  
22 reduction in level of fees by the provincial  
23 government; the full revenue requirement for Keeyask,  
24 as it is now fully in service; and other major  
25 generation and transmission projects that have

1 appeared in studies on a forecast basis over the past  
2 decade, namely, Bipole III, GNTL, and MMTP are also  
3 fully in service, providing cost certainty compared to  
4 previous studies.

5 Over the previous three (3) weeks,  
6 we've heard a lot of discussion about net export  
7 revenue. But what we consider net export revenue for  
8 the purposes of cost allocation is slightly different  
9 than the definition described by previous panels.

10 Within the PCOSS, only the incremental  
11 costs associated with exports, namely, variable,  
12 hydraulic, O&M, and water rentals related to export  
13 volumes only, as well as the cost of the affordable  
14 energy fund are deducted from export revenue. This is  
15 consistent with PUB direction from 164/16.

16 PCOSS24 includes export revenue of 1.15  
17 billion, which results in a \$525 million increase in  
18 net export revenue compared to the previous study.

19 And the last point on this slide is to  
20 note that the methodology used in PCOSS24 is fully  
21 compliant with PUB direction in Orders 164/16 and  
22 59/18.

23 Between PCOSS02 and PCOSS14, a variety  
24 of cost allocation methodologies were used as the  
25 studies were modified to reflect divergent views on



1 cost causation.

2                   This is -- this had the result of  
3 limiting the amount of rate differentiation  
4 implemented during this period.

5                   Since Order 164/16 and 59/18, the  
6 methodology is no longer in a state of flux and is an  
7 appropriate basis to use for rate differentiation.

8                   Export revenues reduce the total  
9 revenue requirement that needs to be recovered from  
10 domestic customers. In the 2023/24 test year, used in  
11 PCOSS24, only 1.9 billion of the approximately \$3  
12 billion revenue requirement needs to be recovered from  
13 domestic customers since 1.15 billion is covered by  
14 forecast export revenue.

15                   As discussed earlier, net export  
16 revenue is used to reduce the revenue requirement of  
17 the generation and transmission functions that was  
18 allocated to the domestic classes. This approach is  
19 consistent with PUB direction in Order 164/16, which  
20 discontinued the use of an export class and found that  
21 exports should only be applied to the G&T assets that  
22 facilitate export sales.

23                   The chart on this slide is intended to  
24 show how the allocation of net export revenue will  
25 result in different net costs for customer classes.

1                   The three (3) classes included on the  
2 slide are the residential and general service large  
3 greater than a hundred (100) kV classes, which are  
4 generally at opposite ends of the spectrum in cost  
5 allocation. As well as the general service medium  
6 class that tends to fall in the middle.

7                   The information contained in this chart  
8 is the same information that can be found in tables A1  
9 and A2 of the Cost of Service study. But shows the  
10 calculation as a graphic, rather than just a bunch of  
11 numbers.

12                   The sizes of the classes have also been  
13 normalized to make the comparison easier and the  
14 differences more obvious.

15                   The first blue column for each class  
16 shows the total costs to serve the class. With the  
17 costs broken into G&T at the top of the column, and  
18 all other costs at the bottom. These other costs  
19 include subtransmission, distribution, and customer  
20 service costs.

21                   The breakdown will vary for each class  
22 based on the specific assets and services used by the  
23 class. But it shows that distribution level  
24 customers, such as residential and general service  
25 medium, have considerable non-generation and

1 transmission costs that are not required to serve the  
2 general service large grater than a hundred (100)  
3 class. This is consistent with our earlier  
4 discussion.

5                   The green bar shows the amount of net  
6 export revenue allocated to each class. The export  
7 revenue offsets 35 percent of the total costs for the  
8 residential class, 38 percent for general service  
9 medium, and 48 percent for general service large.

10                   The lower percentages for residential  
11 and general service medium are due to the additional  
12 non-generation and transmission requirements of the  
13 class, which do not get a share of the export revenue.

14                   However, the relevant comparison is  
15 against the G&T costs that facilitated the export  
16 sales, which shows that exports will offset the exact  
17 same 49 percent portion of G&T costs for each class.

18                   After the total costs are reduced by  
19 the class's share of export revenue, we are left with  
20 a net cost that we need to collect from the class  
21 through rates. These net costs are shown as the  
22 second shorter blue bar for each class.

23                   On this slide, we have the same chart,  
24 but it now includes the revenues for the three (3)  
25 customer classes, which appear as green bars on the

1 right-hand side.

2                   And we bring in revenues here because  
3 the primary output of the Cost of Service study are  
4 revenue cost coverage ratios for each customer class.

5                   These ratios compare the revenue  
6 collected from a class to the estimated cost to serve  
7 that class and are called RCCs, for short.

8                   The current study uses the RCC  
9 calculation methodology directed by the PUB in Order  
10 59/18. In this calculation, net export revenue is  
11 treated as a reduction of class costs rather than as  
12 an addition to class revenue, which was the approach  
13 that was used in studies up to PCOSS18.

14                   So the costs used in the RCC  
15 calculation are actually the net costs, which have  
16 been reduced by the class's share of net export  
17 revenue.

18                   For GSM, the RCC ratio for the class is  
19 100.3 percent and the class revenues are almost  
20 exactly equal to net costs.

21                   The residential class revenues, shown  
22 in the green bar, are not sufficient to cover their  
23 share of allocated costs shown in blue. So the RCC  
24 ratio is below 100 percent.

25                   The revenues for the GSL greater than

1 100 kV class are greater than their allocated costs,  
2 so their RCC is above a hundred (100).

3           Although the study has the appearance  
4 of exactness, as I mentioned at the beginning of my  
5 presentation, it only provides an estimate of the  
6 actual costs of serving a customer class due to the  
7 judgments required to functionalize, classify, and  
8 allocate.

9           To recognize this uncertainty, Manitoba  
10 Hydro uses a zone of reasonableness in the rate design  
11 phase. If a class RCC falls within this range, then  
12 class revenues are considered to be sufficiently  
13 recovering allocated costs.

14           The zone of reasonableness has been  
15 added to our graphic as a dashed line that is 5  
16 percent above and below the net costs for each class.

17           You can see that GSM, at 100 percent,  
18 is right in the middle of the zone of reasonableness,  
19 residential is just below the lower bound of the zone,  
20 while GSL is clearly above the upper bound.

21           And I want to take a quick minute to  
22 discuss the zone of reasonableness. The 95/105  
23 percent zone of reasonableness has been used since  
24 1996. However, the RCC calculation most recently  
25 directed for use by this Board -- to be used by the

1 Board, the plus or minus 5 percent is now applied as a  
2 margin of error to the net costs for each customer  
3 class, rather than the total costs.

4                   So even though the zone of  
5 reasonableness range is still plus or minus 5 percent,  
6 it is effectively narrower than in the past since it  
7 now applies to the smaller level of net costs, rather  
8 than total costs.

9                   This tolerance range must accommodate  
10 the uncertainty in the initial allocation of costs to  
11 the class, as well as any additional uncertainty that  
12 accompanies the secondary step of allocating a share  
13 of net export revenue to reduce the costs for each  
14 class.

15                   The graphic also illustrates how  
16 influential the record level of export revenues has  
17 been on class RCCs in this study and, particularly, on  
18 the GSL greater than a hundred (100) kV class.

19                   The amount of export revenues is  
20 influenced by water flows and external market prices,  
21 and is more volatile than embedded revenue  
22 requirement.

23                   We can reasonably expect that the total  
24 costs will be similar in the next study, but we don't  
25 have the same level of confidence that export revenues

1 are going to remain at the same elevated levels in the  
2 future.

3                   The RCC of the GSL greater than a  
4 hundred (100) class is 8 percent above the upper bound  
5 of the zone of reasonableness. But this image also  
6 shows how significantly export revenues have  
7 contributed to this elevated RCC.

8                   And as a result, there is less  
9 certainty in the RCC of the general service large  
10 class, that has 48 percent of its costs offset by NER,  
11 than there is for the distribution level customers  
12 that receive relatively less export revenue.

13                   The high level of export revenue in the  
14 test year, the volatility of exports, and the class  
15 specific impacts were considered when implementing the  
16 results of cost of service in the rate design phase.  
17 Next slide, please.

18                   The chart on this slide shows the costs  
19 allocated to each customer class in the outer ring.  
20 And in the inner ring, we see each class's forecast  
21 revenue at approved rates.

22                   If we think back to the pie analogy  
23 described by Ms. Gregorashuk, at this point, we've  
24 essentially finished measuring how big the slice of  
25 pie should be for each customer class.

1                   And when we compare the costs to the  
2 revenues, we can see that some classes have revenues  
3 less than their allocated costs and others have  
4 revenues that are greater than their allocated costs.  
5 And a few are pretty close to being equal.

6                   This pie chart also gives some context  
7 about the significant difference in the sizes of our  
8 customer classes. The class size isn't relevant in  
9 the RCC calculation, but does come into play during  
10 rate rebalancing.

11                   If you look at the area in Roadway  
12 Lighting Class, for example, the class represents  
13 slightly more than 1 percent of net costs. You can  
14 see them as the tiny sliver at the top of the pie. We  
15 can differentiate rates for the Lighting Class, even  
16 make dramatic adjustments and the offsetting changes  
17 simply won't be noticeable for the other classes, due  
18 to the difference in class size.

19                   On the other hand, differentiating  
20 rates for a larger class, such as General Service  
21 Small Non-Demand, is more likely to have a noticeable  
22 impact on the rate increase required for other  
23 classes.

24                   This chart also illustrates the size  
25 and significance of the residential class, who are



1 responsible for almost one half of net costs.

2                   Due to the difference in class sizes,  
3 we can have multiple other classes above the upper  
4 bound of the zone of reasonableness, while Residential  
5 is the only class below the zone. Next slide please.

6                   We're now moving into the final stage  
7 of the ratemaking process, namely, the determination  
8 of a pricing structure that will recover the utility's  
9 revenue requirement for each class's share of costs.

10                   We refer to this as the rate design  
11 stage. Rate design is not a mechanistic exercise that  
12 simply takes the results of the Cost of Service study.  
13 It involves consideration of rate objectives and  
14 policies to ensure that revenue requirement is fairly  
15 being recovered from customers in a manner that  
16 results in just and reasonable rates.

17                   When it comes to rate design, we often  
18 use the term 'revenue neutral'. What we mean by that,  
19 is that changes to rate design may change the way  
20 costs are recovered and the amount recovered from each  
21 class, but they do not change the overall amount of  
22 revenue that needs to be recovered.

23                   So, if we go back to our pie example,  
24 rate design can't change the size of the pie. And  
25 this is an important concept that applies to both

1 parts of the rate design phase discussed by Ms.  
2 Gregorashuk.

3                   When we cut the pie and determine the  
4 proposed rate differentiation for the class and also  
5 when we determine how that rate increase is going to  
6 be applied to each of the rate structure components,  
7 we need to make sure our rate design changes are  
8 revenue neutral and aren't trying to change the size  
9 of the pie. Next slide, please.

10                   Mentioned at the previous slide, that  
11 rate design is not a mechanistic exercise, based  
12 solely on the results of the Cost of Service study.

13                   And, what that means is that Manitoba  
14 Hydro do not just supply the results of PCOSS24  
15 without considering numerous other factors before  
16 determining our final rate proposals.

17                   In coming to our proposal, we looked at  
18 Manitoba Hydro's rate objectives, which Ms.  
19 Gregorashuk walked us through, Bonbright's traditional  
20 attributes of a sound rate structure, trends of RCCs  
21 over previous studies, RCC results relative to the  
22 zone of reasonableness, PUB direction in 59/18 to move  
23 classes into the zone of reasonableness, with any  
24 shortfall recovered from classes below or within the  
25 zone of reasonableness.

1                   And, we considered whether there were  
2 any extenuating circumstances that required a  
3 departure from recent Board direction, or from  
4 previous practice. This included reflecting on  
5 revenue requirement inputs into cost of service,  
6 increasing importance of capacity, level of export  
7 revenue and marginal versus embedded costs.

8                   Overall, Manitoba Hydro has taken a  
9 balanced approach, that is cost based, is consistent  
10 with PUB direction in the past few rate cases, namely,  
11 164/16, 59/18, 69/19 and 137/21, and appropriately  
12 incorporates policy considerations, when necessary.

13                   On this slide, we see the results of  
14 PCOSS24Cost 24 and each class' position, being either  
15 above, below, or within the zone of reasonableness.

16                   In PCOSS24, five (5) customer class are  
17 outside the zone. Based on the results of PCOSS24,  
18 the RCCs for the General Service Small Non-demand,  
19 General Service Large, thirty (30) to a hundred (100)  
20 kV, General Service Large greater than a hundred (100)  
21 kV and the Area and Roadway Lighting classes are above  
22 the zone of reasonableness, while the RCC for the  
23 Residential Class, is below the zone of  
24 reasonableness, which suggests, these classes receive  
25 rate increases that differ from the average.

1                   The RCC for the General Service Small  
2 Non-Demand Class has been persistently above the zone  
3 of reasonableness. The RCC for the Area and Roadway  
4 Lighting Class has also been above the zone of  
5 reasonableness since 2018 and it is evident that  
6 current rates are recovering more than their share of  
7 allocated costs.

8                   Manitoba Hydro is proposing a 1 percent  
9 below average rate increase for both of these classes.

10                  For General Service Large, thirty (30)  
11 to a hundred (100) kV and greater than a hundred (100)  
12 kV RCCs have trended above unity and towards the  
13 higher end of the zone of reasonableness in studies  
14 prepared since Order 164/16.

15                  However, as discussed previously, it is  
16 clear that RCC results for these two (2) classes, in  
17 PCOSS24 are being -- being driven by record levels of  
18 export revenue. Accordingly, Manitoba Hydro is  
19 proposing that a smaller rate differential, relative  
20 to General Service Small Non-Demand and Area and  
21 Roadway Lighting, of .5 percent below the average  
22 increase be applied to these classes.

23                  Manitoba Hydro is proposing greater  
24 than average increases for all remaining classes in  
25 order to remain revenue neutral, consistent with PUB -

1 - previous PUB direction.

2                   A .1 percent above average increase is  
3 being proposed for the General Service Small demand,  
4 General Service Medium, and General Service Large  
5 under thirty (30) kV classes.

6                   Manitoba Hydro is proposing that the  
7 differential applied to the Residential class be  
8 slightly larger than the other classes, to reflect  
9 that their RCC is below the lower bound in PCOSS24 and  
10 has trended toward the lower end of the zone of  
11 reasonableness in previous studies.

12                   This slide provides commentary on how  
13 Manitoba Hydro's rate differentiation proposals line  
14 up with the rate objectives laid out in Tab A and  
15 discussed by Ms. Gregorashuk in her opening comments.

16                   Overall, Manitoba Hydro's proposals are  
17 consistent with PUB direction to move classes into the  
18 zone of reasonableness. They do not impede Manitoba  
19 Hydro's ability to respond to future changes. The  
20 increased alignment with cost/causation and include  
21 only modest bill impacts for those classes receiving  
22 larger than average increases. Next slide, please.

23                   So, once we've determined how big each  
24 slice of pie should be and have actually cut it, the  
25 size of the -- each slice is set. That part of the

1 process was discussed in the previous slides.

2 Now, if you can just indulge me for a  
3 few more minutes, I'm going to finish off the pie  
4 analogy, by focusing on the composition of the slice  
5 of pie.

6 If we take a moment and just think of a  
7 single slice of pie and specifically a piece of lemon  
8 meringue pie, we can envision there's a layer of crust  
9 and a layer of filling and a layer of meringue. And  
10 those layers can be thought of analogous to the  
11 individual rate components that together make up the  
12 rate structure for each customer class.

13 Rate structures will generally include  
14 some combination of energy charges which are applied  
15 to energy consumption, customer charges which are  
16 fixed dollar charge each month, as well as demand  
17 charges for larger customer classes.

18 And we can adjust those components  
19 equally, or we can determine that we might want to  
20 look a little more meringue and a little less lemon,  
21 or visa-versa, but we aren't changing the overall size  
22 of the slice of pie. Once again, that is the concept  
23 we talked about, about being revenue neutral.

24 Demand charges tend to be the least  
25 well understood part of the rate structure, so I

1 wanted to provide a bit of extra context related to  
2 demand rates, given some of the changes we're  
3 proposing in this application.

4           Demand rates are intended to recover at  
5 least a portion of those utility costs which do not  
6 vary with a customer's consumption, but that are  
7 incurred to be able to meet the maximum customer load  
8 the Utility expects to serve.

9           Demand rates are applied to a  
10 customer's monthly billing demand, which generally  
11 refers to a customer's highest recorded fifteen (15)  
12 minute demand rating in the month.

13           Utilities often use what are referred  
14 to as demand ratchets. Ratchets are mechanisms that  
15 tie a customer's demand charge in a current month, to  
16 some pre-defined level.

17           As an example, Manitoba Hydro has a  
18 ratchet in place that says if measured demand in the  
19 current month is less than 25 percent of your overall  
20 contract demand, you'll be charged based on 25 percent  
21 of the contract amount, rather than the measured  
22 demand.

23           And on the surface this may appear like  
24 a penalty of sorts, but in actuality, it's in  
25 recognition of the fixed nature of costs that demand

1 charges are intended to recover.

2 In essence, ratchets are incorporated  
3 in the definition of billing demand, to ensure that  
4 customers who have variable demand throughout the  
5 year, still pay a reasonable share of the fixed  
6 capacity costs associated with meeting their maximum  
7 load requirements.

8 As discussed in Tab 8, Manitoba Hydro  
9 is not proposing any major rate structure changes as  
10 part of this application. For Residential customers,  
11 Manitoba Hydro is proposing to apply the 2.4 percent  
12 increase equally across the basic monthly charge and  
13 the energy charge.

14 For the Area and Roadway Lighting  
15 class, Manitoba Hydro is proposing to implement a 1  
16 percent increase from the class as a whole, but is  
17 proposing further differentiation among the various  
18 types of street and sentinel lighting types.

19 All other customer classes will see a  
20 slight re-balancing of rates or to use a pie theme, a  
21 slight change in the meringue-to-filling crust ratios.  
22 Next slide please.

23 The General Service Small and Medium  
24 classes, Manitoba Hydro is seeking to continue with  
25 the existing declining block structure.



1           As discussed in Tab 8, the -- the  
2 declining block structure is an effective way of  
3 recovering capacity costs from customer classes,  
4 without a demand charge.

5           Collectively, the General Service  
6 Small, non-demand -- General Service demand -- Small  
7 demand and General Service Medium classes represent a  
8 vast array of customers with very diverse  
9 characteristics, which we see in the table on this  
10 slide.

11           This fact -- this fact makes maintaining  
12 a harmonized rate structure for the classes, while  
13 attempting to ensure the RCC of each class makes  
14 progress in the zone of reasonableness a very  
15 difficult feat.

16           As a result, Manitoba Hydro is  
17 proposing to deharmonize the rates of the General  
18 Service Medium service from those of the General  
19 Service Small classes. This approach will increase  
20 Manitoba Hydro's ability to send price signals, using  
21 the various rate components, provide better alignment  
22 with costs to serve, improve rate stability for  
23 customers in these classes, and increase Manitoba  
24 Hydro's flexibility to deal with potential future  
25 changes to customer class characteristics.

1                   In this application, Manitoba Hydro is  
2 applying to recover the revenue from the proposed rate  
3 increases for the General Service Large customer  
4 classes via the demand charge. This proposal is  
5 intended to provide greater alignment with cost of  
6 service results.

7                   The graphs in the bottom left show the  
8 difference of the energy and demand-related portions  
9 of the allocated costs compared to rate revenues for  
10 the General Service Large classes. Bringing greater  
11 alignment will reduce inter-class cross-subsidization.

12                   We're also proposing to amend the  
13 definition of 'billing demand' to incorporate  
14 consideration of the timing of the customer's greatest  
15 demand on the system. The new definition is depicted  
16 on the right-hand side of this slide, with the  
17 additional time consideration shown in green.

18                   The change in billing demand definition  
19 is expected to result in approximate 1 percent  
20 reduction in the forecast billing determinants and, as  
21 a result, Manitoba Hydro is proposing to adjust the  
22 billing rate by a 1 -- a 1 perc -- by 1 percent, to  
23 remain revenue neutral.

24                   To be clear, this isn't Manitoba Hydro  
25 attempting to generate additional revenue, but it is

1 ensuring that the size of the overall pie is  
2 maintained at the level established during the revenue  
3 requirement phase.

4           The effect of the new billing demand  
5 definition is two-fold. It recognizes that meeting a  
6 customer peak demand is more costly if it coincides  
7 with the time when the rest of the system is peaking.

8           So, customers that require less  
9 capacity at peak times, compared to the rest of the  
10 class, will see a re -- a slight reduction in their  
11 bill; and, 2, it provides an opportunity for customers  
12 to reduce their bills, if they are able to shift their  
13 peak demand requirements to off-peak periods.

14           Manitoba Hydro noted, during the public  
15 presentations, that there appears to be a bit of  
16 confusion related to this proposal. So, to  
17 demonstrate how the change in billing demand  
18 definition will be applied and, hopefully, alleviate  
19 some of the concerns we heard, we've included an  
20 example on the next slide.

21           The table at the top of this slide  
22 shows the customer's highest measured demand in each  
23 of the peak hours for the current month, demand in the  
24 non-peak hours of the current month, the highest  
25 measured demand in the past 12 months, and the

1 customer's contract demands.

2           The table on the bottom left shows how  
3 the current billing demand definition would be applied  
4 to the customer's measured demand. Currently, billing  
5 demand is defined as the greater -- greatest of the  
6 highest measured demand in the month, 25 percent of  
7 contract demands, or 25 percent of the highest  
8 measured demand in the previous 12 months.

9           In this definition, the billing demand  
10 would be 11,000 kVA, which is the highest measured  
11 demand for a customer, even though it occurred during  
12 the non-peak period -- non-peak hours.

13           In the proposed definition, the billing  
14 demand is defined as the greatest of the measured  
15 demand in peak hours in the month, 90 percent of the  
16 measured demand in non-peak hours in the month, 25  
17 percent of contract demands, or 25 percent of measured  
18 demand in the previous 12 months.

19           Under this definition, the customer's  
20 billing de -- billing demand for the month would be  
21 based on 10,000 kVA, which is the measured demand in  
22 non-peak hours, only.

23           The proposed change in billing demand  
24 definition will result in the customer's monthly  
25 billing demand being the same or less than the current

1 definition, which means there is no risk to customers.  
2 The definition is not a new ratchet, but incorporates  
3 a time-varying component to the measurement -- to the  
4 measurement and has the benefits of providing  
5 customers with an opportunity to reduce the demand  
6 costs on their bill. Next slide, please.

7                   This slide will look -- likely look a  
8 little familiar, from previous panels, but that --  
9 what this one is showing is that Manitoba Hydro's  
10 rates continue to be the lowest, or second lowest,  
11 across all customer segments, even with confirmation  
12 of the 3.6 percent interim and the two 2 percent  
13 average increases being proposed.

14                   That concludes our direct presentation  
15 this afternoon. Thank you.

16                   THE CHAIRPERSON: Thank you. Mr.  
17 Hombach...?

18                   MR. SVEN HOMBACH: Are there any  
19 questions from the Panel?

20                   And, Mr. Chair, would you like me to  
21 get started and possibly break after fifteen (15) or  
22 twenty (20) minutes for the afternoon break, or would  
23 you like to take a break now?

24                   THE CHAIRPERSON: Yeah. No, I -- I  
25 think you should -- how long -- you've got an hour and

1 a half?

2 MR. SVEN HOMBACH: I -- I don't expect  
3 to be much more than an hour, so I can --

4 THE CHAIRPERSON: Okay. So why don't  
5 we go about a half an hour.

6 MR. SVEN HOMBACH: That sounds good.

7

8 CROSS-EXAMINATION BY MR. SVEN HOMBACH:

9 MR. SVEN HOMBACH: Thank you, and good  
10 afternoon, everybody. For those that haven't dealt  
11 with me, my name is Sven Hombach. I'm counsel to the  
12 Public Utilities Board.

13 I have not prepared any pie-related  
14 references, but for what it's worth, I'll try to make  
15 this examination a shortcake and not a pound cake, so.

16 I'd like to take you back to when the  
17 Board last dealt with cost of service, although I  
18 thought the -- the illustrations in the presentations  
19 were quite intuitive and -- and very well done.

20 And I'd ask Ms. Schubert to pull up  
21 page 5 of Board Counsel book of documents, volume 6,  
22 please.

23

24 (BRIEF PAUSE)

25

1 MR. SVEN HOMBACH: Ms. Van Hussen,  
2 that -- that diagram that we see on page 5, that's  
3 from Board Order 164/'16. And if you could just  
4 confirm that -- that that sets out the basic three (3)  
5 part cost-of-service process of functionalizing costs  
6 and allocating.

7 MS. MARNIE VAN HUSSEN: Confirmed.

8 MR. SVEN HOMBACH: So let -- let's go  
9 back to some of the significant cost of service  
10 changes that happened in that Order because some of  
11 those themes are carrying over into this hearing. And  
12 let's turn to page 6 of the book of documents. Lower  
13 on the page, please.

14 So one (1) of the significant changes  
15 dating back to 2016 is that generation, as well as the  
16 Northern HVDC system is functionalized as generation,  
17 correct?

18 MS. MARNIE VAN HUSSEN: I don't know  
19 if I would say that was a major change, but it is  
20 consistent with direction in the past, yes.

21 MR. SVEN HOMBACH: One (1) of the  
22 findings was that generation should be classified as  
23 both energy and demand, and you indicated that in your  
24 presentation today?

25 MS. MARNIE VAN HUSSEN: So yes, that's

1 correct.

2 MR. SVEN HOMBACH: Okay. And one (1)  
3 of the findings was that the winter demand should be  
4 based on the top fifty (50) peak hours?

5 MS. MARNIE VAN HUSSEN: That's  
6 correct.

7 MR. SVEN HOMBACH: And I -- I'd like  
8 to turn you back to that in a little bit, but I take  
9 it you're familiar with Mr. Bowman's evidence on that  
10 issue?

11 MS. MARNIE VAN HUSSEN: Yes, I am.

12 MR. SVEN HOMBACH: Now, let's turn to  
13 page 46 of the book of documents.

14 Ms. Van Hussen, that is the table from  
15 tab 8 of Manitoba Hydro's Application that sets out  
16 the proposal for differentiated rate increases.

17 MS. MARNIE VAN HUSSEN: Yes, it is.

18 MR. SVEN HOMBACH: And -- and you'd  
19 agree with me that the highest increase would be to  
20 the residential costs?

21 MS. MARNIE VAN HUSSEN: Yes, it is.

22 MR. SVEN HOMBACH: The lowest would be  
23 to area and roadway lighting and General Service Small  
24 non-demand?

25 MS. MARNIE VAN HUSSEN: Agreed.



1 MR. SVEN HOMBACH: So let's turn to  
2 page 47, which is a table that Board advisors created  
3 just for ease of reference. That contrasts the -- the  
4 RCC ratios to the proposed rate increase.

5 So, Ms. Van Hussen, am I seeing it  
6 correctly that currently the only two (2) classes that  
7 are actually below 100 percent are residential and  
8 General Service Large, 750 volts to 30 kilovolts?

9 MS. MARNIE VAN HUSSEN: I believe just  
10 the residential class is below the zone of  
11 reasonableness. Or, sorry, did you say 'unity'?

12 MR. SVEN HOMBACH: Unity --

13 MS. MARNIE VAN HUSSEN: Sorry. Yes.

14 MR. SVEN HOMBACH: -- at 100 percent.

15 MS. MARNIE VAN HUSSEN: Agree.

16 MR. SVEN HOMBACH: Yes.

17 MS. MARNIE VAN HUSSEN: Sorry. Yeah.

18 MR. SVEN HOMBACH: So but you did  
19 raise one (1) interesting point. According to  
20 PCOSS24, it's Hydro's position that Residential is  
21 currently the only class below the zone of  
22 reasonableness.

23 MS. MARNIE VAN HUSSEN: Correct.

24 MR. SVEN HOMBACH: Now, I take it  
25 you're familiar with Ms. Derksen's evidence as well?

1 MS. MARNIE VAN HUSSEN: I am.

2 MR. SVEN HOMBACH: Would there be any  
3 possibility for Manitoba Hydro to move the General  
4 Service Large classes closer to the zone of  
5 reasonableness without moving the RCC ratio for the  
6 residential class up?

7 MS. MARNIE VAN HUSSEN: I believe in  
8 one (1) of the IR responses, we have applied the rate  
9 increase equally to all customer classes that are  
10 below the upper bound of the zone of reasonableness.

11 There is certainly some additional  
12 opportunity to lower the GSL customer class rates if  
13 you increase the average increase being proposed for  
14 the General Service Medium, General Service Small  
15 demand, and General Service Large 0 to 30 kV classes.

16 MR. SVEN HOMBACH: Okay. Let's turn  
17 to page 48 of the -- the book of documents.

18 That's a page from Mr. Bowman's  
19 evidence, and the scenario that is presented here --  
20 correct me if I'm wrong -- is that there is a lower  
21 increase to the GSL classes, but it comes at the  
22 expense of the GSS and GSM classes?

23 MS. MARNIE VAN HUSSEN: Correct.

24 MR. SVEN HOMBACH: So does that mean  
25 that, if there were to be any finding that the -- the

1 increase for the GSL classes should be less than what  
2 Manitoba Hydro applied for, that would have to come at  
3 the expense of GSS and GSM?

4 MS. MARNIE VAN HUSSEN: It would have  
5 to come at the expense of someone. So if the caveat  
6 is that it cannot increase residential, then, yes,  
7 those are your -- the levers that you have left.

8 If you don't have those caveats, the  
9 rate increase could be made up in several pos --  
10 possible ways.

11 MR. SVEN HOMBACH: So let's deal with  
12 the famous Directive 27, which is the directive to use  
13 net export revenue as a reduction to class costs. And  
14 to -- to illustrate, I will refer you back to page 12  
15 of your presentation.

16 For the benefit of the Panel, Ms. Van  
17 Hussen, when net export revenue is used as a reduction  
18 to class costs, it's applied equally to all generation  
19 and transmission costs, right?

20 MS. MARNIE VAN HUSSEN: Correct.

21 MR. SVEN HOMBACH: So -- so what I'm  
22 getting at is, according to this chart, it reduces  
23 generation and transmission costs by 49 percent?

24 MS. MARNIE VAN HUSSEN: Correct.

25 MR. SVEN HOMBACH: And you're familiar

1 with the -- the evidence of Ms. Derksen who thought  
2 that this created a disproportionate benefit to the  
3 GSL classes?

4 MS. MARNIE VAN HUSSEN: Yes.

5 MR. SVEN HOMBACH: Okay. And is that  
6 because the GSL classes proportionately have a bigger  
7 chunk of their costs made up out of generation and  
8 transmission costs?

9 MS. MARNIE VAN HUSSEN: That's  
10 correct. So I believe her evidence was suggesting  
11 that the disproportionate benefit was when you look at  
12 total costs. So there's a greater proportion of total  
13 costs being offset for the General Service Large  
14 class.

15

16 (BRIEF PAUSE)

17

18 MR. SVEN HOMBACH: Let's turn to page  
19 18 of the Board Counsel book of documents.

20 Ms. Van Hussen, this is also a chart  
21 from tab 8 of Manitoba Hydro's Application, and it  
22 illustrates the impact of Directive 27.

23 Now, it shows that -- it shows that the  
24 -- the impact of Directive 27 is highest for  
25 residential GSS non-demand and the GSL classes,

1 correct?

2 MS. MARNIE VAN HUSSEN: Correct.

3 MR. SVEN HOMBACH: And is it fair to  
4 say that that is because the impact of moving the  
5 costs from the nominator to the denominator is higher  
6 the further you are away from unity in either  
7 direction?

8 MS. MARNIE VAN HUSSEN: That's  
9 correct.

10 MR. SVEN HOMBACH: Is Manitoba Hydro  
11 taking a position as to whether the zone of  
12 reasonableness should remain at plus/minus 5 percent  
13 or some different amount?

14 MS. MARNIE VAN HUSSEN: I don't know  
15 that we're taking a strong position. I certainly  
16 think that there is merit in widening zone of  
17 reasonableness to ninety-one ten (91-10), or rather,  
18 not necessarily that there's merit, but it -- that it  
19 would be reasonable to look at a zone of  
20 reasonableness that's ninety-one ten (91-10) when you  
21 have significant export revenue like we do in PCOSS24.

22 That being said, I think a ninety-five  
23 one-o-five (95-105) zone of reasonableness continues  
24 to be reasonable. I believe the Board in Order 59/'18  
25 suggested that you don't necessarily need to change

1 the level of the zone of reasonableness if you take a  
2 gradual approach to moving customer classes within.

3                   So, I think the Board has the option of  
4 increasing the size of the zone of reasonableness or  
5 taking a look at the zone of reasonableness and the  
6 level of export revenue and potentially making a  
7 judgment call in the current application.

8                   MR. SVEN HOMBACH: I'd like to pick  
9 up on a comment that you made in relation to slide 13  
10 of your presentation. You -- you made the comment  
11 that by reducing -- or by -- by applying net export  
12 revenue to net costs, it actually served to narrow the  
13 zone of reasonableness.

14                   Do you recall it?

15                   MS. MARNIE VAN HUSSEN: That's  
16 correct.

17                   MR. SVEN HOMBACH: And so, that change  
18 would arise because, previously, it was an addition to  
19 revenue rather than a reduction to the overall costs.  
20 But the Board in Order 146/'16 did not adjust the zone  
21 of reasonableness when it issued Directive 27?

22                   MS. MARNIE VAN HUSSEN: Correct. And  
23 so, if you look at those -- those bars, the zone of  
24 reasonableness would have been applied to the highest  
25 of the blue bars and the green NER would have been

1 added -- added to the green revenue line.

2                   So, effectively, that zone of  
3 reasonableness was wider. It is magnified when you  
4 have the level of export revenues that are included in  
5 PCOSS24, certainly.

6                   MR. SVEN HOMBACH:    So -- so, you've  
7 preempted my next question, Ms. Van Hussen, and -- and  
8 that's the -- the impact to changes the -- the bigger  
9 the export revenue is because you keep reducing your  
10 overall costs?

11                   MS. MARNIE VAN HUSSEN:    Correct.

12                   MR. SVEN HOMBACH:    Right. I -- I'm  
13 not aware as to whether there's any evidence on the  
14 record where Manitoba Hydro has visualized the impact  
15 of that effect on the zone of reasonableness.

16                   MS. MARNIE VAN HUSSEN:    I don't  
17 believe there is.

18                   MR. SVEN HOMBACH:    Would it be  
19 possible for Manitoba Hydro to provide an undertaking  
20 to -- to provide a chart that shows the -- the impact  
21 of Directive 27 on the narrowing of the zone of  
22 reasonableness under normalized water flows and under  
23 -- what happened under PCOSS24?

24                   MS. MARNIE VAN HUSSEN:    Well, I  
25 believed -- and I'll -- I'll get Mr. Gawne to correct

1 me, but PCOSS24 does have normalized water flows, so  
2 it's -- it's -- the level of export revenues is above  
3 -- certainly above what we've seen recently, but I  
4 don't know that you can attribute it to water flows.

5

6 (BRIEF PAUSE)

7

8 MR. SVEN HOMBACH: Perhaps I'll  
9 address that -- the question to Mr. Gawne.

10 Would it be possible to provide that  
11 chart based on the -- the higher starting conditions  
12 for the '24 year as well as the -- the normal starting  
13 conditions for the subsequent year?

14 MS. MARNIE VAN HUSSEN: Sorry. I  
15 think maybe what I could suggest, we do have some  
16 sensitivity analysis in -- through some of the IRs  
17 that look at different net export revenue levels.

18 So, perhaps we could provide the  
19 undertaking based on those to show what that zone of  
20 reasonableness looks like using the level of net  
21 export revenue in each of those sensitivities.

22 MR. SVEN HOMBACH: Thank you. That  
23 would be helpful.

24

25 --- UNDERTAKING NO. 54: For Manitoba Hydro to show





1                   Certainly, what -- you can see it in  
2 PCOSS24. And you can see in PCOSS24 the volatility  
3 that that RCC directive can have that wasn't evident  
4 perhaps in PCOSS21 even though it was there.

5                   So, I think it's reasonable given the  
6 magnitude of variability to look at a ninety-one ten  
7 (91-10) . I also think ninety-five one-o-five (95-  
8 105) continues to be reasonableness. So, I don't know  
9 if there is a line where you would say this has now  
10 become too volatile and we need to move to ninety-one  
11 ten (91-10).

12                   I don't know if that's a great answer  
13 to your question, but I would say I don't know that  
14 there -- there is some level where it becomes too --  
15 too much of a difference that you have to move and  
16 expand the zone.

17                   THE CHAIRPERSON: Okay. And -- and if  
18 the issue is volatility which, to a large degree,  
19 depends on water, and we're setting three (3) year  
20 rates, do we do it on a year-by-year basis and make  
21 adjustments or is it we set respectfully for three (3)  
22 years based on the level in the test year?

23                   I'm -- I'm just trying to figure out --  
24 I -- I'm concerned that we just had -- we went from  
25 drought to massive water. You know, how do we make

1 the adjustment at that point?

2 MS. MARNIE VAN HUSSEN: And I think we  
3 do the PCOSS on the second test year to try to avoid  
4 some of that variability. So, in year 1, we would  
5 have above average water flows above starting  
6 reservoir levels.

7 In the second test year, we start with  
8 slightly above average --

9 THE CHAIRPERSON: Yeah.

10 MS. MARNIE VAN HUSSEN: -- reservoir  
11 storage, but the average inflows -- or sorry, it is  
12 using average inflows.

13 And so, in our -- when we came to our  
14 proposals, we did sort of look at the trajectory of  
15 where export revenues were going, saw that they were  
16 declining a little bit and took that into  
17 consideration when we came up with our rate proposals.

18 So, I don't think it necessarily  
19 necessitates a change in the zone of reasonableness,  
20 but I think you try to look at PCOSS24 and recognize  
21 that it is a snapshot in time and -- and take it into  
22 account from there.

23 But it does try to moderate those level  
24 of export revenues to the extent that they can by  
25 using average water.

1 THE CHAIRPERSON: Thank you. Thank  
2 you, Mr. Hombach.

3 MR. KEVIN GAWNE: Maybe if I could  
4 just add to that point so -- just so we're clear. In  
5 the -- in the test year, we are reflecting carry  
6 forward storage from -- from '22/'23 into the '23/'24  
7 year.

8 And our hydro generation was projected  
9 to be around 39 1/2 terawatt hours, so it's -- it's  
10 about two (2) terawatt hours above the average. It's  
11 not a massive amount. Certainly, if we use the  
12 generation from the -- the flood we just went through,  
13 the actual '22/'23 year.

14 But -- and as -- as Ms. Van Hussen  
15 explained, that we're using a range of water -- water  
16 level -- or pardon me -- water flow conditions in the  
17 -- in that first test year.

18 So, yes, there was projected to be  
19 above average storage carried forward into '23/'24,  
20 but it was not, you know, a massive amount.

21 THE CHAIRPERSON: Okay. Thank you.

22

23 CONTINUED BY MR. SVEN HOMBACH:

24 MR. SVEN HOMBACH: Perhaps, Mr. Gawne  
25 and Ms. Van Hussen, let's try to illustrate this. And

1 I will see if I can catch Ms. Schubert off-guard by  
2 asking her to pull up Ms. Derksen's evidence.

3

4 (BRIEF PAUSE)

5

6 MR. SVEN HOMBACH: And go to page 27  
7 of that report.

8 Ms. Van Hussen, I take it you're  
9 familiar with this. This was a scenario that Ms.  
10 Derksen has -- had asked you to run that compared the  
11 PCOSS results as filed with a scenario that had 60  
12 percent of net export revenue.

13 And it was underlying the -- it's based  
14 on an Information Request, Consumer Coalition Request  
15 Number 155.

16 MS. MARNIE VAN HUSSEN: Confirmed.

17 MR. SVEN HOMBACH: In your view, would  
18 this be a -- a reasonable proxy for normalized water  
19 flows -- or sorry, for normalized net export revenue,  
20 the 60 percent scenario that Ms. Derksen presented?

21

22 (BRIEF PAUSE)

23

24 MR. SVEN HOMBACH: It's my  
25 understanding that it's based on the 2028/29 net

1 export revenue numbers. That's where she got that  
2 scenario from. But I haven't had an opportunity to  
3 confirm that with her yet.

4

5

(BRIEF PAUSE)

6

7 MS. MARNIE VAN HUSSEN: '28/'29 is  
8 post when the certain dependable contracts fall off.  
9 So it may be sort of indicative of average conditions,  
10 but it will not be representative of the current level  
11 of exports that we see right now.

12 I believe there are multiple  
13 sensitivities that were run at various levels of net  
14 export revenue. So sort of looking at all of them  
15 kind of give you the range. And I believe Ms.  
16 Derksen's evidence has a chart that has multiple  
17 levels of NER that sort of all show a varying range of  
18 RCCs based on the level of net export revenue.

19 MR. SVEN HOMBACH: So the general  
20 trend though would be that as you move towards  
21 normalized net export revenue, all classes get a  
22 little closer to the existing zone of reasonableness?

23 MS. MARNIE VAN HUSSEN: I'd say as you  
24 lower net export revenue, all classes get to the zone  
25 of reasonableness for sure.

1 MR. SVEN HOMBACH: So -- so --

2 MS. MARNIE VAN HUSSEN: Sorry, I will  
3 step back. General Service Small non-demand stays  
4 pretty consistently outside of the zone of  
5 reasonableness, as does the area of roadway lighting,  
6 despite what net export revenue is doing.

7 MR. SVEN HOMBACH: And that's because  
8 their costs are -- have a relatively small generation  
9 component, correct?

10 MS. MARNIE VAN HUSSEN: For area and  
11 roadway lighting, that is correct.

12 General Service Small non-demand still  
13 has a significant portion or a close to average  
14 portion of generation and transmission. So it's just  
15 indicative that their revenue to cost ratio is just  
16 above and is not being affected by the level of net  
17 export revenue.

18 That's not the driver, sorry, of why  
19 the RCC is outside the zone of reasonableness.

20 MR. SVEN HOMBACH: So let's go back  
21 and visualize some of the history of -- of where the  
22 classes used to be. And I'll refer you to page 19 of  
23 the book of documents that's a chart from Mr. Bowman's  
24 evidence that shows the RCC ratios over time,  
25 recognizing that -- if we go way back, things were

1 calculated on a different basis.

2 But I wanted to refer you to the  
3 significant spike for the two (2) largest classes that  
4 you see happening in 2016, when it looked like classes  
5 were moving towards the zone of reasonableness and  
6 then they were moving back out again.

7 You can see in the last inch of the  
8 page, the dark blue line and the purple dotted line.

9 Now, that -- that jump in the RCC ratio  
10 for the two (2) largest classes at the time, is that  
11 primarily caused by the change to the net export  
12 revenue calculation, or is it due to the significant  
13 investment in generation and transmission costs in the  
14 last few years?

15 MS. MARNIE VAN HUSSEN: The reason for  
16 the -- the large spike is on account of the  
17 methodology changes that would have been incorporated  
18 into one-sixty-four-six -- or PCOSS14-16416.

19 So when we moved from -- to recognize  
20 an allocation -- or sorry, a classification of  
21 generation that reflected energy and demand and some  
22 of the major methodology changes, and then in  
23 addition, from there, yes, levels of net export  
24 revenues have increased that have caused it to go  
25 higher since then.



1 MR. SVEN HOMBACH: In Manitoba Hydro's  
2 view, would it be appropriate to use a normalized net  
3 export revenue to calculate RCC ratios? Again, that's  
4 one of the arguments that Ms. Derksen is making.

5 MS. MARNIE VAN HUSSEN: Manitoba Hydro  
6 prepared PCOSS24 based on the budget and the revenue  
7 requirement for this Application, which include the  
8 level of net export revenue that it had. We wanted to  
9 have PCOSS24 be representative of the underlying  
10 revenue requirement as -- as part of this Application.  
11 As opposed to using some different level of export  
12 revenue.

13 What we did though is, in our rate  
14 proposals, took a look at all the sensitivities of  
15 export revenue and the affect that that would have  
16 RCCs in developing our rate proposals.

17 So I don't know that we want to start  
18 changing certain components of revenue requirement  
19 within PCOSS24. But certainly, you know, take a look  
20 at what the impact that this one certain component of  
21 revenue requirement can have on the RCCs when we're  
22 finalizing our rate proposals.

23 MR. SVEN HOMBACH: This may be an  
24 unfair question.

25

1 (BRIEF PAUSE)

2

3 MR. KEVIN GAWNE: Mr. Hombach, if it  
4 would help the discussion, in Coalition -- maybe Ms.  
5 Schubert can pull this up -- Coalition 155 -- sorry,  
6 1-1-55, in part A, it's the number of sensitivities of  
7 the RCC is based on various levels of net export  
8 revenue.

9 If you go down, please, to the -- keep  
10 going -- to page 5. Wrong one, sorry. Did I give the  
11 wrong -- Coalition 1-1-55. Yeah. Page 5.

12 So in this -- if you scroll to the top,  
13 just to see the heading of the table, this was the  
14 sensitivity using '24/'25 net export revenue. And,  
15 you know, we -- we saw in the export revenue and  
16 drought panel an update on market conditions. And we  
17 provided an update on water conditions to the Board  
18 that day that panel sat.

19 So, you know, our -- our starting  
20 storage conditions for this past year have been  
21 closure to average. Not as -- not as optimistic as  
22 the runs that were prepared back in September of '22.

23 And we also saw the price chart that  
24 Ms. Sanclemente prepared. If you'll recall, that  
25 chart with the gas prices and they had power prices.

1 You know, things have softened and that was explained  
2 to the Board then.

3 So essentially, we're -- you know,  
4 we're closer into this zone right here that we're  
5 looking at, as opposed to the underlying forecast used  
6 in the RCCs calculated for PCOSS24.

7 So the point I'm saying here -- why I  
8 bring that up is, these things do move around year to  
9 year as we know. Prices move and water conditions  
10 change. But I think we're still seeing that the RCC  
11 values here are, you know, still outside that zone of  
12 reasonableness, if that helps.

13 MR. SVEN HOMBACH: It does. Thank  
14 you, Mr. Gawne. Now, you're aware that in Order 59 of  
15 18, there was an Order to bring classes into the zone  
16 of reasonableness over a ten (10) year time frame.

17 Correct?

18 MS. MARNIE VAN HUSSEN: Correct.

19 MR. SVEN HOMBACH: And -- and Manitoba  
20 Hydro in bringing the current application, assumed  
21 that there was five (5) years left in that time frame?

22 MS. MARNIE VAN HUSSEN: We did.

23 MR. SVEN HOMBACH: Okay. Is it fair  
24 to say that since that Order initially came out, there  
25 has only been three (3) rate differentials -- sorry,

1 three (3) rate differentiated increases so far? 2018,  
2 2019 and then 2022?

3 MS. MARNIE VAN HUSSEN: Correct.

4 MR. SVEN HOMBACH: Right. Let's go to  
5 page 16 of the Book of Documents please.

6 That is the excerpt from Bittsa  
7 (phonetic) in 2020 with the government legislated and  
8 across the boards 2.9 percent rate increase.

9 Is it fair to say that in 2018 you  
10 wouldn't have predicted that there would be a  
11 legislated rate increase?

12 MS. MARNIE VAN HUSSEN: I think that's  
13 fair.

14 MR. SVEN HOMBACH: So, I'd like to get  
15 your perspective on -- on whether you think with truly  
16 five (5) years into this process of whether we might  
17 actually not be as far into the rate differentiation  
18 process as originally envisioned, in light of there  
19 having been only three (3) differentiated increases so  
20 far and then legislated across the board increase.

21 MS. MARNIE VAN HUSSEN: When we  
22 applied our -- or determined our rate proposals for  
23 the current application, we definitely did look at the  
24 original language in 59/18 to use a ten (10) year time  
25 frame and did look at, you know, what rate increases

1 would look like with the remaining five (5) years.

2                   However, in Tab 8 we also talked about,  
3 you know, looking at that ten (10) year time frame and  
4 how it might not be possible to continue to tick down  
5 from the ten (10) years when we started in 59/18 all  
6 the way to ten (10) years out from that.

7                   So, I don't know that we considered the  
8 language in 59/18 being in the next ten (10) times you  
9 change rates, you will use a differentiated path such  
10 that, you know, after ten (10) Board Orders we will be  
11 in a zone of reasonableness.

12                   We looked at it a little bit more from  
13 a -- a calendar year basis to actually look at those  
14 ten (10) years, but also recognize that going forward,  
15 I don't think we want to sit here in 2026/'27 and --  
16 and have to move customers into the zone of  
17 reasonableness in one -- in one year. And I -- I  
18 think that would go against our rate objectives,  
19 specifically related to rate stability.

20                   So, I -- I would agree to a certain  
21 extent. I don't think we've had the opportunity to  
22 adjust rates significantly enough, or as quickly as  
23 perhaps we may have thought we would have been in the  
24 year '23/'24 when 59/18 first came out.

25                   That being said, when we looked at our

1 rate proposals in the current application, we did  
2 consider that there may only be five (5) -- five (5)  
3 years left.

4 MR. SVEN HOMBACH: And I believe you  
5 indicated earlier that if the Residential class wasn't  
6 moved closer to unity, then the only way to bring the  
7 large industrial classes closer to unity, would be to  
8 increase the ratio for the General Service Small and  
9 General Service Medium classes. Correct?

10 MS. MARNIE VAN HUSSEN: Correct. And  
11 the General Service Large is zero (0) to thirty (30)  
12 kV class.

13 MR. SVEN HOMBACH: And -- and I take  
14 it you're familiar with the letter from the Canadian  
15 Federation of Independent Businesses that the  
16 Consumers Coalition recently put on the record?

17 MS. MARNIE VAN HUSSEN: I am aware,  
18 yes.

19 MR. SVEN HOMBACH: Would you just  
20 comment on -- could you comment on the prospect of the  
21 impact to the General Service Small and Medium classes  
22 of a -- of a differential rate increase that would  
23 increase the -- the rates disproportionately for those  
24 classes.

25 MS. MARNIE VAN HUSSEN: I'm not sure I

1 fully understood your question. Are you looking for a  
2 quantitative number or a --

3 MR. SVEN HOMBACH: In Manitoba Hydro's  
4 view would it be feasible to -- to leave the  
5 Residential class slightly below the zone of  
6 reasonableness? While bringing in the industrials  
7 closer to it and differentially increasing the GSS and  
8 GSM rates instead.

9 MS. MARNIE VAN HUSSEN: I think doing  
10 so is -- is not inconsistent with previous Board  
11 direction to adjust all customer classes that were  
12 within or below the upper bound of the zone of  
13 reasonableness.

14 That being said, I do think that there  
15 is a difference between customers with an RCC below  
16 the zone versus customers that -- classes that are  
17 above unity. And I don't think that someone above a  
18 hundred (100) is the same -- providing the same level  
19 of revenue sufficiency as someone below ninety-five  
20 (95).

21 So, I do think you are getting into an  
22 area of potential fairness considerations of whether  
23 it's appropriate to adjust those to the same level.

24 That being said, I think all of the  
25 rate proposals and rate differentiation in this

1 application are fairly moderate amongst all classes,  
2                   So, I think they would -- all of those  
3 options are reasonable if you were to look at the -- I  
4 believe it's the 2.4 percent increase that would be  
5 coming -- being proposed for General Service Small and  
6 Medium customers.

7                   MR. SVEN HOMBACH:    Mr. Chair, I'm  
8 switching topics. I'd be happy to continue about  
9 fifteen (15) minutes. I -- I -- I think I probably  
10 have about twenty (20) to twenty-five (25) minutes  
11 left total.

12                  THE CHAIRPERSON:    We'll take fifteen  
13 (15) minutes now. Thank you.

14  
15 --- Upon recessing at 2:02 p.m  
16 --- Upon resuming at 2:18 p.m.

17  
18                  THE CHAIRPERSON:    Okay. Mr. Hombach,  
19 before you continue, Mr. Sy has a question.

20                  BOARD MEMBER SY:    Thank you. I am  
21 going to try to -- it's all of the same line, but  
22 having like a small economic touch onto it -- adding a  
23 small economic touch to it.

24                         So, we understand that elasticity is  
25 crucial for policymakers, which is us, energy



1 suppliers, Manitoba Hydro, and consumers, residential  
2 and industrial and so on and so forth.

3 Have you guys looked at the impact of a  
4 change in price on change in demand over those three  
5 (3) customers -- or three (3) group of customers?

6 MS. MARNIE VAN HUSSEN: So, there is  
7 price elas -- elasticity built in to our load  
8 forecast. So, to the extent that the rate increase is  
9 factored in to the load forecast, there will be  
10 changes to customer class demands. It is not,  
11 specifically, looked at, when we're in the cost  
12 allocation and rate design phase.

13 BOARD MEMBER SY: Okay. So, like a 2  
14 percent increase, we don't know how it will impact the  
15 demand? Is that what you are saying or...

16 MS. MARNIE VAN HUSSEN: It -- it's  
17 done as part of our load forecasting and the annual  
18 load forecasting, so I believe Mr. Gawne is just  
19 looking for some additional information for you.

20 MR. KEVIN GAWNE: It would help,  
21 perhaps, Ms. Schubert, you could pull up Appendix 5.1  
22 and, I believe, page 54 of the pdf would address this.  
23 If you could just scroll up to this here. That's  
24 good.

25 Yeah. Sorry. I was thinking of a

1 different reference. We did do -- I believe an IR was  
2 prepared where we looked at the impacts on load of the  
3 2 percent -- the 2 percent rate increase versus the  
4 3.5 percent that was in the original application.

5                   And we'll get that -- maybe, get that  
6 brought up for you in a second, if we could come back  
7 to that topic, which -- which explains the, you know,  
8 the outlook over the forecast scenario horizon of the  
9 change in price impacts between the 3.5 percent  
10 trajectory and the 2 percent and, again, that's a  
11 general, across-the-board rate -- rate of 2 percent,  
12 not -- not on a specific class.

13                   People behind me are five (5) steps  
14 ahead of me here. Ms. Schubert, if you could please  
15 bring up PUB/MH-2-169? Sorry. Round 2 -- PUB Round  
16 2, 169 Part B. No such thing. I'm sorry. We'll have  
17 to come back to that. My apologies.

18

19                   (BRIEF PAUSE)

20

21                   MR. SVEN HOMBACH: Mr. Gawne, to the  
22 extent that it's helpful, PUB/MH-1-39 it asked the  
23 Utility about the impact of the reduction and the rate  
24 path on the load forecast. Is that what you're  
25 looking for?

1 MR. KEVIN GAWNE: That was the one I  
2 was looking for. Thank you. PUB 1-39.

3

4 (BRIEF PAUSE)

5

6 MR. KEVIN GAWNE: So, here you look at  
7 part A, future loa -- electric load for -- forecast  
8 for the horizon of '22/'23 to '29/'30, with that rate  
9 decrease from 3.5 percent to 2 percent, the electric  
10 load forecast scenario changes. It estimates by  
11 '29/'30, approximately 800 gigawatt hours more than  
12 the general consumer sales, and then by '40/'41, 1350  
13 gigawatt hours.

14 So, we are looking at these things, but  
15 these are, again, on the aggregate rate increase  
16 basis.

17 BOARD MEMBER SY: Okay. Thank you.

18

19 CONTINUED BY MR. SVEN HOMBACH:

20 MR. SVEN HOMBACH: Thank you, Ms. Van  
21 Hussen. Before we move to something completely  
22 different, on the issue of the differentiated rate  
23 increase, I'd like to go back to page 47 of Board  
24 Counsels' Book of Documents Volume V1, please. Page  
25 47.

1 (BRIEF PAUSE)

2

3 MR. SVEN HOMBACH: Without wanting to  
4 steal Mr. Hacault's thunder, and I'm sure he will be  
5 delivering thunder, under -- under PCOSS24, the GSL 30  
6 to 100 kilovolt and GSL above 100 kilovolt customers  
7 are both above 110, correct?

8 MS. MARNIE VAN HUSSEN: Correct.

9 MR. SVEN HOMBACH: In contrast, area  
10 and roadway lighting is below 110, that's about 108.2,  
11 correct?

12 MS. MARNIE VAN HUSSEN: With the  
13 assumption that the PUB accepts our proposed  
14 methodology change for the LED/DSM costs, correct.

15 MR. SVEN HOMBACH: Direct allocation?

16 MS. MARNIE VAN HUSSEN: Yes.

17 MR. SVEN HOMBACH: Okay. Now, despite  
18 that Manitoba Hydro is seeking a 1.5 percent increase  
19 for the industrial classes and a 1 percent increase  
20 for area and roadway lighting?

21 MS. MARNIE VAN HUSSEN: That's  
22 correct. And when we look at the area in roadway  
23 lighting class, because so little of their costs are  
24 related to generation and transmission, or controversy  
25 so much of their cost is related to dedicated plant.

1                   They aren't affected by the level of  
2 net export review to the extent that General Service  
3 Large customer classes would be. So, a lot of --  
4 their RCC being above average is just related to the  
5 composition of their costs.

6                   So, they have been above the zone of  
7 reasonableness for some time. The DSM cost -- you  
8 know, exacerbate that, so our proposal was based on  
9 sort of that long-standing practice and the fact that  
10 it is not as volatile in terms of being that export  
11 revenue.

12                   MR. SVEN HOMBACH:    Let's -- let's  
13 change topics and deal with the fifty (50) hour  
14 coincidence peak issue that was raised in Mr. Bowman's  
15 evidence. And I'll ask Ms. Schubert to turn to page  
16 27 of the Book of Documents.

17                   Page 27 is an expert from Board  
18 Order/164 of 16, where the Board accepted that the  
19 demand component of generation should be allocated by  
20 the top fifty (50) hour coincident peak hours.

21                   And that has been Manitoba Hydro's  
22 procedure and all the Cost of Service studies since  
23 that time?

24                   MS. MARNIE VAN HUSSEN:    Correct.

25                   MR. SVEN HOMBACH:    You're aware of Mr.

1 Bowman's suggestion that fifty (50) hours might  
2 capture too many hours or it might be too -- too broad  
3 of range?

4 MS. MARNIE VAN HUSSEN: I'm aware,  
5 yes.

6 MR. SVEN HOMBACH: What's Manitoba  
7 Hydro's purpose in choosing fifty (50) hours?

8 MS. MARNIE VAN HUSSEN: It's been a  
9 long standing practice to use fifty (50) hours. It  
10 first came about the late '90s, perhaps even sooner.  
11 I can find that out. But it was really to deal with  
12 the fact that area and roadway lighting may be on in  
13 some hours and may be off in some hours.

14 So, if you use a single hour you may  
15 have a class that either is entirely on and  
16 contributing to that peak or they may be entirely off  
17 and contributing to that peak.

18 So, it would have a -- a very big  
19 impact on whether an entire class received any demand  
20 costs. So, fifty (50) hours was to sort of attenuate  
21 and average out whether certain classes would be on or  
22 off.

23 And area and roadway lighting is sort  
24 of the extreme example of that. They're either on or  
25 off, but you also have individual classes where if you

1 -- if you chose a single peak hour, that single peak  
2 hour can move.

3                   It's not always at the same time in  
4 Manitoba Hydro's system, but it may make the  
5 difference on whether a commercial customer or  
6 industrial customer was operating in those hours.

7                   So it's also just to get a better sense  
8 of the -- which classes are contributing to that peak  
9 that -- that does sort of move around throughout the  
10 day.

11                   MR. KEVIN GAWNE: I could maybe add to  
12 that. Using the -- I think Mr. Bowman was suggesting  
13 the last eight (8) years of between four (4) to six  
14 (6) hours, or even the single peak hour of the year.

15                   And, you know, when you're using the  
16 average of the top fifty (50) for eight years, you've  
17 got four hundred (400) data points versus potentially  
18 eight (8) if you're using that single -- single hour.

19                   So, you know, there's some  
20 considerations around the data and -- and how -- how  
21 the system can actually be a little more stressed  
22 outside of that single peak hour. So looking and  
23 isolating your eight (8) year back window and looking  
24 at just eight (8) data points can I think create some  
25 -- I mean, you're look at -- really at the end of the

1 tail to -- to make this assessment. So that's --  
2 that's part of the concern.

3 MR. SVEN HOMBACH: And on that note,  
4 Mr. Gawne, the -- the eight (8) years, is that still  
5 based on the 2007/'08 and 2014/'15 load research  
6 studies?

7 MS. MARNIE VAN HUSSEN: It -- that's  
8 correct.

9 MR. SVEN HOMBACH: When do you  
10 anticipate that to be -- to -- sorry. When do you  
11 anticipate updated load profiles to be completed for  
12 the next cost of service study?

13 Do you anticipate to stay with the  
14 2007/2008 and 2014/'15 data?

15 MS. MARNIE VAN HUSSEN: I believe it's  
16 in tab 5 related to the load forecast. They discuss  
17 using -- or working on updating hourly load profiles  
18 that will be used in load forecast methodology in the  
19 upcoming hearings.

20 Our intention is to use those hourly  
21 load profiles to develop class NCPs and class CPs for  
22 the use going forward in our cost of allocation  
23 studies. So fingers --

24 MR. SVEN HOMBACH: The next General  
25 Rate Application.



1 MS. MARNIE VAN HUSSEN: -- fingers  
2 crossed, for the next General Rate Application.

3 MR. SVEN HOMBACH: And -- and, Mr.  
4 Gawne, if we could turn to page 32 of the document,  
5 please. This shows that the daily peaks looks  
6 different in winter and in summer, correct?

7 Specifically in the winter, you have a  
8 morning peak hour, you have an afternoon peak period,  
9 while in the summer it tends to be in the early  
10 afternoon when air conditioning loads are on?

11 MR. KEVIN GAWNE: Correct.

12 MR. SVEN HOMBACH: The -- the fifty  
13 (50) coincident peak right now is only based on winter  
14 peak, correct?

15 MR. KEVIN GAWNE: Correct.

16 MR. SVEN HOMBACH: Are there any  
17 summer peak hours that are higher than those top fifty  
18 (50) hours?

19 MR. KEVIN GAWNE: No.

20 MR. SVEN HOMBACH: Do you expect that  
21 to change any time in the near future? I have a vague  
22 recollection that there was some evidence that  
23 Manitoba Hydro might be moving to a summer peak at  
24 some point, but I could be misremembering.

25 MR. KEVIN GAWNE: I think a little

1 misremembering, and maybe optimistic. It's -- you got  
2 it flipped. The -- the understanding is the -- the US  
3 market may be moving to a winter peaking as opposed to  
4 Manitoba summer peaking.

5 MR. SVEN HOMBACH: Let's move on to  
6 the treatment of demand-side management.

7 Is it fair to say that in 2016, when  
8 Board Order 164/'16 was issued, nobody was envisioning  
9 the creation of Efficiency Manitoba?

10

11 (BRIEF PAUSE)

12

13 MR. KEVIN GAWNE: I understand it was  
14 part of the -- perhaps part of the NFAT  
15 recommendations, so that perhaps it was anticipated at  
16 that time. I can't speak directly.

17 MR. SVEN HOMBACH: So -- yeah. It's a  
18 fair point, Mr. -- touche, Mr. Gawne, touche.

19 So -- so under the current process, you  
20 provide marginal values for electricity to Efficiency  
21 Manitoba, correct?

22 MR. KEVIN GAWNE: That's correct.

23 MR. SVEN HOMBACH: And -- and I  
24 appreciate that those are CSIs, so we're not going to  
25 get into them, but what's your understanding on how

1 Efficiency Manitoba actually uses those to assess cost  
2 effectiveness or to design DSM?

3 And it may be -- maybe that is too  
4 broad a question, Mr. Gawne, so I'll specify it a  
5 little bit.

6 Is it your understanding that, under  
7 the Efficiency Manitoba Act, individual DSM measures  
8 don't have to be cost effective, it's the portfolio as  
9 a whole that has to be cost effective?

10 MR. KEVIN GAWNE: I'm sorry, I -- I  
11 don't think I can speak to that --

12 MR. SVEN HOMBACH: Okay.

13 MR. KEVIN GAWNE: -- Mr. Hombach.

14 MR. SVEN HOMBACH: Will you accept it  
15 subject to check?

16 MS. MARNIE VAN HUSSEN: Mr. Hombach, I  
17 think that's a question better posed to Efficiency  
18 Manitoba when they appear before this Board.

19 MR. SVEN HOMBACH: So, Mr. Gawne, was  
20 it your understanding that Efficiency Manitoba  
21 currently has no mandate to reduce demand, energy  
22 only?

23

24 (BRIEF PAUSE)

25

1 MR. KEVIN GAWNE: Yeah. I believe the  
2 legislation is based on an energy target.

3 MR. SVEN HOMBACH: Let's turn to page  
4 37 of the book of documents. That beautiful black  
5 box, that's the redacted marginal value.

6 So again, we -- we're not going to get  
7 into them, but, Mr. Gawne, there is an energy portion  
8 and a capacity portion attached to those marginal  
9 values, right? And that's illustrated in the top line  
10 that is not redacted?

11 MR. KEVIN GAWNE: That's correct.

12 MR. SVEN HOMBACH: So you're aware  
13 that the -- the Conch (phonetic) treatment for demand-  
14 side management in accordance with Order 164/'16 is  
15 it's treated as an energy resource?

16 MS. MARNIE VAN HUSSEN: It's  
17 functionalized as generation, so it's classified as  
18 both energy and demand.

19

20 (BRIEF PAUSE)

21

22 MR. SVEN HOMBACH: Let's turn to page  
23 41 of the book of documents. So Mr. Bowman had made  
24 the argument that total marginal costs include  
25 generation, transmission, as well as distribution.

1                   You see that?

2                   MS. MARNIE VAN HUSSEN:    Yes.

3                   MR. SVEN HOMBACH:    And -- and he had  
4 recommended a seventy-five ten fifteen (75-10-15)  
5 split between generation, transmission, and  
6 distribution?

7                   MS. MARNIE VAN HUSSEN:    Correct.

8                   MR. SVEN HOMBACH:    So correct me if  
9 I'm wrong, but this would benefit industrial customers  
10 by moving some of the costs to distribution.

11                  MS. MARNIE VAN HUSSEN:    That's  
12 correct.

13                  MR. SVEN HOMBACH:    And I've read  
14 Manitoba Hydro's rebuttal. We don't need to put it up  
15 on screen, but is it fair to say that Manitoba Hydro's  
16 position on that issue is neutral?

17                  MS. MARNIE VAN HUSSEN:    I think that's  
18 fair. Our position in rebuttal was just identifying  
19 that nothing had changed in terms of the marginal  
20 values that Manitoba Hydro generates for the purposes  
21 of DSM programming, whether that's done by Manitoba  
22 Hydro or now done through Efficiency Manitoba.

23                  So the facts haven't changed since the  
24 Board made their decision in 164/'16, sorry, to  
25 functionalize DSM as generation. So our position was

1 just stating that nothing had changed.

2 I would say that, you know, taking the  
3 marginal values as a whole, that Manitoba Hydro  
4 produces, isn't representative of the potential  
5 savings by function that Efficiency Manitoba  
6 programming may generate.

7 So I don't think you can just look at  
8 the marginal costs and say that 15 percent is related  
9 to distribution, therefore, 15 percent of DSM is  
10 related to distribution.

11 MR. SVEN HOMBACH: At this point in  
12 time, when Manitoba Hydro sees the approved Efficiency  
13 Plans and then sees energy and capacity savings  
14 projected in there, do those projections get taken  
15 into Manitoba Hydro's own transmission and  
16 distribution planning?

17 As in, do you take projected savings  
18 into account in planning your transmission and  
19 distribution investments?

20

21 (BRIEF PAUSE)

22

23 MS. MARNIE VAN HUSSEN: We don't have  
24 anyone on this panel that can speak directly to that,  
25 so we will have to take that as an undertaking.

1 MR. SVEN HOMBACH: If -- if you could,  
2 please.

3

4 --- UNDERTAKING NO. 55: Manitoba Hydro to advise  
5 if they take projected  
6 savings into account in  
7 planning your transmission  
8 and distribution  
9 investments

10

11 CONTINUED BY MR. SVEN HOMBACH:

12 MR. SVEN HOMBACH: Let's turn to page  
13 32 of the book of documents.

14

15 (BRIEF PAUSE)

16

17 MR. SVEN HOMBACH: Sorry, I misspoke.  
18 Page 53 of the book of documents, please.

19

20 Now, Ms. Van Hussen, when -- when the  
21 government reduced transfer payments it reduced two  
22 (2) types of payments, correct, first of all, the debt  
23 guarantee fee and water rentals?

23

MS. MARNIE VAN HUSSEN: Correct.

24

25 MR. SVEN HOMBACH: And could you  
confirm for me that the debt guarantee fee is

1 currently allocated based on rate base, meaning a  
2 total value of assets allocated to a customer cost?

3 MS. MARNIE VAN HUSSEN: It's  
4 functionalised according to rate base and then  
5 allocated -- classified and allocated according to the  
6 functional.

7 MR. SVEN HOMBACH: So -- so,  
8 proportionately, the biggest benefit would be to the  
9 Residential customer class because it has the largest  
10 overall rate base of all the classes?

11 MS. MARNIE VAN HUSSEN: No. I'd say,  
12 proportionately, the benefit is to the generation and  
13 transmission functions, which on average are a greater  
14 proportion for the General Service Large classes.

15 MR. SVEN HOMBACH: Sorry, I wasn't  
16 asking about the water rentals, I was asking about the  
17 debt guarantee fee.

18 MS. MARNIE VAN HUSSEN: And again, the  
19 debt guarantee fee, it is functionalised in proportion  
20 with rate base, which is primarily generation and  
21 transmission.

22 The -- just one (1) second.

23

24 (BRIEF PAUSE)

25



1 MS. MARNIE VAN HUSSEN: Yeah, sorry.  
2 So, it reduces -- it functionalises generation and  
3 transmission primarily, and it's a reduction in those  
4 costs. So, that will benefit the general service  
5 large customers because it's a bigger proportion of  
6 their -- their total cost.

7 MR. SVEN HOMBACH: And water rentals,  
8 in contrast, are functionalised fully as generation,  
9 correct?

10 MS. MARNIE VAN HUSSEN: That's  
11 correct.

12 MR. SVEN HOMBACH: So, it would be the  
13 same answer?

14 MS. MARNIE VAN HUSSEN: Essentially,  
15 minus the transmission portion.

16 MR. SVEN HOMBACH: Could you comment  
17 on Ms. Derksen's suggestion that this provides an  
18 unfair -- I believe she used the word 'windfall' in  
19 her reports to the large industrial classes?

20 MS. MARNIE VAN HUSSEN: I would agree  
21 that they see the biggest proportionate benefit. I  
22 wouldn't classify it as a windfall. Those classes pay  
23 a bigger proportion of generation and transmission  
24 costs.

25 So, to the extent that those costs get

1 reduced, I think it makes sense that the -- the costs  
2 of those functions also get reduced.

3 MR. SVEN HOMBACH: So, you see it  
4 effectively as a cost of service issue?

5 MS. MARNIE VAN HUSSEN: It's cost  
6 causation, yeah.

7

8 (BRIEF PAUSE)

9

10 MR. SVEN HOMBACH: Let's briefly deal  
11 with the issue of deharmonization. And I'll refer you  
12 to page 57 of the book of documents. That's the same  
13 chart we've seen earlier today just with General  
14 Service non-demand, General Service Small demand, and  
15 GSM highlighted.

16 So, correct me if I'm wrong but,  
17 currently, the issue is that GSS non-demand is above  
18 the zone of reasonableness while GSS demand and GSM  
19 are in it?

20 MS. MARNIE VAN HUSSEN: That's  
21 correct. I don't know if that in and of itself is a  
22 problem, but coupled with the fact that the rates are  
23 all harmonized then, yes, it becomes -- becomes the  
24 issue.

25 MR. SVEN HOMBACH: So -- so, if the

1 rates were to continue to remain harmonized, you could  
2 not move the GSS demand and GSM rates without moving  
3 GSS non-demand further outside the zone of  
4 reasonableness?

5 MS. MARNIE VAN HUSSEN: Correct. Or  
6 alternatively, you can get the General Service Small  
7 non-demand in the zone of reasonableness, but you're  
8 taking the RCC ratio of the General Service Small and  
9 General Service Medium down, as well, so they would  
10 have to get below average increases.

11 MR. SVEN HOMBACH: So, let's briefly  
12 deal with the rate design changes for the General  
13 Service Large customers. And then I will relinquish  
14 the microphone to -- to Mr. Buchart.

15 Let's turn to page 63 of the book of  
16 documents, please. So, just -- just for the benefit  
17 of the Panel, the General Service Large customers pay  
18 an energy charge and a demand charge, correct?

19 MS. MARNIE VAN HUSSEN: Correct.

20 MR. SVEN HOMBACH: But unlike  
21 Residential customers, for example, they don't pay a  
22 basic monthly charge?

23 MS. MARNIE VAN HUSSEN: Correct.

24 MR. SVEN HOMBACH: Okay. And Manitoba  
25 Hydro is suggesting that -- that currently, a

1 disproportionate amount of the revenue is recovered  
2 through the energy charge and that does not align with  
3 the actual cost structure?

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. SVEN HOMBACH: So, I will let Mr.  
6 Hacault explore this -- this issue a bit further to  
7 the extent that he would like to, but let's turn to  
8 page 64 of the book of document that illustrates this.  
9 And let's go to the bottom of the page.

10 So, Manitoba Hydro is proposing to  
11 increase only the demand charge for these customers,  
12 correct?

13 MS. MARNIE VAN HUSSEN: That's  
14 correct.

15 MR. SVEN HOMBACH: And we'd asked by  
16 way of an Information Request to the Utility on what  
17 this would mean to individual customers. And it's not  
18 in the book of documents, so I'll ask Ms. Schubert to  
19 pull it up. It's PUB/MH 1st Round Information Request  
20 145.

21 There we go. It's the -- the second  
22 page in that document. And Manitoba Hydro provided a  
23 range of bill impacts for those customers with the  
24 lease affected customers being affected about 1.2 to  
25 1.3 percent, correct?

1 MS. MARNIE VAN HUSSEN: Correct.

2 MR. SVEN HOMBACH: And the most  
3 affected customers affected 2.2 to 2.3 percent?

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. SVEN HOMBACH: Is anybody affected  
6 outside that range?

7 MS. MARNIE VAN HUSSEN: No.

8 MR. SVEN HOMBACH: So, the  
9 differential impact on -- on customers would be about  
10 plus/minus 1 percent?

11 MS. MARNIE VAN HUSSEN: Correct.

12 MR. SVEN HOMBACH: Okay. And for an  
13 average customer in that class, what does that mean  
14 per month?

15 MS. MARNIE VAN HUSSEN: I believe  
16 these bill impacts range from the 30 to a hundred and  
17 the greater than a hundred kV class, so the average  
18 bill can be quite different.

19 If we look at our bill impact schedule,  
20 which would be Appendix 8.6.

21

22 (BRIEF PAUSE)

23

24 MS. MARNIE VAN HUSSEN: You can -- if  
25 you'd scroll down, Ms. Schubert, you can get a

1 representative idea of the level of bills for -- for  
2 customers in these classes.

3

4 (BRIEF PAUSE)

5

6 MS. MARNIE VAN HUSSEN: If -- if  
7 you're looking for the actual average usage, we could  
8 provide that in an undertaking, but I don't know that  
9 it would be representative of any one customer.

10 MR. SVEN HOMBACH: If -- if you could  
11 still provide that by way of an undertaking then, yes,  
12 please.

13 MS. MARNIE VAN HUSSEN: Sure. For  
14 both the 30 to a hundred and greater than a hundred kV  
15 classes?

16 MR. SVEN HOMBACH: Yes, please.

17

18 --- UNDERTAKING NO. 56: Manitoba Hydro to provide  
19 the actual average usage  
20 for both the 30 to 100 and  
21 greater than 100 kV  
22 classes.

23

24 CONTINUED BY MR. SVEN HOMBACH:

25 MR. SVEN HOMBACH: Let's turn back to

1 page 22 of your presentation, please. And we'll deal  
2 with the last issue, which is the billing demand.

3 Page 22.

4 Now, Ms. Van Hussen, you've illustrated  
5 the -- the 90 percent issue. And is it fair to say  
6 that Manitoba Hydro is dipping its toes in the water  
7 and wants to avoid aggressive load shifting? Is that  
8 why you're setting the 90 percent limit?

9 MS. MARNIE VAN HUSSEN: I don't think  
10 I would characterize it as we want to avoid aggressive  
11 load shifting. But I do think it's fair to say we are  
12 dipping our toe in the water.

13 We are mindful of the potential of new  
14 customers coming in or, you know, load growth outside  
15 of those peak hours. Those peak hours are, you know,  
16 a good indication of when the -- the peak typically  
17 happens.

18 There's nothing -- there's no magic  
19 about that hour to say that if you peak in the next  
20 hour, you're not going to set a new system peak.

21 So we're certainly mindful that we  
22 don't want to have, sort of, unmitigated load growth  
23 in those non-peak hours where customers are not paying  
24 a share of capacity costs. That's ultimately what it  
25 is, is we would have customers that are coming in,

1 using the system without paying a share of capacity  
2 costs.

3 MR. SVEN HOMBACH: You're aware of Mr.  
4 Bowman's evidence that it would be helpful to not have  
5 the 90 percent limit, right?

6 MS. MARNIE VAN HUSSEN: I am aware.

7 MR. SVEN HOMBACH: Would it be  
8 feasible for Manitoba Hydro to dip its feet into the  
9 water just a little more deeply and move beyond 90  
10 (ninety) to, let's say, eighty (80) or seventy-five  
11 (75)?

12 MS. MARNIE VAN HUSSEN: I think that's  
13 fair. They're certainly in our jurisdictional  
14 analysis in Appendix 8.12. Thank you. We do see that  
15 a couple of the other jurisdictions do have something  
16 closer to a 75 or 80 percent non-peak hour definition.

17 So, you know, I don't think that that  
18 would make or break our proposal for the -- the  
19 billing demand definition change.

20 MR. SVEN HOMBACH: Let's briefly turn  
21 back to the Information Request I showed you earlier,  
22 PUB/MANITOBA HYDRO-1-1-45. And let's go to the bottom  
23 of that chart.

24 Now, Ms. Van Hussen, this proposal too  
25 would create some customers that would benefit and it



1 could create some customers that would incur higher  
2 costs, correct?

3 MS. MARNIE VAN HUSSEN: Correct.

4 MR. SVEN HOMBACH: And the -- the  
5 customers who could benefit the most could reduce  
6 their bills by potentially more than half a percent?

7 MS. MARNIE VAN HUSSEN: Correct.

8 MR. SVEN HOMBACH: And the customers  
9 that are unable to do so would face increases of up to  
10 0.4 percent?

11 MS. MARNIE VAN HUSSEN: Correct.

12 MR. SVEN HOMBACH: I notice that there  
13 is a smaller than sign on the first row, are there any  
14 customers that can reduce their bill by significantly  
15 more than half (1/2) a percent?

16

17 (BRIEF PAUSE)

18

19 MS. MARNIE VAN HUSSEN: There is one  
20 (1) customer that is less than that, but it is not  
21 less than 1 percent. So it's closer to the .6  
22 percent.

23 MR. SVEN HOMBACH: Okay. Then two (2)  
24 additional questions. First of all, this table is  
25 prepared on historical loads, right? It doesn't take

1 into account changes in behaviour as a result of the  
2 change to the definition?

3 MS. MARNIE VAN HUSSEN: Correct.

4 MR. SVEN HOMBACH: Okay. Secondly,  
5 are you aware of any customers that might face a  
6 double whammy being impacted by both this change and  
7 the change to the demand charge?

8 Perhaps Ms. Schubert could go back up  
9 in the table to show both of them. Sorry, actually,  
10 scroll down to the third table on that.

11 MS. MARNIE VAN HUSSEN: I think  
12 there's a table that -- yeah.

13

14 (BRIEF PAUSE)

15

16 MS. MARNIE VAN HUSSEN: So there are  
17 certainly customers that have -- that are sort of  
18 impacted by both the billing demand change and the  
19 proposal to only increase the demand rate. But these  
20 are the impacts that those customers will see.

21 MR. SVEN HOMBACH: And again, is there  
22 anybody outside that range?

23 MS. MARNIE VAN HUSSEN: No.

24 MR. SVEN HOMBACH: Thank you. Those  
25 are my questions to this panel.

1 MS. MARNIE VAN HUSSEN: Thank you.

2 THE CHAIRPERSON: Thank you.

3 Mr. Buchart...?

4

5 CROSS-EXAMINATION BY MR. MARKUS BUCHART

6 MR. MARKUS BUCHART: Good afternoon.

7 So our questions from MKO are going to be for any of  
8 the panellists. I'm not asking for any specific  
9 person, so you just decide. Okay.

10 So if we could turn first to first  
11 visual. It's MH-28, slide 2 or page 2. It is the  
12 land and territorial acknowledgment.

13 So now, this was the first piece of  
14 evidence at the very beginning of this Hearing  
15 described by your president and CEO, Ms. Grewal.

16 So my question is: Is the land and  
17 territorial acknowledgement merely symbolic? Or is it  
18 intended to have some practical effect?

19 MS. SHANNON GREGORASHUK: I don't know  
20 that I can speak in detail in terms of what Manitoba  
21 Hydro is doing with respect to, you know, sort of, the  
22 -- the actual implementation of -- of recognition of  
23 land and territorial acknowledgements and those types  
24 of things.

25 But I do know that, you know, it is

1 important in everything we do. And I'm not sure that  
2 I can speak much more than that. I know Ms. Grewal  
3 spoke to that much better than I can.

4 MR. MARKUS BUCHART: And some of the  
5 importance of the land and territorial acknowledgment  
6 is stressed by the fact that it was the very first  
7 piece of evidence in this oral Hearing, correct?

8 MS. SHANNON GREGORASHUK: Yes, I would  
9 agree with that.

10 MR. MARKUS BUCHART: All right. And  
11 you'll notice the word 'relationships' appears twice  
12 in the land and territorial acknowledgement. It  
13 appears in the beginning of the fourth line and the  
14 end of the second-last line. Do you see that?

15 MS. SHANNON GREGORASHUK: Yes, I do.

16 MR. MARKUS BUCHART: Okay. So  
17 Manitoba Hydro has all sorts of relationships with  
18 Aboriginal people, Indigenous people, in Manitoba.

19 Correct?

20 MS. SHANNON GREGORASHUK: Yes,  
21 correct.

22 MR. MARKUS BUCHART: But one (1) of  
23 the relationships that it has with Indigenous people  
24 is as customers. As a service supplier and a  
25 customer, correct?

1 MS. SHANNON GREGORASHUK: Correct.

2 MR. MARKUS BUCHART: And probably  
3 since virtually everybody -- or perhaps everybody uses  
4 electricity, it's pretty fair to say that the most  
5 important relationship Indigenous people have with  
6 Manitoba Hydro is as electricity customers. Correct?

7 MS. SHANNON GREGORASHUK: I -- I think  
8 all of our relationships are important. But yes, I  
9 would agree, that is an important one.

10 MR. MARKUS BUCHART: I'm not talking  
11 about importance. I'm talking about just prevalent.  
12 Just that it affects the most number of people.

13 MS. SHANNON GREGORASHUK: Yes, I would  
14 agree with that.

15 MR. MARKUS BUCHART: Not every  
16 Indigenous person has a job working for Manitoba  
17 Hydro, but virtually every Manitoba Indigenous person  
18 uses electricity. Correct?

19 MS. SHANNON GREGORASHUK: Yes, I would  
20 agree with that.

21 MR. MARKUS BUCHART: Now, does the  
22 land and territorial acknowledgment mean that  
23 Aboriginal people, Indigenous people, can be treated  
24 differently to non-Aboriginal, non-Indigenous, people?

25

1 (BRIEF PAUSE)

2

3 MS. SHANNON GREGORASHUK: I'm sorry.

4 Could you just repeat the question for me, please?

5 MR. MARKUS BUCHART: Does the land and

6 territorial acknowledgement mean that Manitoba Hydro

7 can treat Indigenous people different to non-

8 Indigenous people?

9 MS. SHANNON GREGORASHUK: I -- I guess

10 I would look at it and say Manitoba Hydro treats all

11 of its customers equally and fairly. And to the

12 extent that it would be fair to treat certain

13 customers differently, then I -- I suppose that would

14 -- could occur.

15 I'm sorry. I don't know if that's very

16 helpful to your question.

17 MR. MARKUS BUCHART: I'm looking to --

18 really, whether this is purely a symbolic statement

19 tossed out at the beginning of a Hearing, or whether

20 it has practical implications, concrete real world

21 implications.

22 So is it possible that following the

23 land and territorial acknowledgement that Indigenous

24 people can be treated differently?

25 MS. SHANNON GREGORASHUK: I -- I -- I

1 think it's an acknowledgment for sure. I -- I do want  
2 to just say that I definitely disagree that this is  
3 just symbolic. I think it is absolutely important to  
4 Manitoba Hydro the acknowledgment and -- and again I  
5 wouldn't be the one to explain or speak to how -- how  
6 precisely we are -- you know, representing that  
7 importance to the Corporation, but I -- I certainly  
8 know that it is, we do -- we acknowledge this as part  
9 of, you know, most of our activities.

10 Ms. Grewal included it in her slide  
11 deck as well, so it's very important, you know, all  
12 the way up to our -- our executive level, so.

13 MR. MARKUS BUCHART: All right. So, if  
14 it -- if it does mean that you can treat -- Manitoba  
15 Hydro can treat Indigenous people differently --

16 MS. ODETTE FERNANDES: Sorry, Mr.  
17 Buchart, I don't believe that was Ms. Gregorashuk's,  
18 sorry, Gregorashuk's evidence.

19

20 CONTINUED BY MR. MARKUS BUCHART:

21 MR. MARKUS BUCHART: All right. So  
22 does -- it does not mean that Indigenous people can be  
23 treated worse.

24 MS. SHANNON GREGORASHUK: I -- I would  
25 think Manitoba Hydro would never want to treat

1 Indigenous people worse. Yeah.

2 MR. MARKUS BUCHART: Okay. And does  
3 it mean that you have to be treated the same? Or that  
4 they can be treated better?

5 MS. SHANNON GREGORASHUK: So,  
6 reflecting on that this is a Cost of Service and Rates  
7 Panel, we have certain regulatory constructs for rate  
8 setting that would require customers, you know, across  
9 the province that, you know, whether they're  
10 Indigenous or not, if -- to the extent that they're in  
11 a -- the same customer rate class, we would treat them  
12 the same.

13 But I'm -- I'm not sure of -- if there  
14 are other differences. But in the context of rate  
15 development, that's what we are here for today.

16 MR. MARKUS BUCHART: So, MKO's case is  
17 going to try to convince the Panel to -- to recommend  
18 changes to the legislation. So -- so our questions  
19 will really be not limited to what the rate classes  
20 are, but what they can be.

21 So, in -- in terms of -- does that  
22 change your answer?

23 MS. SHANNON GREGORASHUK: I don't  
24 think so.

25 MS. ODETTE FERNANDES: Mr. Buchart, I



1 think the legislation is what the legislation is and  
2 you are free to make whatever recommendations you deem  
3 are applicable to the clients that you represent and  
4 this Board will take into consideration, I think, all  
5 parties' perspectives in light of their jurisdiction  
6 and any limitations that are within the legislation.

7 MR. MARKUS BUCHART: Right, but we'll  
8 be seeking the position of the panel on legislative  
9 changes. That's fine?

10 MS. ODETTE FERNANDES: I think you are  
11 free to argue whatever you want before this Panel, but  
12 Manitoba Hydro is limited to what is in its own  
13 legislation and Bill 36, and that's the constraint  
14 that we have to operate under.

15

16 CONTINUED BY MR. MARKUS BUCHART:

17 MR. MARKUS BUCHART: All right.  
18 Moving on then. Ms. Schubert, if we could go to MKO-2  
19 PDF 1. All right, so I want to frame the questions  
20 that are going to be coming and with some definitions,  
21 just so that we're all on the same page.

22 So, on PDF 1, you'll see a list of the  
23 twenty-five (25) MKO Nations, First Nations, that are  
24 in the Province of Manitoba. Do you see that?

25 MS. SHANNON GREGORASHUK: I do.

1 MR. MARKUS BUCHART: Okay. And on the  
2 next page, up at -- near the top, you'll see that  
3 there are four (4) First Nations that are listed that  
4 are -- we define as the MKO Diesel Zone Nations.

5 Do you see those?

6 MS. SHANNON GREGORASHUK: Yes.

7 MR. MARKUS BUCHART: Okay. And the  
8 rest of the definitions that the questioning will  
9 follow -- follow on the rest of page 2 and on to page  
10 3 of that PDF. See that?

11 MS. SHANNON GREGORASHUK: Yes.

12 MR. MARKUS BUCHART: All right, so,  
13 Ms. Schubert please MKO 2 PDF 4.

14 So, the -- we asked Manitoba Hydro to  
15 provide the number of customers in nine (9) classes of  
16 customers. So we -- we sliced the pie nine (9)  
17 different ways, okay, to stick with the pies.

18 And, you'll see that category A, All  
19 Manitoba Residential Customers, there's a number  
20 that's there. Correct?

21 MS. SHANNON GREGORASHUK: Yes.

22 MR. MARKUS BUCHART: And all of the  
23 other classes are actually sub-sets of that number.  
24 Correct?

25 MS. SHANNON GREGORASHUK: Yeah.

1 MR. MARKUS BUCHART: All right. And  
2 so if you look at line E, Manitoba First Nation  
3 Residential Customers, that is a sub-set of -- of the  
4 -- of line A. Correct?

5 MS. SHANNON GREGORASHUK: Yes.

6 MR. MARKUS BUCHART: And if you do the  
7 arithmetic, it works out to 3.67 percent of the total  
8 number of customers. So line E is 3.67 percent of  
9 line A, subject to correction.

10 MS. SHANNON GREGORASHUK: Okay. Yeah.

11 MR. MARKUS BUCHART: All right. And,  
12 if you look at line G, it gives MKO Nations  
13 Residential customers, so it gives just -- just the  
14 MKO twenty-five (25) First Nations. Correct?

15 MS. SHANNON GREGORASHUK: Yes.

16 MR. MARKUS BUCHART: And that would be  
17 a sub-set of E, Manitoba -- all of Manitoba First  
18 Nation Residential customers. Correct?

19 MS. MARNIE VAN HUSSEN: I think I'm  
20 following you, yes.

21 MR. MARKUS BUCHART: Yes. And just to  
22 do the percentage, if you look at G-MKO Nations  
23 Residential customers, the seven thousand seven  
24 hundred forty-four (7,744) customers is divided by  
25 line A, works out to 1.45 percent. Correct?

1 MS. MARNIE VAN HUSSEN: Subject to  
2 check, yes.

3 MR. MARKUS BUCHART: Subject to check,  
4 yes. And, in fact, if -- if Ms. Schubert, let's --  
5 quickly to PDF 8 in the same Exhibit, and if you look  
6 there's percentages. Line E says 3.67 percent.  
7 Correct?

8 MS. MARNIE VAN HUSSEN: Correct.

9 MR. MARKUS BUCHART: And line G says  
10 1.45 percent. Correct?

11 MS. MARNIE VAN HUSSEN: Correct.

12 MR. MARKUS BUCHART: And I'm going to  
13 be referring to those percentages quite a bit so -- so  
14 just keep them in your mind, if you can.

15 And then, if you look at line H and I,  
16 I've broken down the twenty-five (25) First Nations of  
17 MKO, so line H would be the Non-diesel Zone  
18 Residential community, so that's the twenty-one (21)  
19 of the twenty-five (25) that are -- that -- that are -  
20 - get regular service. Understood? Correct?

21 MS. MARNIE VAN HUSSEN: Yes.

22 MR. MARKUS BUCHART: And then line I  
23 is the -- is the diesel zone of the four (4) First  
24 Nations that we refer to and those are listed at -- at  
25 the bottom of the table. Correct?

1 MS. MARNIE VAN HUSSEN: Yes, okay,  
2 correct.

3 MR. MARKUS BUCHART: And just to make  
4 sure everything adds up, line H plus line I equals  
5 line G, in other words, the two (2) types of MKO First  
6 Nations added together gives you all of the First  
7 Nations. Correct?

8 MS. MARNIE VAN HUSSEN: Yes, correct.  
9 Thank you.

10 MR. MARKUS BUCHART: Okay. And so,  
11 and just to talk about customers. Customers would be  
12 the person who signed up with Manitoba Hydro who's  
13 responsible for paying the bill?

14 MS. SHANNON GREGORASHUK: I -- I think  
15 it would be defined -- customer has by premise and I'm  
16 not necessarily sure that it -- that, you know, the  
17 individual customers, the one who's paying the bill, I  
18 don't -- I don't how the households would work, but --

19 MR. MARKUS BUCHART: Understood. No  
20 special magic in the question. What I'm getting at is  
21 that somebody signs up with Manitoba Hydro, so let's  
22 say -- let's say me, I sign up with Manitoba Hydro and  
23 let's say there's only one other person in -- in -- in  
24 the household, and it's my cat named Lizzy, but I  
25 signed up, so I'm the customer. Correct?

1 MS. SHANNON GREGORASHUK: Yes,  
2 correct.

3 MR. MARKUS BUCHART: And -- and if  
4 there's more members of the household, let's say  
5 there's a couple and three (3) children, there's one  
6 (1) customer, but five (5) people. Correct?

7 MS. MARNIE VAN HUSSEN: Yes, if  
8 Lizzy's included in there I'm not sure, but yes.

9 MR. MARKUS BUCHART: Yes, well she's -  
10 - she's -- she's pretty tough, but so if you -- so  
11 when you look -- talking about customers, you're  
12 really not talking about number of people or  
13 population, you're talking about effectively  
14 households.

15 MS. MARNIE VAN HUSSEN: Yes, I think  
16 that's fair.

17 MR. MARKUS BUCHART: In rough terms,  
18 okay. All right. So, turning to PDF 6 please, so  
19 here we have the same nine (9) categories that we've  
20 defined in our questions, and -- and it shows the  
21 aggregate build revenue of each of the nine (9)  
22 classes. Correct?

23 MS. SHANNON GREGORASHUK: Correct.

24 MR. MARKUS BUCHART: All right. So,  
25 if you look at line 'E', Manitoba First Nations

1 Residential customers, there's a number -- fifty-seven  
2 thousand (57,000) and change. Do you see that?

3 MS. SHANNON GREGORASHUK: Fifty-seven  
4 (57) million, I think.

5 MR. MARKUS BUCHART: Oh, sorry, fifty-  
6 seven (57) million, 'cause it's in thousands, I get  
7 it, yes. Correct, fifty-seven (57) million. Yes?

8 MS. SHANNON GREGORASHUK: Correct.

9 MR. MARKUS BUCHART: All right. So,  
10 if you divide line E by line A, it would give the  
11 share of that class of residential customers out of  
12 all of Manitoba customers. Correct?

13 MS. SHANNON GREGORASHUK: Yes, I  
14 believe so.

15 MR. MARKUS BUCHART: Okay, and my  
16 arithmetic is that that ratio is 7.1 percent, subject  
17 to correction. Check?

18 MS. SHANNON GREGORASHUK: Subject to  
19 check. Yes.

20 MR. MARKUS BUCHART: All right. And,  
21 if we look at Line G, Man -- MKO Nation's residential  
22 customers, it is 24 million and change.

23 Do you see that?

24 MS. SHANNON GREGORASHUK: I do.

25 MR. MARKUS BUCHART: So, again, if we

1 divide that line Line G, by Line A, of all Manitoba  
2 residential customers, the ratio works out to 3.0  
3 percent, subject to check?

4 MS. SHANNON GREGORASHUK: Subject to  
5 check. Yes.

6 MR. MARKUS BUCHART: All right. Now,  
7 interestingly, if you look at Line E, we -- we've --  
8 we've established that it's 7.1 percent of all  
9 Manitoba customers, but the population share of that  
10 class that we've established is 3.67 percent.  
11 Correct?

12 MS. SHANNON GREGORASHUK: Yes.  
13 Correct.

14 MR. MARKUS BUCHART: So, just -- just  
15 sort of back of the envelope, the -- the amount billed  
16 or the -- the aggregate billed revenue is just less  
17 than double the 3.67 percent that that customer class  
18 represents, in terms of number of accounts. Correct?

19 MS. SHANNON GREGORASHUK: I -- I think  
20 we're with you, Mr. Buchart.

21 MR. MARKUS BUCHART: All right, and  
22 same -- same sort of analysis on Line G. There's --  
23 the amount is 24 million and change and if you -- if  
24 you divide that by the top line, 'A', you get 3.0  
25 percent, which is, roughly, double the 1.4. -- 1.45



1 percent that that customer class represents. Correct?

2 MS. SHANNON GREGORASHUK: Correct.

3 Subject to check. Yes.

4 MR. MARKUS BUCHART: So, what that's  
5 saying is that, just to go back to 'E', that the  
6 average customer of a Manitoba First Nation pays,  
7 probably, around double what the average customer of a  
8 non-First Nation pays?

9 MS. MARNIE VAN HUSSEN: I don't know  
10 that -- I think we have to look at the fact that some  
11 customers will have gas heat versus electric heat.  
12 So, I think the -- the -- all Manitoba residential  
13 customers' total revenue reflects the fact that a  
14 large portion of our residential customers do not have  
15 electric heat.

16 So, when you're comparing some of the  
17 First Nations' customers that are predominantly  
18 electric heat, they will have a bigger proportion,  
19 compared to the Manitoba average.

20 MR. MARKUS BUCHART: Okay. And -- and  
21 we're getting to that. Yes. Thank you, but just --  
22 just looking at the raw numbers, Classes E and G on  
23 that table seem to pay more than customers in the  
24 other classes, the non-aboriginal classes.

25 MS. MARNIE VAN HUSSEN: You used more

1 and have higher bills, pay the same rate. Yes.

2 MR. MARKUS BUCHART: Well, yes. We --  
3 we know that. Yes. If we could turn to pdf 8 next,  
4 please.

5 All right. So, now we -- now we get  
6 into the -- the -- the nitty-gritty. To be clear, the  
7 -- the data in this table is the average revenue bill.

8 Correct?

9 MS. MARNIE VAN HUSSEN: Correct.

10 MR. MARKUS BUCHART: So, it -- it  
11 doesn't take into effect -- into account collection.  
12 This is just the raw billing data. Correct?

13 MS. MARNIE VAN HUSSEN: That's my  
14 understanding. Correct.

15 MR. MARKUS BUCHART: All right. So,  
16 let's break that down. The average, Line A, all  
17 Manitoba residential customers, that's \$1,516 and  
18 change. Correct?

19 MS. MARNIE VAN HUSSEN: Correct.

20 MR. MARKUS BUCHART: But, if you go to  
21 Line E, Manitoba First Nation residential customers,  
22 the amount is almost double, \$2,924 and change.

23 Correct?

24 MS. MARNIE VAN HUSSEN: I think that's  
25 what the math is saying. Yes.

1 MR. MARKUS BUCHART: Good. All right.  
2 And same with 'G', Manitoba -- MKO Nations residential  
3 customers, the amount per customer is three thousand  
4 one hundred thirty-three dollars (\$3,133) and change,  
5 which is more than double the Manitoba average in line  
6 A, correct?

7 MS. MARNIE VAN HUSSEN: I would agree.  
8 That's what the math suggests --

9 MR. MARKUS BUCHART: All right. Now,  
10 a short digression and then we get to the punch line.  
11 So, let's talk about MKO diesel zone residential  
12 customers at the bottom line I.

13 In the diesel zone the -- is it correct  
14 that the customers cannot use electricity to heat?

15 MS. MARNIE VAN HUSSEN: That's  
16 correct.

17 MR. MARKUS BUCHART: And the reason  
18 for that would be just the amount of power that's  
19 generated by the diesel generators, there's not enough  
20 capacity to use it for heat, so there's a restriction  
21 on -- on the use for heating, correct?

22 MS. MARNIE VAN HUSSEN: I think that's  
23 fair, yes.

24 MR. MARKUS BUCHART: That's in my sort  
25 of model lawyer thinking way of just talking about it.

1 MS. MARNIE VAN HUSSEN: That's fair.

2 MR. MARKUS BUCHART: And so, the other  
3 thing to note about that is that those customers don't  
4 really get the same level of service as everybody else  
5 in the Province, because they're not allowed to heat,  
6 whereas all the other customers are allowed to heat,  
7 correct?

8

9 (BRIEF PAUSE)

10

11 MS. MARNIE VAN HUSSEN: I think they  
12 get the same level of service as other customers on  
13 our system. If you think of a non-electric heated gas  
14 customer, they would have the same service as those  
15 customer, those gas customers also do not use heat for  
16 electricity.

17 MR. MARKUS BUCHART: But when it's  
18 minus 20, they can't just walk up to the -- to the  
19 thermostat and turn it up, elec -- the electrical  
20 heat. They don't have that option, correct?

21 MS. MARNIE VAN HUSSEN: I assume they  
22 have some form of heating in their homes that would --

23 MR. MARKUS BUCHART: The question, was  
24 a thermostat hooked up to electric?

25 MS. MARNIE VAN HUSSEN: They do not

1 have a thermostat hooked up to electric heat, correct?

2 MR. MARKUS BUCHART: Okay. End of  
3 digression. Now, compare line G and line I. So, we  
4 know that 'I', the MPO diesel zone is a subset of MKO,  
5 correct? It's for First Nations out of the twenty-  
6 five (25) that I defined in -- in my pie example,  
7 correct?

8 MS. MARNIE VAN HUSSEN: Correct.

9 MR. MARKUS BUCHART: And you'll notice  
10 that the amount in 'I' is roughly half the amount in  
11 G, correct?

12 MS. MARNIE VAN HUSSEN: Roughly half,  
13 yes.

14 MR. MARKUS BUCHART: So, would the  
15 explanation for that be -- could the -- do you -- do  
16 you have an explanation? I'll go open-ended first.

17

18 (BRIEF PAUSE)

19

20 MS. MARNIE VAN HUSSEN: I think the  
21 explanation is that they use less kilowatt hours  
22 because they are not heating electrically.

23 MR. MARKUS BUCHART: Yes, correct. So  
24 -- so if you look at it, 'G' and 'I' are in louf --  
25 roughly the same geographic zone of the Province,

1 they're in the north, correct?

2 MS. MARNIE VAN HUSSEN: Correct.

3 MR. MARKUS BUCHART: And so the  
4 heating requirements would probably be roughly the  
5 same whether you're in The Pas and on the grid or in  
6 Lac Brochet and off the grid.

7 The -- the amount you need to heat is  
8 probably about the same, correct?

9 MS. MARNIE VAN HUSSEN: I think that's  
10 probably fair.

11 MR. MARKUS BUCHART: And so the  
12 difference in those -- in the electricity bills in  
13 class 'G' is -- is quite probably just the heating?

14 MS. MARNIE VAN HUSSEN: I think that's  
15 correct.

16

17 (BRIEF PAUSE)

18

19 MR. MARKUS BUCHART: And just to be  
20 fair, (I), there's been a rate freeze since 2011 for  
21 the diesel communities?

22 MS. MARNIE VAN HUSSEN: Since 2017,  
23 August 1st, 2017.

24 MR. MARKUS BUCHART: I missed that one  
25 -- okay.

1 (BRIEF PAUSE)

2

3 MR. MARKUS BUCHART: Okay, Ms.

4 Schubert, if we could jump now to PDF 12.

5 So, now -- now we're looking at not  
6 what is billed, we're looking at what is not  
7 collected, because that's the definition of arrears,  
8 correct?

9 MS. MARNIE VAN HUSSEN: I think that's  
10 fair.

11 MR. MARKUS BUCHART: In my modelled  
12 lawyer's way of talking.

13 MS. MARNIE VAN HUSSEN: Sure.

14 MR. MARKUS BUCHART: Okay. Good. So,  
15 looking at all Manitoba arrears, it's \$54 I think  
16 that's million dollars, right?

17 MS. MARNIE VAN HUSSEN: Correct.

18 MR. MARKUS BUCHART: And if you look  
19 at line 'E', it's \$28.8 million, correct?

20 MS. MARNIE VAN HUSSEN: Correct.

21 MR. MARKUS BUCHART: And so if you do  
22 -- divide 28 million into 54 million, into all  
23 Manitoba residential customers, it works out to -- and  
24 I'm going to round -- 53 percent, subject to  
25 correction.

1 MS. SHANNON GREGORASHUK: Subject to  
2 check, yes.

3 MR. MARKUS BUCHART: Okay. So what  
4 means is that that rate class of -- of Manitoba First  
5 Nation customers who represent 3.67 percent of the  
6 popu -- of the customers, are responsible for 53  
7 percent of the arrears, correct?

8 MS. SHANNON GREGORASHUK: I think  
9 that's fair -- or I wouldn't say fair. Let me correct  
10 it. That's what I think these numbers show.

11 MR. MARKUS BUCHART: Yes. I  
12 understand. I understand. So if you look at line  
13 'G', do the same calculation. Line 'G' is \$20.4  
14 million. Divide by line 'A', \$54.5 million, and you  
15 get 37 percent of all of Manitoba customers, correct?

16 MS. SHANNON GREGORASHUK: Correct,  
17 subject to check.

18 MR. MARKUS BUCHART: And actually, I  
19 forgot to do one (1) -- one (1) calculation.

20

21 (BRIEF PAUSE)

22

23 MR. MARKUS BUCHART: If we could flip  
24 back to table -- page 4 again, please, Ms. Schubert.  
25 I just want to establish that, if you divide 'G', the



1 MKO customers, into 'E', all Manitoba First Nations --  
2 so that would be seven thousand seven hundred forty-  
3 four (7,744) -- divide -- divided by nineteen thousand  
4 five hundred ninety-three (19,593), subject to check,  
5 it's -- it's 40.0 percent.

6 MS. SHANNON GREGORASHUK: Subject to  
7 check.

8 MR. MARKUS BUCHART: So to put that in  
9 ordinary English, 40 percent of Manitoba First Nation  
10 customers are MKO members, and the other 60 percent of  
11 First Nation people are not MKO members.

12 MS. SHANNON GREGORASHUK: Okay.

13 MR. MARKUS BUCHART: Okay. I'm a  
14 recovering economist, so I can still do a bit of math,  
15 so -- but you never really recover.

16 So back again to PDF 8 -- sorry, 12.  
17 I'm sorry.

18

19 (BRIEF PAUSE)

20

21 MR. MARKUS BUCHART: So looking again  
22 at line 'I', the MKO diesel zone residential  
23 customers, it's a considerably smaller number.  
24 Scratch that.

25 Okay. So arrears. I'm going to say

1 good and bad. 'Good' means desirable, beneficial, and  
2 'bad' means undesirable -- undesirable.

3 Are arrears good or bad for the general  
4 customer? From the point of view of the customer, is  
5 an arrear good or bad?

6 MS. SHANNON GREGORASHUK: I would  
7 expect that an arrears means that they aren't able to  
8 pay a current bill, and there might be all kinds of  
9 reasons as to why. And I'm struggling to think of  
10 what might be a favourable reason, so I would agree  
11 with that.

12 MR. MARKUS BUCHART: And from the  
13 point of view of Manitoba Hydro, arrears are bad.  
14 They're -- they're not beneficial, not desirable?

15 MS. SHANNON GREGORASHUK: Okay. I  
16 would agree with that.

17 MR. MARKUS BUCHART: All right. And  
18 so the higher arrears are, the worse it is, the less  
19 desirable it is, correct?

20 MS. SHANNON GREGORASHUK: Yes.

21 MR. MARKUS BUCHART: And so if it's  
22 the case that First Nations Manitobans or MKO  
23 Manitobans have higher arrears than other Manitobans,  
24 that -- that's worse for them than being a ordina --  
25 non-Aboriginal Manitoban, correct?

1 MS. SHANNON GREGORASHUK: I -- I think  
2 any -- any customer that struggles and -- and has, you  
3 know, an accumulation of arrears, is -- it's not --  
4 it's not good for them.

5 MR. MARKUS BUCHART: It's stressful.

6 MS. SHANNON GREGORASHUK: It is,  
7 absolutely.

8 MR. MARKUS BUCHART: At the very  
9 least, it's that, right? Okay. And there's a phrase  
10 that's been bandied about past hearings: 'energy  
11 poverty'.

12 Would you accept that the -- the higher  
13 arrears for First Nations people is -- is a sign of  
14 energy poverty?

15

16 (BRIEF PAUSE)

17

18 MS. SHANNON GREGORASHUK: Sorry.  
19 Could you repeat the question, please?

20 MR. MARKUS BUCHART: Probably not.  
21 I'll -- I'll regroup from a different direction.

22 Does Manitoba Hydro know why the  
23 arrears are higher for Aboriginal or MKP Aboriginal  
24 members than the general average?

25 MS. SHANNON GREGORASHUK: You know,

1 certainly Manitoba Hydro corporate might. I don't  
2 know that any of us on this panel could speak to that.

3 MR. MARKUS BUCHART: Well, there --  
4 there's two (2) possibilities. There's unwillingness  
5 to pay and inability to pay.

6 You'll agree with me that the likely  
7 cause of the higher arrears in -- in the Indigenous  
8 communities is inability to pay, correct?

9 MS. ODETTE FERNANDES: I think Ms.  
10 Gregorashuk has already indicated this panel can't  
11 speak to those issues.

12

13 (BRIEF PAUSE)

14

15 MS. SHANNON GREGORASHUK: Mr. Buchart,  
16 if -- perhaps, to be helpful, we could take that away  
17 as an undertaking and get you that information to the  
18 best of our ability.

19 MR. MARKUS BUCHART: All right. Thank  
20 you.

21

22 --- UNDERTAKING NO. 57: Manitoba Hydro to advise  
23 why the arrears are higher  
24 for Aboriginal or MKP  
25 Aboriginal members than

1 the general average.

2

3 CONTINUED BY MR. MARKUS BUCHART:

4 MR. MARKUS BUCHART: All right. Let's  
5 carry on to PDF 14, please.

6 So here, we've asked for the arrears  
7 per customer, so -- so the average of -- in -- in each  
8 of the nine (9) groups that we've sliced Manitoba  
9 into, so that the Manitoba average is a hundred and  
10 one dollars and ninety-nine cents (\$101.99), correct?

11 MS. SHANNON GREGORASHUK: Correct.

12 MR. MARKUS BUCHART: But the average  
13 for Manitoba First Nation residential customers in  
14 line 'E' is one thousand four hundred seventy-one  
15 dollars and eleven cents (\$1,471.11), correct?

16 MS. SHANNON GREGORASHUK: Correct.

17 MR. MARKUS BUCHART: And the -- the  
18 column, the right column basically gives the  
19 percentage of the total arrears, and it works out to  
20 52.9 percent, correct?

21 MS. SHANNON GREGORASHUK: Correct.

22 MR. MARKUS BUCHART: So that means  
23 that the 3.67 percent of the population that are  
24 Manitoba First Nation residential customers account  
25 for 52.9 percent of the arrears, correct?

1 MS. SHANNON GREGORASHUK: Yes. I  
2 think so, yes. Correct. I'd agree.

3 MR. MARKUS BUCHART: I was relieved.  
4 Okay. Thank you. And looking at line 'G', same sort  
5 of analysis: that the MKO residential customers have  
6 arrears of two thousand six hundred thirty-eight  
7 dollars and sixty-seven cents (\$2,638.67), correct?

8 MS. SHANNON GREGORASHUK: Correct.

9 MR. MARKUS BUCHART: And that  
10 represents 37.5 percent of all of the arrears in -- in  
11 Manitoba, correct?

12 MS. SHANNON GREGORASHUK: Yes,  
13 correct.

14 MR. MARKUS BUCHART: And -- and so  
15 what we're seeing is that the -- the customers that  
16 represent 1.4 -- 1.45 percent of the customers  
17 actually account for over a third, 37.5 percent of the  
18 arrears, correct?

19 MS. SHANNON GREGORASHUK: That's what  
20 this table shows, yes.

21 MR. MARKUS BUCHART: And the other  
22 interesting thing is that the Manitoba -- the -- the  
23 MKO arrears are considerably higher than the line E,  
24 the all First Nation customers' arrears, correct?

25 MS. SHANNON GREGORASHUK: Sorry, could

1 you repeat that?

2 MR. MARKUS BUCHART: Okay. So --

3 MS. SHANNON GREGORASHUK: I'm trying  
4 to follow.

5 MR. MARKUS BUCHART: -- the -- the MKO  
6 Nation's residential customers, line 'G', their  
7 arrears of two thousand six hundred dollars (\$2,600)  
8 and change is considerably higher than line 'E', the  
9 fourteen hundred seventy-one dollars (\$1,471) that all  
10 Manitoba residential customers have in arrears.

11 MR. SHANNON GREGORASHUK: Line -- line  
12 'G' is higher than line 'E', yes. Correct.

13 MR. MARKUS BUCHART: Right. And it's  
14 -- it's not quite twice as high but almost twice as  
15 high, correct?

16 MR. SHANNON GREGORASHUK: Subject to  
17 check, yes, it looks like that.

18 MR. MARKUS BUCHART: Now, that's  
19 interesting. Now, you should also say that the -- the  
20 people in 'G', which we have established are 40  
21 percent of -- of Manitoba Indigenous customers living  
22 on reserve, they are also included in 'E', correct?

23 That's a muddled question. Let me try  
24 that again. 'E' includes all Manitoba First Nation  
25 residential customers, which is includes MKO

1 customers, correct?

2 MR. SHANNON GREGORASHUK: Okay, yes.

3 I'm with you, yes.

4 MR. MARKUS BUCHART: And we  
5 established that 60 percent -- 40 percent of the First  
6 Nation residential customers live in MKO communities  
7 and the other 60 percent do not, correct?

8 MR. SHANNON GREGORASHUK: Okay. I  
9 think that's what we said, yes.

10 MR. MARKUS BUCHART: So, if you were  
11 actually to take out the -- the line 'G' people, the  
12 MKO people, the -- the number 'E' would be  
13 considerably lower because they -- they -- the 40  
14 percent of them hold up the -- for all Manitoba First  
15 Nation customers, correct?

16 MR. SHANNON GREGORASHUK: Okay. Yes,  
17 I think we're with you.

18 MR. MARKUS BUCHART: I -- I think it's  
19 simple. I think it's good math, so, okay.

20 MR. SHANNON GREGORASHUK: Okay.

21 MR. MARKUS BUCHART: So -- so, that  
22 means that the disparity which I -- which we agreed  
23 was roughly twice as serious, twice as high arrears in  
24 MKO communities, it's actually probably greater than  
25 that once you take the 40 percent of MKO members out



1 of line 'E', correct?

2 MR. SHANNON GREGORASHUK: Correct. It  
3 seems that way.

4 MR. MARKUS BUCHART: Right. And --  
5 and now, you'll accept that MKO First Nations are in  
6 what you would broadly call Northern Manitoba,  
7 correct?

8 MR. SHANNON GREGORASHUK: I think so.  
9 That's how it's described, yes.

10 MR. MARKUS BUCHART: Right. And --  
11 and just -- just to be clear, four (4) Manitoba  
12 Northern communities are not members of MKO -- they  
13 should join -- the four (4) communities at Highland  
14 Lakes. Okay.

15 So -- so, there -- there are four (4)  
16 Northern communities included in 'E' that are not in  
17 'G'. Okay. But generally speaking, the MKO  
18 communities are north, and the preponderance of  
19 members of -- of the rest are -- of all the other 60  
20 percent are in the south of Manitoba, correct?

21 MR. SHANNON GREGORASHUK: Okay.  
22 Correct.

23 MR. MARKUS BUCHART: Okay. So, could  
24 it be that the geographic location, like, the  
25 latitude, has -- has an effect on why the arrears are

1 higher in MKO communities than in the general Manitoba  
2 First Nations?

3

4 (BRIEF PAUSE)

5

6 MR. SHANNON GREGORASHUK: I'm not --  
7 I'm not sure that we have the information to confirm  
8 that or -- or the knowledge perhaps to confirm that  
9 right now.

10 MR. MARKUS BUCHART: Okay. In -- in  
11 general, I think we can take notice that it's colder  
12 in the north than in the south?

13 MR. SHANNON GREGORASHUK: I would  
14 agree with that.

15 MR. MARKUS BUCHART: And so, the  
16 heating requirements are going to be higher in the  
17 north than in the south, correct?

18 MR. SHANNON GREGORASHUK: That's  
19 reasonable, yes.

20 MR. MARKUS BUCHART: And so, for  
21 people that are in remoter areas that are heating  
22 electrically, it stands to reason they're more likely  
23 -- their -- their heating bills from electricity are  
24 going to be higher than people who -- who are in a  
25 warmer place in the south, correct?

1 MR. SHANNON GREGORASHUK: I think,  
2 generally speaking, yes.

3 MR. MARKUS BUCHART: Is there any way  
4 that you folks could on an undertaking determine what  
5 the cause of the higher arrears in the MKO Nations is?  
6 And the answer may be no. I understand.

7 MR. SHANNON GREGORASHUK: We -- we can  
8 certainly try to see what we could find that might be  
9 helpful, but I'm -- I'm not sure that we will be  
10 successful.

11

12 --- UNDERTAKING NO. 57: Manitoba Hydro to advise  
13 what the cause of the  
14 higher arrears in the MKO  
15 Nations is.

16

17 CONTINUED BY MR. MARKUS BUCHART:

18 MR. MARKUS BUCHART: Okay. And then  
19 the other clue again is, if you look at (I), MKO  
20 diesel zone residential customers, there the average  
21 arrears per person is -- well, it's still considerably  
22 higher than -- than the Manitoba average of one-o-one  
23 (101) at five hundred seventy-one dollars (\$571), but  
24 it's considerably lower than other MKO customers,  
25 correct?

1 MR. SHANNON GREGORASHUK: Yes,  
2 correct.

3 MR. MARKUS BUCHART: And again, it may  
4 be possible that the fact that the MKO diesel  
5 communities cannot heat electrically might explain the  
6 difference in the averages between them and their --  
7 their cousins and the other MKO First Nations?

8 MR. SHANNON GREGORASHUK: I think  
9 might explain. I would agree with that. I'm not for,  
10 you know, certain for sure.

11 MR. MARKUS BUCHART: Okay. All right,  
12 Ms. Schubert, if we could go to 16, page 16.

13

14 (BRIEF PAUSE)

15

16 MR. MARKUS BUCHART: So, you'll see at  
17 the top of the page in the preamble -- if you could  
18 scroll up, please, Ms. Schubert. Yes. So, we quote  
19 from Board Order 137/'21. And it says that:

20 "The Board expects Manitoba Hydro  
21 and Interveners to bring meaningful  
22 solutions to these concerns when  
23 these interim rates are sought to be  
24 finalized."

25 So -- so, there was an invitation to

1 the parties, like, MKO and to Manitoba Hydro, to come  
2 up with meaningful solutions.

3 Manitoba Hydro, in answer to our  
4 question, have they come up with any meaning --  
5 meaningful solutions, listed three (3) programs,  
6 correct?

7 And, Ms. Schubert, if you'd go up to  
8 the previous page, (a) at the bottom. Thank you.

9 MR. SHANNON GREGORASHUK: I can see  
10 the three (3) programs, yes.

11 MR. MARKUS BUCHART: So, there's three  
12 (3) programs that are listed. And -- and then those  
13 are described more fully on the -- the two (2) pages  
14 that follow, correct?

15 MR. SHANNON GREGORASHUK: Correct.

16 MR. MARKUS BUCHART: And so, looking  
17 at the first program, Customer Arrears Assistance  
18 Program, CAAP, I'd like to know what year was that  
19 program established?

20

21 (BRIEF PAUSE)

22

23 MR. SHANNON GREGORASHUK: I would have  
24 to take that away and -- and get back to you on that,  
25 Mr. Buchart. I'm not -- I'm not certain.

1 MR. MARKUS BUCHART: All right. Would  
2 -- would you undertake to do so?

3 MR. SHANNON GREGORASHUK: Absolutely.  
4 Yes.

5  
6 --- UNDERTAKING NO. 59: Manitoba Hydro to advise  
7 what year the Customer  
8 Arrears Assistance Program  
9 was established along with  
10 Neighbours Helping  
11 Neighbours

12

13 CONTINUED BY MR. MARKUS BUCHART:

14 MR. MARKUS BUCHART: Okay. And the  
15 second program, Neighbours Helping Neighbours, NHN,  
16 what year was that program established?

17 MR. SHANNON GREGORASHUK: I will add  
18 that to the previous undertaking --

19 MR. MARKUS BUCHART: Okay.

20 MR. SHANNON GREGORASHUK: -- to  
21 determine.

22 MR. MARKUS BUCHART: Okay. And I -- I  
23 guess I should go back. The first program was an  
24 interest-free repayment plan; that was the Customer  
25 Arrears Assistance Program. And the second program

1 that you've now undertaken to tell me the year it was  
2 created is a once in a lifetime grant of up to two (2)  
3 -- up to four hundred dollars (\$400), correct?

4 MR. SHANNON GREGORASHUK: Correct.  
5 But actually, Mr. Buchart, I think we can see in the  
6 response to this question, second paragraph, that the  
7 Neighbours Helping Neighbours Program began in 2004.

8 So, we will still just take away to  
9 confirm the start date of the Customer Arrears  
10 Assistance Program.

11 MR. MARKUS BUCHART: Okay. And you'll  
12 agree with me that 2004 -- that this program already  
13 existed at the time that the Board invited parties and  
14 Manitoba Hydro to bring meaningful solutions, that  
15 that program already existed in 2017?

16 MR. SHANNON GREGORASHUK: Yes, it did.  
17 And I've just been advised that the Customer Arrears  
18 System Program was created in 2018.

19 MR. MARKUS BUCHART: All right. So,  
20 that one does postdate the -- the Board Order.

21

22 (BRIEF PAUSE)

23

24 MR. SHANNON GREGORASHUK: Oh, I'm --  
25 I'm sorry, could you repeat that.

1 MR. MARKUS BUCHART: So -- so, the --  
2 the CAAP does postdate the Board Order of 2017?

3 MR. SHANNON GREGORASHUK: Yes, that's  
4 correct.

5 MR. MARKUS BUCHART: Okay. So,  
6 turning the page to the next page, PDF 18, you  
7 describe the -- the -- Manitoba Hydro describes the  
8 Equal Payment Plan, the EPP. And it is described as  
9 customers' average monthly payment scheme.

10 So it smooths over billing over twelve  
11 (12) months, correct?

12 MR. SHANNON GREGORASHUK: That's my  
13 understanding, yes.

14 MR. MARKUS BUCHART: And I -- I think  
15 that's an old program. What year was that created?

16 MR. SHANNON GREGORASHUK: I'm not  
17 sure. But I think if -- if you're trying to  
18 understand what -- if it became before the 2017 Order,  
19 I would agree with that -- or 2018, I would agree. It  
20 was probably before that.

21 MR. MARKUS BUCHART: All right. That  
22 -- that was in fact the point of my question.

23 So -- so, of the three (3) programs  
24 that Manitoba Hydro listed in response to MKO's  
25 Information Request, two (2) of them predate and one



1 (1) of the -- well, 2018 -- one (1) of them may  
2 postdate the -- the Board Order, correct?

3 MR. SHANNON GREGORASHUK: Correct.

4 MR. MARKUS BUCHART: All right. So,  
5 going back to page 16, Ms. Schubert, at the bottom.

6 Actually, no, (b) which is shown. We  
7 asked the question:

8 "Does Manitoba Hydro now have any  
9 recommendations to the Board for any  
10 meaningful solutions?"

11 That's the question. And the answer is  
12 on PDF 18, the bottom. And the answer is:

13 "Manitoba Hydro will continue to  
14 ensure efforts are focussed."

15 Et cetera. You'll agree with me that  
16 (b) doesn't actually say "yes" or "no."

17 MS. SHANNON GREGORASHUK: I think that  
18 that's fair for part (b). But I do recall, when Ms.  
19 Brako was here, she did speak at length to some of the  
20 -- I think she called it holistic bill affordability  
21 programs and also spoke to a number of improvements  
22 and changes that we are looking at.

23 And it's -- it's sort of an ongoing  
24 thing, from what I understand. The customer group is  
25 always looking to find meaningful ways to help our

1 customers.

2 MR. MARKUS BUCHART: Fair enough. But  
3 as far as this Information Request goes, there were  
4 only three (3) programs mentioned.

5 MS. SHANNON GREGORASHUK: There were  
6 three (3) programs mentioned in the Information  
7 Request, which Ms. Brako expanded on in her direct  
8 evidence as part of this process.

9

10 (BRIEF PAUSE)

11

12 MR. MARKUS BUCHART: All right.  
13 We're going to be talking a bit more later about the  
14 First Nation On-reserve Residential Rate, which is  
15 always referred to as FNORR, F-N-O-R-R. Correct?  
16 That's what FNORR is?

17 MS. SHANNON GREGORASHUK: Yes,  
18 correct.

19 MR. MARKUS BUCHART: We were told to  
20 define our acronyms, right? So -- okay.

21 So FNORR came and went. It was created  
22 -- it became effective August 1st, 2017. And it ended  
23 September 1st, 2020. Correct?

24 MS. SHANNON GREGORASHUK: Correct.  
25 Sorry, came into effect June 1st of 2018. It was

1 through -- the 2017 regulatory process, I believe, is  
2 what you're referring to.

3 MS. ODETTE FERNANDES: It came into  
4 effect June 1st, 2018. And froze rates at the level  
5 of August 1st, 2017.

6

7 CONTINUED BY MR. MARKUS BUCHART:

8 MR. MARKUS BUCHART: Yes. That's in  
9 Order 59/18 at pages 66 to 67, I think.

10 Now, in answer to the Board's Order  
11 where it asked for meaningful solutions to deal with  
12 energy poverty, would Manitoba Hydro agree that the  
13 now defunct FNORR rate class was a meaningful  
14 solution?

15 MS. ODETTE FERNANDES: Mr. Buchart, I  
16 think that matter's been settled by the Court of  
17 Appeal.

18 MR. MARKUS BUCHART: We're getting to  
19 that. But -- but it -- would that be -- if we could  
20 convince the Board to recommend that the FNORR class -  
21 - that the statute -- the Manitoba Hydro Act be  
22 amended to permit the FNORR, my question is: Would  
23 that be a meaningful solution to energy poverty?

24 MS. ODETTE FERNANDES: Mr. Chair, I  
25 don't think the panel's in a position to respond to

1 that, considering it was ordered -- directed by this  
2 Board and, ultimately, overturned by the Court of  
3 Appeal of Manitoba.

4 THE CHAIRPERSON: Yeah. I guess the -  
5 - the problem I have, Mr. Buchart, is Manitoba Hydro  
6 took the position that we didn't have the jurisdiction  
7 to do it. And the Court of Appeal agreed.

8 So I mean, I guess you can ask them,  
9 but I suspect their position is that the Board  
10 continues to not have the jurisdiction to do it.

11 MR. MARKUS BUCHART: I'm quite aware  
12 of that. And I'm not asking the Board to do that.

13 But the Board does have the  
14 jurisdiction to recommend changes to the Minister for  
15 the amendment of the statute. And that -- that, the  
16 Board could do.

17 THE CHAIRPERSON: Well, but that's a  
18 matter for argument -- for final argument to us.

19 To go to Manitoba Hydro, I suspect that  
20 the answer you're going to get from Manitoba Hydro  
21 from Ms. Fernandes is, We don't think the Board has  
22 the jurisdiction to do it, so -- I don't know what  
23 more you're going to want from Manitoba Hydro on the -  
24 - on the position.

25 MR. MARKUS BUCHART: I'd like them to

1 admit that it is a meaningful solution, but sadly,  
2 it's ultra vires the Act.

3 THE CHAIRPERSON: Ask Ms. Fernandes  
4 for her position.

5 MS. ODETTE FERNANDES: I think I agree  
6 with you, Mr. Chairman. That the position is that the  
7 Board does not have the jurisdiction. And if that's  
8 an argument you would like to make in final argument  
9 to this Board regarding a recommendation to be made,  
10 that is within your purview to make whatever arguments  
11 you deem you want this Board to hear.

12 But our position is that currently this  
13 Board does not have the jurisdiction to issue that  
14 First Nation On-Reserve Rate.

15 MR. MARKUS BUCHART: I know all that,  
16 but they do have the jurisdiction to recommend. And  
17 I'll move on.

18

19 (BRIEF PAUSE)

20

21 CONTINUED BY MR. MARKUS BUCHART"

22 MR. MARKUS BUCHART: All right.  
23 Turning now to MKO Exhibit 3 PDF page 4.

24 Based on some questions that we saw  
25 from our colleagues in AMC, we asked about late

1 payment charges. So if you look at the fifth line, it  
2 says:

3 "Manitoba First Nation residential  
4 customers."

5 Do you see that?

6 MS. SHANNON GREGORASHUK: Yes, I do.

7 MR. MARKUS BUCHART: And the  
8 percentage rate to the right of that is 22.04 percent.  
9 Correct?

10 MS. SHANNON GREGORASHUK: Correct.

11 MR. MARKUS BUCHART: And so, again,  
12 we're saying that Manitoba First Nation residential  
13 customers, who represent 3.67 percent of the customers  
14 -- residential customers -- account for 22 percent of  
15 the late charges. Correct?

16 MS. SHANNON GREGORASHUK: I believe  
17 that's what we determined. Yes.

18 MR. MARKUS BUCHART: And so, they --  
19 they are roughly seven (7) times -- their late payment  
20 charges are roughly seven (7) times their number of  
21 customers?

22 MS. SHANNON GREGORASHUK: Subject to  
23 check, yes.

24 MR. MARKUS BUCHART: Thank you.  
25 Subject to check.

1                   And same with the third last line, is  
2 the MKO Nations residential customers, you'll see the  
3 amount there of three-hundred-forty-thousand-six-  
4 hundred-eighty-four dollars (\$340,684). Correct?

5                   MS. SHANNON GREGORASHUK: Correct.

6                   MR. MARKUS BUCHART: And those are  
7 thousands. That's not in millions. I'm not missing  
8 the comma zero-zero-zero? No?

9                   MS. SHANNON GREGORASHUK: That's  
10 right.

11                   MR. MARKUS BUCHART: Good. Okay. And  
12 so, in there, those customers are responsible for 9.6  
13 percent of the arrears. Correct? Not the arrears --  
14 I'm sorry -- late payment charges, yes?

15                   MS. SHANNON GREGORASHUK: MKO Nations  
16 residential customers line is 9.6 percent. Is that  
17 the one you were asking about?

18                   MR. MARKUS BUCHART: Yes.

19                   MS. SHANNON GREGORASHUK: Yes.

20                   MR. MARKUS BUCHART: Yes. And again,  
21 they represent, those customers, 1.45 percent of the  
22 total number of customers. And are responsible for  
23 9.6 percent. So just roughly, three (3) or four (4)  
24 times their number of customers. Correct?

25                   MS. SHANNON GREGORASHUK: Subject to

1 check, yes.

2 MR. MARKUS BUCHART: And turning to  
3 the next page, we asked for the number of  
4 disconnections. Again, inspired by questions from  
5 AMC.

6 And looking at First Nation residential  
7 customers, which is, I think, the fifth line, it shows  
8 three-hundred-forty-nine (349) customers were  
9 disconnected. And that they represent 16.3 -- 16.36  
10 percent of the total customers, correct?

11 MS. SHANNON GREGORASHUK: I see that,  
12 yes.

13 MR. MARKUS BUCHART: And so, again, we  
14 have 3.67 percent of the customers responsible for,  
15 let's call it, four (4) times the disconnections.

16 Correct?

17 MS. SHANNON GREGORASHUK: Correct.  
18 Subject to check, yes.

19 MR. MARKUS BUCHART: And then, going  
20 down two (2) more lines, we have the MKO Nation  
21 residential customers, a hundred-and-twenty (120) in  
22 number that were disconnected. And they represent  
23 5.38 percent of the total customers. Correct?

24 MS. SHANNON GREGORASHUK: Correct.

25 MR. MARKUS BUCHART: And again,



1 comparing that to their share of the customer, 1.45  
2 percent, just eyeballing it, it's, sort of, three (3)  
3 times, let's say, higher than the 1.45 percent share  
4 in the customers.

5 MS. SHANNON GREGORASHUK: Accept that,  
6 subject to check. Yes.

7 MR. MARKUS BUCHART: Okay. I'd like  
8 to flip at this point to AMC Exhibit 2, PDF page 56.  
9 So, these are the AMC questions that inspired us.  
10 Thank you.

11 Let's look at the second table. The  
12 second table under -- under 'B', it gives five (5)  
13 years of uncollectible accounts from First Nations.

14 Do you see that?

15 MS. SHANNON GREGORASHUK: Yes, I do.

16 MR. MARKUS BUCHART: And we know the  
17 FNORR existed during all of 2018, all of 2019 and up  
18 till September.

19 So, let's call that two-thirds (2/3) of  
20 2020, correct?

21 MS. SHANNON GREGORASHUK: Correct.

22 MR. MARKUS BUCHART: So, because FNORR  
23 existed it meant that the rate increase of 3.6 percent  
24 that happened at the time did not apply to those FNORR  
25 customers, correct?

1 MS. SHANNON GREGORASHUK: Correct.

2 MR. MARKUS BUCHART: And so, one would  
3 expect, that the numbers would have been higher had  
4 FNORR not existed.

5 MS. SHANNON GREGORASHUK: I guess  
6 that's a hypothetical question. I'm not sure that I  
7 can fully answer that.

8 MR. MARKUS BUCHART: Well, it's basic  
9 economics that if something costs more than the people  
10 at the margin, will not be able to afford it.

11 MS. SHANNON GREGORASHUK: I will  
12 accept that as you're an economist, for sure. Yeah.

13 MR. MARKUS BUCHART: Well, okay.

14 MS. SHANNON GREGORASHUK: But I'm not  
15 sure what you use to call yourself.

16 THE CHAIRPERSON: Mr. Buchart, I think  
17 it would be fair to say to them that just to get them  
18 to confirm that in the years that FNORR existed, the  
19 numbers were lower. That -- that they could do, but  
20 to -- to go behind the scenes and ask for the  
21 rationale, I, you know, I -- I'm --

22 MR. MARKUS BUCHART: It -- it's ---

23 THE CHAIRPERSON: -- I'm not sure they  
24 can definitively do that.

25 MR. MARKUS BUCHART: I thought they

1 might have some elasticity data, right? So,  
2 elasticity, I was trying to work that in.

3 So, okay, I'll -- I'll ask it as the --  
4 to Chair --

5 MS. SHANNON GREGORASHUK: Sorry, can  
6 you scroll up a little bit, Ms. Schubert?

7 There is a revised response to that.  
8 So I just want to make sure the Board's looking at the  
9 revised response, just to make sure we're all working  
10 with the same numbers.

11

12 CONTINUED BY MR. MARKUS BUCHART:

13 MR. MARKUS BUCHART: I -- okay the --  
14 table 'B' looks the same as mine. It does look the  
15 same.

16 MS. SHANNON GREGORASHUK: That -- not  
17 necessarily that each table was revised, I just wanted  
18 to make sure that we were working off of the --

19 MR. MARKUS BUCHART: Okay.

20 MS. SHANNON GREGORASHUK: -- the  
21 correct version. Thank you.

22 MR. MARKUS BUCHART: All right. So,  
23 to ask the question the way the Chair has suggested,  
24 were the uncollectible accounts lower in 2018/2019 and  
25 2022 as a result? Well, during the time FNORR was in

1 effect.

2 MS. SHANNON GREGORASHUK: It -- I'm  
3 just wondering if this is the right table of -- like,  
4 2018 looks higher than some of the other years so I'm  
5 not sure that I can confirm what you just said.

6 You were asking if in '18, '19 and '20,  
7 the uncollectible accounts were higher? Is that  
8 right?

9 MR. MARKUS BUCHART: Yes.

10 MS. SHANNON GREGORASHUK: So, I see in  
11 '21 it's five hundred (500) and that's higher than  
12 2020.

13 MR. MARKUS BUCHART: Well, I was  
14 getting to that, but compared to previous years to --  
15 prior to 2018.

16 MS. SHANNON GREGORASHUK: Oh, I don't  
17 have the 2018 prior years on this table, so I'm not  
18 sure I can confirm that.

19 MR. MARKUS BUCHART: All right, when  
20 your colleagues on the Revenue Requirement Panel  
21 testified, AMC asked some questions and -- and there  
22 was an explanation that during the pandemic that  
23 policies on collectable accounts changed. Correct?

24 MS. SHANNON GREGORASHUK: I would  
25 agree with -- yeah.

1 MR. MARKUS BUCHART: And -- and so  
2 there was more leniency during the pandemic years.  
3 Correct?

4 MS. SHANNON GREGORASHUK: I think  
5 there was some consideration made there for that, yes.

6 MR. MARKUS BUCHART: Okay, and the  
7 pandemic years would have been 2020, '21 and '22.  
8 Correct?

9 MS. SHANNON GREGORASHUK: I believe  
10 so, yes.

11 MR. MARKUS BUCHART: And, now that the  
12 pandemic is over, are those leniencies still in effect  
13 or are we back to the -- the rules that existed prior  
14 to the pandemic?

15 MS. SHANNON GREGORASHUK: My -- our  
16 understanding is that during the -- as a result of the  
17 pandemic there was certain considerations made with  
18 respect to non -- non-disconnects, and -- and that has  
19 now reverted back to the -- Hydro's policy, prior to  
20 the pandemic.

21 MR. MARKUS BUCHART: So, you would  
22 expect the uncollectible accounts to revert back to  
23 the levels pre-pandemic?

24 MS. SHANNON GREGORASHUK: I'm not sure  
25 if I can say we would expect that. It's all based on,

1 I guess, behaviours of customers.

2 MR. MARKUS BUCHART: All right. And  
3 then looking at the table below (c), the same pattern.  
4 There was -- during the FNORR years, there was very  
5 high disconnected accounts and they fell during the  
6 pandemic, correct?

7 MS. SHANNON GREGORASHUK: Correct.  
8 And I -- I actually think I have to correct my  
9 previous comments because I was probably addressing  
10 what we see in table -- or Part C here, as opposed to  
11 Part B, although maybe the premise is the same.

12 MR. MARKUS BUCHART: Okay. Okay. I  
13 think my hour has expired, Mr. Chair. I -- I would  
14 like to be keep going but I don't want to --

15 THE CHAIRPERSON: Well, your -- your  
16 hour has expired, but I -- I guess, the question is,  
17 how much longer you would want?

18 MR. MARKUS BUCHART: Ten (10) minutes.

19 THE CHAIRPERSON: Sure. Go ahead.

20

21 CONTINUED BY MR. MARKUS BUCHART:

22 MR. MARKUS BUCHART: Thank you. Ms.  
23 Schubert, if you could turn to MKO-2-PDF 19.

24 So, we -- we asked questions regarding  
25 the Diesel Settlement Agreement. And, if you turn to

1 the next page PDF 20, the -- the explanation is that  
2 the Diesel Settlement Agreement contained in Appendix  
3 9.13 of the -- of Manitoba Hydro's Application, is the  
4 fully executed Diesel Settlement Agreement. Correct?

5 MS. SHANNON GREGORASHUK: Correct.

6 MR. MARKUS BUCHART: You may not know  
7 the answer to this, but how did Manitoba Hydro get it?  
8 Is it -- is it that the document they had or did they  
9 obtain it from somebody else?

10 MS. SHANNON GREGORASHUK: I believe  
11 MKO provided it to Manitoba Hydro in 2017.

12 MR. MARKUS BUCHART: Okay. So, in --  
13 turning to MKO-3 PDF 3, I'm sorry, PDF 1.

14 So, we asked four (4) questions about  
15 the Diesel Settlement Agreement and the response at  
16 the bottom of the page was, essentially, that -- that  
17 you'd already answered it, but I -- I would like to  
18 get on the record the -- an answer to questions 'A'  
19 and 'C', a "yes" or "no."

20 Question A: Does Manitoba Hydro accept  
21 the Diesel Settlement Agreement at Appendix 9.13 has  
22 been executed by all seven (7) parties thereto.

23 MS. SHANNON GREGORASHUK: Yes, I think  
24 we'd accept that, yes.

25 MR. MARKUS BUCHART: Okay. And then

1 on (c): Is it Manitoba Hydro's position that the  
2 Diesel Settlement Agreement in Appendix 9.13 is valid  
3 and enforceable?

4 MS. SHANNON GREGORASHUK: I think we  
5 would agree that all parties agree that it is a valid  
6 agreement; in terms of whether it's enforceable, I  
7 think those are some legal considerations there.

8 MR. MARKUS BUCHART: Fair enough. I  
9 just want to know, is there anything else MKO needs to  
10 do 'cause the Board wanted it filed and it's filed.  
11 It's -- it's -- that was the point.

12 So is there anything that -- anything  
13 MKO needs to do still from Manitoba Hydro's point of  
14 view?

15 MS. SHANNON GREGORASHUK: Not to our  
16 knowledge. Thank you.

17 MR. MARKUS BUCHART: Good. Okay. So,  
18 when somebody -- so, now I'm going to go off of the --  
19 the videos and ask some sort of wildcard questions.

20 When somebody comes to Hydro for the  
21 first time and they want to become a customer, they  
22 have to produce identification, correct?

23 MR. SHANNON GREGORASHUK: That seems  
24 like a reasonable thing. I'm not sure. I don't  
25 really sign up new customers myself, so.



1 MR. MARKUS BUCHART: Okay. My cat and  
2 I recently did it, so.

3 MR. SHANNON GREGORASHUK: Okay.

4 MR. MARKUS BUCHART: So --

5 MR. SHANNON GREGORASHUK: I believe  
6 so, yes.

7 MR. MARKUS BUCHART: -- I think you --  
8 you need to verify the customer the first time, not  
9 the cat, but the customer.

10 MR. SHANNON GREGORASHUK: That seems  
11 reasonable, yes.

12 MR. MARKUS BUCHART: Okay. And -- and  
13 so, then when that customer moves, the -- they read  
14 their meter, they pay it, and a new account is opened  
15 under that customer for their new address, correct?  
16 And it could be subject to check if you want.

17

18 (BRIEF PAUSE)

19

20 MR. SHANNON GREGORASHUK: I -- I think  
21 that seems like it might be the process, but it could  
22 also be just a transfer the -- I'm not -- we're not  
23 sure entirely.

24 MR. MARKUS BUCHART: But my point is -  
25 - sorry.

1 (BRIEF PAUSE)

2

3 MR. SHANNON GREGORASHUK: Thank you.  
4 I just wanted to correct. Our understanding is we do  
5 not require new customers to show identification when  
6 they open up a new account.

7 MR. MARKUS BUCHART: Okay. I had  
8 other questions, but that's probably a good place to  
9 end.

10 So, I just wanted to thank the -- the  
11 Panel, and particularly the -- the people who compile  
12 all of the weird calculations that we asked for. I --  
13 I can imagine it was labourious. And I thank the  
14 staff who did that on behalf of MKO and myself.

15 THE CHAIRPERSON: Thank you. Thank  
16 you, Mr. Buchart. I'm going to ask the Panel if --  
17 Mr. Sy.

18 BOARD MEMBER SY: So, I -- I just  
19 wanted to -- to get back on Mr. Buchart's question.  
20 So, did I see \$54 million are on arrears for -- for  
21 2021/2022?

22 MR. SHANNON GREGORASHUK: I don't see  
23 the IR in front of me, but I think that number sounds  
24 like one we looked at, yes.

25 BOARD MEMBER SY: Yeah, so. And in

1 terms of revenues, what does that represent,  
2 percentage?

3

4 (BRIEF PAUSE)

5

6 MR. SHANNON GREGORASHUK: We're just  
7 trying to see if we could get that calculation but,  
8 otherwise, we could take it as an undertaking if you'd  
9 prefer.

10 BOARD MEMBER SY: While -- while we  
11 are waiting for that, when does one dollar (\$1) of  
12 arrear becomes one dollar (\$1) of bad debt?

13 Last week, we heard 2021/2022 there was  
14 \$6 million of bad debt, the following year, 2022/2023,  
15 it was a jump of 50 percent increase. The bad debt  
16 was 9 million.

17 So, when is a dollar of arrear becomes  
18 a dollar of bad debt?

19

20 (BRIEF PAUSE)

21

22 MR. SHANNON GREGORASHUK: We'll have  
23 to take that one as an undertaking if we could, Member  
24 Sy.

25 THE CHAIRPERSON: So, I have a

1 question. I don't remember the number, but you had a  
2 number of -- you had a table with eight (8)  
3 categories, Winnipeg customers broken down by first  
4 reserves and -- no, at the table.

5                   Kristen, there was -- they did it --  
6 there were a few tables. That one. Okay, just --  
7 just leave it at that one.

8                   I just want to make sure I have -- I  
9 understand this correctly. When you have the  
10 customers listed here, are these the people who are  
11 listed as customers and pay the bills or are these  
12 people who are customers but the bills may be paid by  
13 someone else?

14

15   (BRIEF PAUSE)

16

17                   MR. SHANNON GREGORASHUK: I believe  
18 this would include both of those. Whether they're  
19 customers are paying it themselves or on -- if there  
20 is another agency that's paying it on their behalf,  
21 this would be included in the customer number.

22                   THE CHAIRPERSON: Okay. So, when --  
23 when you have customers who are in default, could it  
24 be that they're in default because the agencies  
25 haven't paid it?

1 MR. SHANNON GREGORASHUK: I think  
2 we're probably getting on the cusp of where I might --  
3 my -- my knowledge or where I could comment on this.  
4 But I think that seems like it could be a potential.

5 THE CHAIRPERSON: Okay.

6 MR. SHANNON GREGORASHUK: But we might  
7 want to take this away and --

8 THE CHAIRPERSON: Yeah. So, here is  
9 what I would like as an undertaking. There's a series  
10 of tables here. And -- and I would like to know which  
11 of these are the specific customers, how many of the  
12 customers are you looking to a third party to pay, and  
13 in terms of -- so, numbers of customers here.

14 And then in terms of the dollar numbers  
15 where they're in default, I'd like to know whether  
16 it's the customers who are supposed to be paying it  
17 and they're in default or whether it's a third party  
18 or a program that is supposed to be paying it and --  
19 and they're in default.

20 Because, at the end of the day, you're  
21 holding the customer responsible. They're down as the  
22 number, but I'd -- I'd like to know if it's a third  
23 party that is responsible. So, if you could provide  
24 that, I'd appreciate it.

25 MR. SHANNON GREGORASHUK: We can

1 certainly do that. Thank you.

2

3 ---UNDERTAKING NO. 60: To provide which of the  
4 series of tables are the  
5 specific customers, how  
6 many of the customers are  
7 you looking to a third  
8 party to pay, in terms of  
9 the dollar numbers where  
10 they're in default,  
11 whether it's the customers  
12 who are supposed to be  
13 paying it and they're in  
14 default or whether it's a  
15 third party or a program  
16 that is supposed to be  
17 paying it and they're in  
18 default.

19

20 THE CHAIRPERSON: Okay. Thank you.

21 Another long day. Thank you very much. We will  
22 adjourn now. And we will reconvene at nine o'clock  
23 tomorrow to continue cross-examination. Thank you,  
24 all.

25

1 --- Upon adjourning at 4:08 p.m.

2

3

4 Certified Correct,

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7 \_\_\_\_\_

8 Wendy Woodworth, Ms.

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