



“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 7th, 2023

Pages 3536 to 3753

1 APPEARANCES

2

3 Bob Peters) Board Counsel

4 Sven Hombach)

5

6 Brent Czarnecki (np)) Manitoba Hydro

7 Odette Fernandes)

8 Deanna Hiebert (np))

9 Gwen Muirhead)

10 Matthew Ghikas (np))

11

12 Byron Williams) Consumers Coalition

13 Chris Klassen)

14 Hannah Taylor (np))

15

16 Antoine Hacault) MIPUG

17 Melissa Beaumont)

18

19 Carly Fox) Assembly of

20 Emily Guglielmin) Manitoba Chiefs

21

22 Markus Buchart) MKO

23

24 Thomas Reimer (np)) GSS and GSM

25 Robert Walichnowski) customer classes

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES

William Haight (np)) Daymark Energy
Bradley McClelland (np)) Advisors

| | | |
|----|---|----------|
| 1 | Table of Contents | |
| 2 | | Page No. |
| 3 | List of Exhibits | 3541 |
| 4 | List of Undertakings | 3542 |
| 5 | | |
| 6 | | |
| 7 | MANITOBA HYDRO RATES AND COST OF SERVICE PANEL: | |
| 8 | SHANNON GREGORASHUK, Resumed | |
| 9 | MARNIE VAN HUSSEN, Resumed | |
| 10 | KEVIN GAWNE, Resumed | |
| 11 | | |
| 12 | Cross-examination by Mr. Chris Klassen | 3545 |
| 13 | Cross-examination by Mr. Robert Walichnowski | 3629 |
| 14 | Cross-examination by Ms. Carly Fox | 3651 |
| 15 | Cross-examination by Mr. Antoine Hacault | 3677 |
| 16 | | |
| 17 | | |
| 18 | | |
| 19 | | |
| 20 | | |
| 21 | Certificate of Transcript | 3753 |
| 22 | | |
| 23 | | |
| 24 | | |
| 25 | | |

| LIST OF EXHIBITS | | |
|------------------|---|----------|
| EXHIBIT NO. | DESCRIPTION | PAGE NO. |
| 1 | | |
| 2 | | |
| 3 | CC-24 | |
| 4 | Excerpt from the sitting of the | |
| 5 | standing committee of the Public | |
| 6 | Utilities and Natural Resources from | |
| 7 | June of 2001 | 3602 |
| 8 | CC-25 | |
| 9 | 2020/'21 Annual Report of the | |
| 10 | Neighbours Helping Neighbours | |
| 11 | Program | 3622 |
| 12 | GSS/GSM-9 | |
| 13 | Response to Undertaking 47 | 3628 |
| 14 | GSS/GSM-10 | |
| 15 | Response to Undertaking 48 | 3628 |
| 16 | GSS/GSM-11 | |
| 17 | Response to Undertaking 49 | 3629 |
| 18 | MIPUG-19 | |
| 19 | Chemtrade Undertaking response | 3677 |
| 20 | MIPUG-18 | |
| 21 | PUB Order 51/'96 issued by then | |
| 22 | Chairman Gerry Forrest | 3688 |
| 23 | MIPUG- 20 | |
| 24 | Two tables that summarize | |
| 25 | MIPUG-MANITOBA HYDRO-1-62B and C | 3729 |
| 26 | MH-52 | |
| 27 | Package re answers to Undertakings 19, | |
| 28 | 20, 23, 32, 39, 41, 43, 44, 51, 52, and | |
| 29 | another undertaking accepted at page | |
| 30 | 3,194. And then an update to | |
| 31 | Undertaking number 7. | 3752 |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |

| 1 | LIST OF UNDERTAKINGS | | |
|----|----------------------|--|----------|
| 2 | NO. | DESCRIPTION | PAGE NO. |
| 3 | 61 | Manitoba Hydro to advise how many First Nations residential on reserve and off reserve customers are in receipt of Customer Arrears Assistance Program, Neighbours Helping Neighbours, or the Equal Payment Plan | 3668 |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | 62 | Manitoba Hydro to provide if there are any hurdles, including regulatory hurdles, for First Nations customers, including First Nations governments on reserve, for undertaking solar installations | 3674 |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | | | |
| 14 | | | |
| 15 | 63 | Manitoba Hydro to advise grid modernization at \$180 million, the allocation between the various functions, distribution and other | 3719 |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | | | |
| 25 | | | |

1 --- Upon commencing at 9:02 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. I came up the elevator with Mr. Gawne this
5 morning, and I asked him if it's true that whenever we
6 have torrential rain, the people at Manitoba Hydro
7 smile? And he said, yes, that's true.

8 Mr. Hombach...?

9 MR. SVEN HOMBACH: That is a wonderful
10 -- wonderful sentiment on which to start the day.
11 Good morning, everyone. We're here today for the
12 continued cross-examination of Manitoba Hydro's Rates
13 and Cost of Service Panel by the Consumers Coalition,
14 the GSS/GSM representative, the Assembly of Manitoba
15 Chiefs, and MIPUG.

16 I've been advised by Ms. Fernandes that
17 currently Manitoba Hydro has no undertakings to speak
18 to. The GSS/GSM representative will have an
19 undertaking to put on the record, but we've agreed to
20 do that at the beginning of their cross-examination.

21 Before we get started, Mr. Chair, I
22 wanted to flag for everybody in attendance that the
23 Panel has a hard deadline of five (5) to 12:00 for the
24 lunch break today for another meeting, and we will not
25 be able to regroup until shortly after 1:00.

1 So while there are time limits set out
2 on the schedule in front of you, those will have to be
3 somewhat rigorously enforced today to -- to finish.

4 Mr. Chair, I would suggest we turn it
5 over to Dr. Williams and Mr. Klassen to begin their
6 cross-examination.

7 THE CHAIRPERSON: Thank you. And just
8 to confirm what Mr. Hombach said, we're going to have
9 to adhere to tight time lines today in order to
10 complete -- to complete this panel.

11 Mr. Klassen, is it you?

12 MR. CHRIS KLASSEN: It is. Good
13 morning, Mr. Chair.

14 THE CHAIRPERSON: Morning.

15 MR. CHRIS KLASSEN: Thank you, and
16 good morning to members of the Panel as well.

17 And, Mr. Chair on the subject of time,
18 I will do my best to keep an eye on the clock, both
19 for the purpose of the morning break, as well as the
20 end of my time. Please feel welcome to interrupt me
21 as needed.

22

23 RESUMED MANITOBA HYDRO RATES AND COST OF SERVICE

24 PANEL:

25 SHANNON GREGORASHUK, Resumed

1 MARNIE VAN HUSSEN, Resumed

2 KEVIN GAWNE, Resumed

3

4 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

5 MR. CHRIS KLASSEN: I'll be asking the
6 bulk of the questions this morning, and for the
7 purposes of the record, this is Chris Klassen for the
8 Consumers Coalition. Mr. Williams, to my right, may
9 have a few questions as well.

10 And to Manitoba Hydro's witnesses, good
11 morning to you also and thank you for joining us
12 today. And as you and your colleagues have heard many
13 times over the last couple of weeks, my questions may
14 be directed to an individual or to the panel
15 generally. Please feel welcome to answer as you -- as
16 you see fit.

17 And so to begin, you'll agree, please,
18 that Manitoba Hydro operates a large vertically
19 integrated utility, and that enjoys a monopoly on the
20 retail sale of power in Manitoba, correct?

21 MS. SHANNON GREGORASHUK: Correct.

22 MR. CHRIS KLASSEN: Thanks, Ms.
23 Gregorashuk. And Manitoba Hydro operates a complex,
24 highly integrated generation, transmission, and
25 distribution system, correct? Sure, Mr. Gawne.

1 You're well suited to answer that question.

2 MR. KEVIN GAWNE: That's correct.

3 MR. CHRIS KLASSEN: Thank you. And
4 Manitoba Hydro uses that system to meet the
5 electricity needs of Manitobans, right?

6 MR. KEVIN GAWNE: Correct.

7 MR. CHRIS KLASSEN: And the needs of
8 Manitobans in that regard are diverse. They reflect
9 the interests of various types of consumers, including
10 residential, business, and industrial customers.

11 Correct?

12 MR. KEVIN GAWNE: That's correct.

13 MR. CHRIS KLASSEN: And your
14 residential customers will include homeowners in
15 dense, heavily-populated urban areas, farmers, and
16 other residents of rural areas that are much less
17 densely populated, and -- and also, as our friends
18 from MKO and AMC have pointed out, residents of First
19 Nations reserves, some of which are in northern
20 Manitoba in rural parts of the province, correct?

21 MS. MARNIE VAN HUSSEN: That's
22 correct.

23 MR. CHRIS KLASSEN: And the rates that
24 you charge to your customers in Manitoba are set by
25 the Public Utilities Board through this independent

1 rate-setting process, right?

2 MS. SHANNON GREGORASHUK: That's
3 correct.

4 MR. CHRIS KLASSEN: And Manitoba Hydro
5 also sells electricity into the United States as well
6 as Saskatchewan and Ontario?

7 MS. SHANNON GREGORASHUK: That's
8 correct.

9 MR. CHRIS KLASSEN: And those sales to
10 other jurisdictions may involve long-term sales of
11 dependable power that you enter into through
12 negotiated contracts, correct?

13 MR. KEVIN GAWNE: That's correct,
14 dependable power and capacity.

15 MR. CHRIS KLASSEN: Sure. Thank you.
16 And at other times can also include opportunity or
17 spot sales into the MISO market, right?

18 MR. KEVIN GAWNE: Correct.

19 MR. CHRIS KLASSEN: And Manitoba
20 Hydro's asset base has grown rapidly in the last few
21 years, with major generation additions such as
22 Keeyask, correct?

23 MR. KEVIN GAWNE: That's correct.

24 MR. CHRIS KLASSEN: And now members --
25 with yourselves being members of the Cost of Service

1 Panel, and as you mentioned yesterday in your
2 presentation, this hearing has now transitioned from
3 discussing phase 1 issues to phase 2 of Manitoba
4 Hydro's Application, correct?

5 MS. SHANNON GREGORASHUK: That's
6 correct.

7 MR. CHRIS KLASSEN: And that means
8 we're no longer talking about how much revenue
9 Manitoba Hydro needs to collect from its customers,
10 but rather we're now talking about which customers
11 will be responsible for which share of which costs,
12 right?

13 MS. SHANNON GREGORASHUK: That's fair.
14 I think we're still looking at the total increase that
15 is -- is being requested, so from that perspective,
16 there is still some level of revenue incorporated in
17 this phase, but --

18 MR. CHRIS KLASSEN: (INDISCERNIBLE)
19 said.

20 MS. SHANNON GREGORASHUK: Yeah.

21 MR. CHRIS KLASSEN: Thank you for that
22 response. And so with respect to the question of
23 which customers will be responsible for which share of
24 what costs, the prospective cost of service study is
25 one (1) of the tools available for the Public

1 Utilities Board in answering that question, correct?

2 MS. MARNIE VAN HUSSEN: That's correct.

3 MR. CHRIS KLASSEN: And a prospective
4 cost of service study, or a PCOSS as it's been
5 referred to here, is a method of estimating the share
6 of a utilities cost which should be assigned to the
7 various classes of customers it serves, correct?

8 MS. MARNIE VAN HUSSEN: It's not the
9 tool to estimate the cost of themselves. It is the
10 tool to apportion the costs that are part of the
11 revenue requirement, so estimating the portion that
12 goes to each class, correct.

13 MR. CHRIS KLASSEN: Understood. For
14 consideration then in -- in the rate design process,
15 correct. Thank you.

16 And at a very high level, a PCOSS is a
17 three (3) step process beginning with
18 functionalization which categorizes each cost by its
19 purpose of function in terms of generation
20 transmission, sub-transmission distribution, et
21 cetera?

22 MS. MARNIE VAN HUSSEN: Correct.

23 MR. CHRIS KLASSEN: And then these
24 costs are classified according to their operating
25 characteristics. And that is a question of whether

1 they contribute to energy requirements or demand
2 requirements to meet peak loads or whether they're so-
3 called customer costs, right?

4 MS. MARNIE VAN HUSSEN: I'd say
5 whether they're driven by anything of those things,
6 yes.

7 MR. CHRIS KLASSEN: Sure. Thank you
8 for that clarification.

9 And finally, the functionalized and
10 classified costs are allocated among the customer
11 classes by a number of different methods, correct?

12 MS. MARNIE VAN HUSSEN: Correct.

13 MR. CHRIS KLASSEN: And leaving aside
14 consideration of net export revenues for a moment,
15 these allocated costs are then compared to the
16 revenues collected from each class to assess the
17 extent to which the revenues are aligned with the
18 embedded costs associated with serving that class,
19 correct?

20 MS. MARNIE VAN HUSSEN: That's
21 correct.

22 MR. CHRIS KLASSEN: And the output --
23 this output of the peak costs is expressed as a
24 revenue to cost coverage ratio, correct, or an RCC?

25 MS. MARNIE VAN HUSSEN: Correct.

1 MR. CHRIS KLASSEN: And the RCC
2 attempt -- represents an attempt to show whether or
3 not the revenues collected from a particular class
4 cover the costs allocated to that class by the
5 prospective Cost of Service study, right?

6 MS. MARNIE VAN HUSSEN: Correct. It's
7 a measure of revenue sufficiency.

8 MR. CHRIS KLASSEN: Thanks. And the
9 RCC is an approximation, correct?

10 MS. MARNIE VAN HUSSEN: That's
11 correct.

12 MR. CHRIS KLASSEN: And it's fair to
13 say that RCCs are not static but that they change
14 between prospective Cost of Service studies, correct?

15 MS. MARNIE VAN HUSSEN: That's
16 correct. And if I can go back. Your previous
17 question I just wanted to quickly clarify.

18 MR. CHRIS KLASSEN: You confirmed that
19 the RCC is an approximation.

20 MS. MARNIE VAN HUSSEN: I'd say the
21 RCC is a pretty exact number. It's one (1) number
22 divided by the other, but in general, the concept, I
23 would say, yes, is an approximation. Sorry.

24 MR. CHRIS KLASSEN: Thank you. And
25 we'll get to some of those -- those nuances later this

1 morning.

2 And so, one (1) of the reasons that a
3 Cost of Service study has the potential to -- or
4 sorry. One of the reasons that the RCCs have the
5 potential to change between Cost of Service studies,
6 as you acknowledged, is that the Cost of Service study
7 is dependent, in part, on the circumstances of the
8 test year that provided the inputs.

9 Is that correct?

10 MS. MARNIE VAN HUSSEN: That's fair,
11 yes.

12 MR. CHRIS KLASSEN: And -- and as a
13 result, the Cost of Service study is vulnerable to
14 changes in, for example, changes -- and especially
15 nonuniform changes, in revenue and costs, correct?

16 MS. MARNIE VAN HUSSEN: Yeah, I don't
17 know if I would classify it as being vulnerable, but
18 certainly it does change as circumstances change. And
19 as costs and loads change, the results of the cost of
20 service will change.

21 MR. CHRIS KLASSEN: Sure. Thank you.
22 And similarly, the -- the results of the cost of
23 service could change as a result of changes to class
24 energy consumption or contribution to demand at system
25 peaks?

1 MS. MARNIE VAN HUSSEN: Absolutely.

2 MR. CHRIS KLASSEN: And that category
3 of changes can be driven by the weather, for example?

4 MS. MARNIE VAN HUSSEN: It can. Our
5 cost of service is done on a -- on a weather
6 normalized basis, so you don't get that variability
7 using a prospective cost of service as you might if
8 you were to use an actual cost of service.

9 MR. CHRIS KLASSEN: Of course. Thank
10 you. And as Manitoba Hydro has highlighted in its
11 application, the outputs of the Cost of Service study
12 can sometimes be impacted by changes in methodology,
13 for example, that have been imposed by this Board?

14 MS. MARNIE VAN HUSSEN: Correct.

15 MR. CHRIS KLASSEN: And you would
16 agree that conducting a prospective Cost of Service
17 study involves considerable judgment?

18 MS. MARNIE VAN HUSSEN: I would agree
19 when we're determining the methodology there is
20 considerable judgment. Once you have a prescribed
21 methodology that you're following when you're
22 conducting that cost of service in each case, I'd say
23 there's -- there's less judgment in those years.

24 But if you were to set up a Cost of
25 Service methodology in the first place, there is

1 considerable judgment.

2 MR. CHRIS KLASSEN: Sure. Thank you.

3 And while a prospective cost of -- of service study

4 might appear to be arithmetically exact and a true

5 reflection of each customer class's cost/causation, it

6 can't be, correct?

7 MS. MARNIE VAN HUSSEN: I would agree

8 with that.

9 MR. CHRIS KLASSEN: Now, Manitoba

10 Hydro's Cost of Service study methodology underwent

11 substantial change as a result of the Public Utilities

12 Board's 2016 Cost of Service study review process. Is

13 that accurate?

14 MS. MARNIE VAN HUSSEN: I think that's

15 fair, yes.

16 MR. CHRIS KLASSEN: And prospective

17 Cost of Service study of 2018, or PCOSS18, being the

18 first PCOSS after Order 164/'16 was, in essence, a

19 fresh start in terms of cost methodology.

20 Is that fair?

21 MS. MARNIE VAN HUSSEN: In terms of

22 the methodology, I think that's fair. We also did

23 produce PCOSS14 on the basis of the Order of 164/'16,

24 so there was a version of a previous study that was

25 largely compliant with the Order.

1 MR. CHRIS KLASSEN: Sure. Thank you.

2 And so, to -- to slightly restate my question then,
3 prospective Cost of Service studies produced after and
4 taking into account the directions from Order 164/'16
5 present a fresh start in terms of methodology?

6 MS. MARNIE VAN HUSSEN: I would agree
7 with that.

8 MR. CHRIS KLASSEN: And -- and so,
9 relatedly, you'd accept then that -- oh, I apologize,
10 Mr. Gawne. Was that -- okay. I -- I misread.

11 And, Ms. Van Hussen, you'll confirm as
12 well then that the -- the methodological changes
13 imposed by Order 164/'16 were substantial enough that
14 this Board found that Cost of Service studies
15 completed prior to Order 164/'16 are no longer of
16 comparative value in the post-164/'16 era.

17 Is that correct? And I can provide a
18 reference to the -- to the Order if that would be
19 helpful to you.

20 MS. MARNIE VAN HUSSEN: Sure. Please.

21 MR. CHRIS KLASSEN: Ms. Schubert, if
22 you wouldn't mind pulling up Order 159/'18 at page
23 196.

24

25

(BRIEF PAUSE)

1 MR. CHRIS KLASSEN: And we're here in
2 this bottom paragraph. And you'll see -- I apologize
3 for interrupting. And so, if we both take a moment to
4 -- to review this paragraph, Ms. Van Hussen.

5 I'll direct your attention to the --
6 the last sentence which is in the bottom three (3)
7 lines of this page and just ask you to confirm that
8 the Board's finding was that:

9 "Aside from the means of calculating
10 revenue to cost of coverage ratios,
11 the results from previous Cost of
12 Service studies are already not
13 directly comparable to post-Order
14 164/'16 results given that different
15 methodologies were employed."

16 MS. MARNIE VAN HUSSEN: I would agree
17 that's what it says.

18

19 (BRIEF PAUSE)

20

21 MR. CHRIS KLASSEN: You confirm -- I
22 apologize, Ms. Van Hussen. You confirm that that's
23 the contents of the Board's Order?

24 MS. MARNIE VAN HUSSEN: I'd say that's
25 what the Board Order says, and in -- in the context of

1 the -- the consistency is no longer valid between
2 those -- those studies.

3 MR. CHRIS KLASSEN: Understood. Thank
4 you. And further changes to the methodology were
5 directed by this Board in Order 59/'18 after the
6 Board's assessment of PCOSS18, correct?

7 MS. MARNIE VAN HUSSEN: That's
8 correct.

9 MR. CHRIS KLASSEN: No Cost of Service
10 study was filed in the proceeding leading to Order
11 69/'19, subject to check. You could...

12 MS. MARNIE VAN HUSSEN: Subject to
13 check, but I think I can check fairly quickly on that.

14

15 (BRIEF PAUSE)

16

17 MS. MARNIE VAN HUSSEN: Subject to
18 check.

19 MR. CHRIS KLASSEN: Thanks. So, for
20 the purpose of this discussion then, the next
21 prospective Cost of Service study was PCOSS21, and
22 that was filed in the 2021 Interim Rate Application
23 process, correct?

24 MS. MARNIE VAN HUSSEN: That's
25 correct.

1 MR. CHRIS KLASSEN: However, would it
2 be fair to say that the expedited nature of that
3 process prevented meaningful assessment of the PCOSS21
4 methodology?

5 MS. MARNIE VAN HUSSEN: I'm not sure I
6 would characterize it quite that way. But I do
7 believe that cost of service itself was ruled out of -
8 - primarily out of scope for -- for the purposes of
9 the oral hearing.

10 MR. CHRIS KLASSEN: I'll accept that.
11 Thanks. And so, in the current GRA, Manitoba Hydro is
12 presenting the changes to the prospective Cost of
13 Service study methodology that were directed by the
14 Board in 59/'18 as just that, as changes to its
15 methodology that -- that is being presented in this
16 process?

17 MS. MARNIE VAN HUSSEN: Yes. That's
18 how we've included them in PCOSS24.

19 MR. CHRIS KLASSEN: Understood. Thank
20 you. If I could ask Ms. Schubert to direct our
21 attention to Coalition Manitoba Hydro Information
22 Request from the 1st Round, 152A.

23 And with this response in front of us
24 and just on to the response to 'A', Ms. Schubert,
25 we'll be turning together to a discussion about

1 average rate base, which Manitoba Hydro calculates by
2 taking a gross investment, including capital
3 additions, less accumulated depreciation and customer
4 contributions. Is that correct?

5 MS. MARNIE VAN HUSSEN: Yes, that's
6 correct.

7 MR. CHRIS KLASSEN: And, the
8 functionalization of average rate base or the
9 proportions of that total that are assigned to each
10 function is also used to functionalize other costs,
11 such as finance expense and finance income.

12 Is that correct?

13 MS. MARNIE VAN HUSSEN: That's
14 correct.

15 MR. CHRIS KLASSEN: And, Ms. Van
16 Hussen, we see on this table before us a comparison of
17 how the average rate base is functionalized between
18 PCOSS18, -21 and -24. Correct? And that's primarily
19 in that first section of three (3) sub-columns under
20 'average rate base', toward the left side of the
21 table. Correct?

22 MS. MARNIE VAN HUSSEN: That's
23 correct.

24 MR. CHRIS KLASSEN: And, if we turn
25 our attention to the bottom row, we see that in

1 PCOSS18, the average rate base value, used in that
2 prospective Cost of Service study, was just over 12.5
3 billion. Correct?

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. CHRIS KLASSEN: And, then if we
6 move two (2) sub columns to the right, we see that in
7 PCOSS24 that number more than doubled to just over
8 26.9 billion. Correct?

9 MS. MARNIE VAN HUSSEN: Correct.

10 MR. CHRIS KLASSEN: And if we look to
11 the far right of this table, under the heading,
12 'Change in Share of Average Rate Base', and you'll see
13 comparisons there between PCOSS18 and -21 and then on
14 the far right between PCOSS21 and -24. Correct?

15 MS. MARNIE VAN HUSSEN: Correct.

16 MR. CHRIS KLASSEN: And that presents
17 the percentage change in functionalization of the
18 average rate base between prospective Cost of Service
19 studies.

20 MS. MARNIE VAN HUSSEN: That's
21 correct.

22 MR. CHRIS KLASSEN: And, I'll ask if
23 it's -- if it's reasonable to assume and, here,
24 without getting into too many details, that the
25 increase we see in the proportion of the rate base

1 functionalized as generation, both between 18 and 21
2 and between 21 and 24, as well as the -- the decreases
3 we see in transmission, sub-transmission and
4 distribution plan, will have impacts on RCCs as these
5 figures work their way through classification and
6 allocation through these prospective Cost of Service
7 studies. Correct?

8 MS. MARNIE VAN HUSSEN: I think, for
9 the most part, that's fair. There are a few nuances,
10 like things like there is a change -- for the GNTL
11 line between transmission and -- and generation, that
12 don't have the -- the same impact once you get further
13 down the study, but generally, I'd say that that
14 characteristic is fair.

15 MR. CHRIS KLASSEN: Thanks for that
16 response and -- and just to confirm, one of the
17 details you provided was the acronym GNTL and with
18 that you're referring to the Great Northern
19 Transmission Line.

20 MS. MARNIE VAN HUSSEN: Yes, thank
21 you.

22 MR. CHRIS KLASSEN: Thank you. Do you
23 recall that we confirmed at -- at the outset of our
24 discussion, that Manitoba Hydro produces electricity
25 both to meet the needs of Manitobans and, when

1 circumstances allow, also to sell to export markets.

2 Correct?

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MR. CHRIS KLASSEN: And, whether or
6 not Manitoba Hydro has electricity to sell as export,
7 depends in large part on how much water Manitoba Hydro
8 has available to run through its generating stations.
9 Is that fair?

10 DR. BYRON WILLIAMS: And, Mr. Gawne,
11 these questions may be best suited to you.

12 MR. KEVIN GAWNE: That's fair.

13 MR. CHRIS KLASSEN: Thank you.

14 MR. KEVIN GAWNE: And, it's also a
15 function of whether there is surplus to Manitoba
16 demand.

17 MR. CHRIS KLASSEN: Understood.
18 Thanks. And Manitoba has high water years and low
19 water years?

20 MR. KEVIN GAWNE: Yes.

21 MR. CHRIS KLASSEN: I'd like to draw
22 the panel's attention to Coalition/Manitoba Hydro 1st
23 Round Information Request No. 44A, Attachment 1, at
24 page 24.

25 And I'll acknowledge for the panel that

1 you may not have reviewed this document prior to last
2 evening because it doesn't pertain to your areas of
3 expertise. And I acknowledge that, but I trust that
4 your legal counsel let you know that we might discuss
5 -- be discussing it today and -- and I hope I'll
6 communicate to you its -- its relevance shortly and we
7 won't spend very much time here.

8 Okay. And I'll ask you to confirm that
9 the table before us is from a 2009 report prepared by
10 National Bank Financial and the subject of the report
11 is Manitoba Hydro's approach to fixed versus floating
12 rate debt. Correct?

13 MR. KEVIN GAWNE: Yes, that is
14 correct.

15 MR. CHRIS KLASSEN: And we're not
16 talking about debt. We'll focus on the export revenue
17 row, Mr. Gawne, but, before we get there, I'd just
18 like to confirm that the Table 5 title is footnoted at
19 Footnote 21, and, Ms. Schubert, if you could take us
20 briefly to the bottom of the page.

21 You'll note, Mr. Gawne, that National
22 Bank Financial cites this data as being provided by
23 Manitoba Hydro. Correct?

24 MR. KEVIN GAWNE: Correct.

25 MR. CHRIS KLASSEN: And, so,

1 recognizing that footnote, and the fact that Manitoba
2 Hydro filed this as a response to an Information
3 Request, for the purposes of our discussion, do you
4 accept the contents of this table as accurate or,
5 alternatively, sir, are you prepared to accept it,
6 subject to check, as they refer to export revenues?

7 MR. KEVIN GAWNE: Yeah. I think I
8 would have to say subject to check. There was a
9 little curious -- under 1999, domestic revenue rate,
10 3,426 per megawatt hour, and it just happens to be the
11 same rate as the export rate.

12 MR. CHRIS KLASSEN: And that's the
13 case for the entire row so?

14 MR. KEVIN GAWNE: There may be an
15 issue with this table, the way it's been reproduced.

16 MR. CHRIS KLASSEN: And I -- and I
17 appreciate that, Mr. Gawne, and -- and I -- I'll --
18 I'll -- I'll take that -- that caveat and, if that
19 ends up affecting your response to the -- the few
20 questions I'll ask next, then -- then you can indicate
21 as much.

22 You'll see, sir, across the blue bar,
23 at the top, the years '99 through 2008?

24 MR. KEVIN GAWNE: Yes.

25 MR. CHRIS KLASSEN: And, on the left

1 side, about a third of the way down, export revenue,
2 in millions of dollars?

3 MR. KEVIN GAWNE: Yes.

4 MR. CHRIS KLASSEN: And I -- I don't
5 want to take you too deep into the details and -- and
6 I -- I have in mind your comment about the export
7 rate, but you will acknowledge, sir, that there is
8 variability from year to year, as we follow the export
9 revenue values across the row from left to right.

10 Correct?

11 MR. KEVIN GAWNE: Well, yes,
12 definitely, you can see, in 2003, the number dropped
13 quite significantly, when the import costs went up.
14 That's when we weren't smiling in the elevator that
15 year. It was a drought.

16 MR. CHRIS KLASSEN: Yeah. Understood.
17 Thanks. And so, then, starting in that 2003 year, if
18 we look retrospectively from there, Mr. Gawne, the --
19 the prior year was 457 million and the one before
20 that, 581?

21 MR. KEVIN GAWNE: Correct.

22 MR. CHRIS KLASSEN: And moving the
23 other direction, from 2003, following that year,
24 export revenue was 540 million, the next year up to
25 814, and the next year, back to 5 3/4. So, under --

1 MR. KEVIN GAWNE: Right.

2 MR. CHRIS KLASSEN: Thanks. And, so,
3 within that 10-year period, sir, and we will move on
4 from this table shortly, given the numbers that you
5 and I just exchanged, you'll -- you'll acknowledge a
6 range of about a half a billion dollars in variance of
7 export revenue over that 10-year period, perhaps not
8 quite, but close, perhaps, between 2003 and 2005,
9 even?

10 MR. KEVIN GAWNE: Yeah, I'll accept
11 that.

12 MR. CHRIS KLASSEN: Thanks. Ms.
13 Schubert, if you could, next, take us to
14 Coalition/Manitoba Hydro Information Request, 1st
15 Round, 154A, and we'll go to page 3 out of 6 of the
16 response.

17 And would it be possible to zoom
18 out, so we could see more of this table at one time,
19 and, if -- if anyone needs the text larger, please let
20 me know. We can accommodate that.

21 So, to the panel, generally, or Mr.
22 Gawne, as you're already on this subject, you see
23 along the left various prospect Cost of Service
24 studies, starting with PCOSS24, at the top, and dating
25 back to PCOSS02 at the bottom. Correct?

1 MR. KEVIN GAWNE: That's correct.

2 MR. CHRIS KLASSEN: And for each
3 prospective Cost of Service study, and moving across
4 the table to the right, we're presented, first, with
5 gross, and then -- and then net export revenue,
6 followed by total generation and transmission costs.

7 Correct?

8 MR. KEVIN GAWNE: That's correct, yes.

9 MR. CHRIS KLASSEN: I apologize for
10 moving through that too quickly. I'll --

11 MR. KEVIN GAWNE: No. Sorry, what's
12 the heading to this? I'm not terribly familiar. So,
13 this was Round 1, 154. Okay. Thanks.

14 MR. CHRIS KLASSEN: If it would be
15 helpful to you, we could scroll up to the request?

16 MR. KEVIN GAWNE: Yeah, if you could,
17 please.

18 MR. CHRIS KLASSEN: Sure. Ms.
19 Schubert, could you take us up briefly for the request
20 for 'A'. And then if we scroll down, Ms. Schubert, to
21 Manitoba Hydro's response. The text response prior to
22 the table there's an explanation of what Manitoba
23 Hydro's presenting.

24 And once you're ready, Mr. Gawne, we
25 can return to the table.

1 (BRIEF PAUSE)

2

3 MR. KEVIN GAWNE: Okay.

4 MR. CHRIS KLASSEN: Thank you. Ms.

5 Schubert, if you could take us back down to page 3.

6 And a moment ago, Mr. Gawne, you and I

7 were just orienting ourselves properly on the table.

8 And so, to make sure we're still on the same page,

9 along the left we have the individual prospective Cost
10 of Service studies labelled.

11 And each column moving to the right

12 begins with, "Gross Export Revenue", then, "Net Export

13 Revenue", followed by, "Total Generation and

14 Transmission Cost"?

15 MR. KEVIN GAWNE: Correct.

16 MR. CHRIS KLASSEN: And the next

17 column gives us an indication of how net export

18 revenue was calculated for each of those studies.

19 Correct? And that's labelled as, "The Costs That Were

20 Assigned to Exports to Calculate NER"?

21 MR. KEVIN GAWNE: That's correct.

22 Thank you.

23 MR. CHRIS KLASSEN: And the next

24 column to the right indicates, how NER was allocated

25 in each individual prospective Cost of Service study?

1 MR. KEVIN GAWNE: Yes.

2 MR. CHRIS KLASSEN: And finally, we're
3 presented with the percentage of generation and
4 transmission costs that were offset by net export
5 revenue?

6 MR. KEVIN GAWNE: That's correct.

7 MR. CHRIS KLASSEN: And if we look at
8 the gross export revenue first, sir, in that column --
9 and again, if we scan top to bottom, we see a low of
10 342 million and a high of 1.154 billion, and we see
11 those in PCOSS13 first and then 24?

12 MR. KEVIN GAWNE: Yes.

13 MR. CHRIS KLASSEN: And when we turn
14 our attention now to net export revenue, we'll just
15 focus on the three (3) most recent studies, 18, 21,
16 and 24.

17 And we see the net export revenue
18 figure ranging from 417 million in PCOSS18 to the
19 higher 1.1 billion in PCOSS24. Correct?

20 MR. KEVIN GAWNE: That's correct.

21 MR. CHRIS KLASSEN: And turning our
22 attention now to the...

23 And before we move on, Mr. Gawne, with
24 respect to net export revenue in -- in each of
25 PCOSS18, -21, and -24, I'll ask you to refer to the

1 wide column to the right identifying how NER is
2 calculated and just ask you to confirm that for each
3 of those three (3) prospective Cost of Service studies
4 NER was calculated in the same fashion?

5 MR. KEVIN GAWNE: Yeah, the -- those
6 three (3) rows contain the same components assigned to
7 export. Of course, water rentals adjusted immediately
8 with PCOSS24.

9 MR. CHRIS KLASSEN: But the same
10 component is assigned. And I -- and I appreciate that
11 confirmation.

12 And so, now turning our attention to
13 the column on the far right. We see that the
14 percentage of generation and transmission costs offset
15 by net export revenue in those three (3) studies
16 ranges from lows of 31 and 32 percent for PCOSS18 and
17 -21, to the high of 49 percent in PCOSS24. Correct?

18 MR. KEVIN GAWNE: That's correct.

19 MR. CHRIS KLASSEN: And so, if we
20 think of PCOSS24 as compared to PCOSS18, generation
21 accounts for a much larger share of the asset base
22 than in PCOSS18. Is that correct?

23 MR. KEVIN GAWNE: That's correct.

24 MR. CHRIS KLASSEN: And because of
25 growing net export revenues, the portion of generation

1 and transmission costs -- costs that were offset by
2 NER, net export revenue in PCOSS24, is also much
3 larger than the portion of generation and transmission
4 offset by NER in either PCOSS21, or -18, correct?

5 MS. MARNIE VAN HUSSEN: That's
6 correct.

7 MR. CHRIS KLASSEN: And that 49
8 percent we see in the top row on the far right means
9 that in prospective Cost of Service Study 24, net
10 export revenue offset 49 percent of each class's
11 generation and transmission costs.

12 Is that accurate?

13 MS. MARNIE VAN HUSSEN: That's
14 correct.

15 MR. CHRIS KLASSEN: And I won't
16 belabour this point because it -- there was some time
17 spent around this issue yesterday.

18 But, for example, by way of
19 illustration, because generation and transmission
20 makes up nearly all of the costs attributed to the
21 General Service Large larger than 100 kilovolt class,
22 the 49 percent reduction in generation and
23 transmission cost offset that class's total costs by
24 48 percent, correct?

25 MS. MARNIE VAN HUSSEN: That's

1 correct.

2 MR. CHRIS KLASSEN: And conversely,
3 net export revenue offset a comparatively smaller
4 portion of the residential class's total costs,
5 correct?

6 MS. MARNIE VAN HUSSEN: I believe it's
7 in the range of about 35 percent.

8 MR. KEVIN GAWNE: Thirty-five (35).

9 MR. CHRIS KLASSEN: Exactly. So thank
10 you very much. And taken together, the change in the
11 proportions of each class's total cost offset by net
12 export revenue is a significant driver in the change
13 of RCCs presented by PCOSS24 compared to -18 or -21,
14 correct?

15 MS. MARNIE VAN HUSSEN: It's not the
16 only driver, but it's definitely a -- a significant
17 one, correct.

18 MR. CHRIS KLASSEN: Understood. Thank
19 you. Now, this phenomenon isn't new, right? Export
20 revenue has consistently been a significant source of
21 variability in Cost of Service studies?

22 MS. MARNIE VAN HUSSEN: That's
23 correct.

24 MR. CHRIS KLASSEN: And in fact, in a
25 response to an Information Request, your team

1 confirmed that these revenues are potentially the most
2 significant source of variability.

3 MS. MARNIE VAN HUSSEN: I think that's
4 a fair assessment, yeah.

5 MR. CHRIS KLASSEN: And for the
6 purposes of Cost of Service studies, is it fair to say
7 that the variability in Manitoba Hydro's waterflows
8 means that Manitoba Hydro's actual export revenues can
9 vary from its forecasts?

10

11 (BRIEF PAUSE)

12

13 MR. KEVIN GAWNE: Mr. Klassen, can I
14 just get you to re --

15 MR. CHRIS KLASSEN: Yeah, of course,
16 and I'll simplify it.

17 Manitoba Hydro's actual export revenues
18 can vary from its export revenue forecasts, correct?

19 MR. KEVIN GAWNE: Correct.

20 MR. CHRIS KLASSEN: And Manitoba Hydro
21 prepares Cost -- prospective Cost of Service studies
22 relying on forecast figures and not actual figures,
23 correct?

24 MR. KEVIN GAWNE: That's correct.

25 MR. CHRIS KLASSEN: And so, for

1 example, PCOSS24, all components of the revenue
2 requirement, are based on the 2023/'24 preliminary
3 budget, correct?

4 MS. MARNIE VAN HUSSEN: That's
5 correct.

6 MR. CHRIS KLASSEN: And in response to
7 Information Requests, Manitoba Hydro illustrated this
8 effect on RCCs, and I'd like to discuss this briefly.

9 And for that purpose, Ms. Schubert, I'm
10 wondering if you could pull up -- and I have a bit of
11 a specific request here, but -- and I apologize or it
12 in advance.

13 I'm wondering if we could display
14 Figure 8.3 from tab 8 on the left side of the screen,
15 and that's tab 8 at PDF page 9. And on the right if
16 we could display the response to Coalition/Manitoba
17 Hydro 1st Round 131, starting at page 3 of 16.

18

19 (BRIEF PAUSE)

20

21 MR. CHRIS KLASSEN: Thanks very much,
22 Ms. Schubert. And I see Mr. Gawne's finding your own
23 copy of the documents, and I can give you a minute to
24 finish that if you -- if you prefer.

25 MR. KEVIN GAWNE: Okay.

1 MR. CHRIS KLASSEN: So to the panel,
2 on the left side of the screen, we see that Figure
3 8.3, which is from tab 8 of Manitoba Hydro's
4 Application, lists the revenue-to-cost coverage ratios
5 of each customer class in both prospective Cost of
6 Service study 21 and 24, correct?

7 MS. SHANNON GREGORASHUK: That's
8 correct.

9 MR. CHRIS KLASSEN: And on the right
10 side of the screen, in the second paragraph under the
11 response to E(I), we see Manitoba Hydro explaining
12 that it has prepared versions of PCOSS18 and -21
13 incorporating the actual export revenues for those
14 years. And -- and you'll see the words:

15 "since these revenues are
16 potentially the most significant
17 source of variability."

18 MS. MARNIE VAN HUSSEN: That's
19 correct.

20 MR. CHRIS KLASSEN: Now, Ms. Schubert,
21 on the right side of the screen, if we could scroll to
22 page 8 of 16 -- exactly. So -- and actually, if -- if
23 you could scroll up one (1) tick, Ms. Schubert, just
24 to show the text there at the top.

25 And I'll ask the panel to confirm that

1 we see Manitoba Hydro presenting a hypothetical
2 prospective Cost of Service study 21, which was
3 calculated using the \$610.9 million of actual export
4 revenue which was \$27.1 million lower than the input
5 used in the preparation of the original PCOSS21.

6 Is that correct?

7 MS. MARNIE VAN HUSSEN: That's
8 correct.

9 MR. CHRIS KLASSEN: And subject to
10 check, the twenty-seven point one (27.1) difference --
11 million dollar difference compared to the \$638 million
12 total is a roughly 4 percent change in that value
13 between the original PCOSS21 and this prepared
14 hypothetical?

15 MS. MARNIE VAN HUSSEN: Subject to
16 check.

17 MR. CHRIS KLASSEN: And compared to
18 the variability in extra-provincial revenue over
19 recent years that -- that we've reviewed over the past
20 few minutes, a 4 percent variance is -- is
21 comparatively small that we're using for this
22 illustration, correct?

23 MS. MARNIE VAN HUSSEN: Sorry. Can
24 you repeat that one (1) more time, please?

25 MR. CHRIS KLASSEN: I'm just asking

1 you to confirm that, perhaps in my discussion with Mr.
2 Gawne related to variability in export revenue, the 4
3 percent variance that we're talking about in this
4 illustration is comparatively small.

5

6 (BRIEF PAUSE)

7

8 MS. MARNIE VAN HUSSEN: If your
9 reference to the 4 percent being a variability of
10 export revenue, then I would agree that's not, you
11 know --

12 MR. CHRIS KLASSEN: Yeah.

13 MS. MARNIE VAN HUSSEN: -- an -- or I
14 can't remember how you characterized it in your
15 question, but I would agree.

16 MR. CHRIS KLASSEN: Yeah. Understood.

17 MS. MARNIE VAN HUSSEN: Yeah.

18 MR. CHRIS KLASSEN: Thank you. And so
19 just for the purposes of the record, Ms. Van Hussen,
20 the -- the 4 percent -- roughly 4 percent variance
21 that you accepted, subject to check, between the
22 export revenue used in this scenario and the export
23 revenue used in the original PCOSS21 is relatively
24 small compared to the wider variance in export
25 revenues that Manitoba Hydro experiences that we've

1 discussed over the last ten (10) or fifteen (15)
2 minutes or so.

3 MS. MARNIE VAN HUSSEN: I think that's
4 fair. I'd say the -- the actual export revenue in
5 that year came fairly close to what we were
6 forecasting.

7 MR. CHRIS KLASSEN: Understood, and --
8 and thanks for bearing with me through that.

9 And so orienting ourselves in the chart
10 on the right -- and I apologize for the size, but if
11 you need it larger, we can ask Ms. Schubert to
12 accommodate.

13 We have customer classes listed on the
14 left side of the table, correct?

15 MS. MARNIE VAN HUSSEN: Correct.

16 MR. CHRIS KLASSEN: And on the far
17 right of the table, that column presents the
18 hypothetical RCCs by class, which were calculated
19 using actual instead of budgeted export revenues,
20 correct?

21 MS. MARNIE VAN HUSSEN: That's
22 correct.

23 MR. CHRIS KLASSEN: And on the left
24 side of the screen, we see that in the original
25 prospective Cost of Service study 21, the RCC of the

1 residential class was 96.2 percent?

2 MS. MARNIE VAN HUSSEN: That's
3 correct.

4 MR. CHRIS KLASSEN: And back to the
5 right side of the screen, reducing the export revenue
6 input by just over 4 percent led to a 0.1 percent
7 increase in residential RCC from 96.2 to 96.3 percent,
8 correct?

9 MS. MARNIE VAN HUSSEN: That's
10 correct.

11 MR. CHRIS KLASSEN: And for
12 comparison's sake, looking at GSL, larger than 100
13 kilovolts, that change led to a 0.4 percent decrease
14 in that class's RCC.

15 And we see that from the 101.2 percent
16 on the left side of the screen as compared to the
17 100.8 percent on the right side of the screen.

18 Correct?

19 MS. MARNIE VAN HUSSEN: That's correct
20 and consistent with some of the discussion we've had
21 that they're more sensitive to changes in export
22 revenue.

23 MR. CHRIS KLASSEN: Understood. And
24 so fair to say then that the effect of that modest
25 change in -- in export revenue considered in this

1 illustration had an effect on the RCC of -- of that
2 particular General Service Large class that was four
3 (4) times as large on a percentage basis than the
4 effect on the residential RCC?

5 MS. MARNIE VAN HUSSEN: I would agree
6 with that.

7 MR. CHRIS KLASSEN: And depending on
8 the magnitude of difference in the inputs, that change
9 could be materially different than different
10 circumstances.

11 And again, I think that's the point you
12 were making in the comment you shared a moment ago?

13 MS. MARNIE VAN HUSSEN: I'd agree.

14 MR. CHRIS KLASSEN: And recognizing
15 that we haven't lived through 2023/'24 yet, if we were
16 to wait and do this exercise again with actual figures
17 from 2023/'24, if the actuals are different than the
18 budget, the outcome of RCCs would also be different,
19 correct?

20 MS. MARNIE VAN HUSSEN: I think that's
21 fair. That's fair of all costs though. If we were to
22 change any of our forecast costs to actuals we would
23 have different results.

24 MR. CHRIS KLASSEN: Understood. And,
25 Ms. Van Hussen, there is an illustration of this on

1 the record that I'd appreciate the chance to walk you
2 through briefly.

3 And so, if -- if Ms. Schubert could
4 replace the right side of the screen with the response
5 to Coalition/Manitoba Hydro First Round 155 starting
6 on page 3.

7

8 (BRIEF PAUSE)

9

10 MR. CHRIS KLASSEN: And the Panel will
11 see in the response to this Information Request that
12 the following table presented under (a) provides the
13 calculation of net export revenue from the requested
14 prospective Cost of Service study, as well as
15 projected for the 2024/'25 year, correct?

16 MS. MARNIE VAN HUSSEN: That's
17 correct.

18 MR. CHRIS KLASSEN: And focussing on
19 the bottom row of the table, I'll ask you to confirm
20 then that we're presented with the net export revenues
21 values that were taken into account in preparing each
22 of prospective Cost of Service study '18, '21, and
23 '24, correct?

24 MS. MARNIE VAN HUSSEN: Correct.

25 MR. CHRIS KLASSEN: And the '24/'25

1 figure is there on the right?

2 MS. MARNIE VAN HUSSEN: Correct.

3 MR. CHRIS KLASSEN: And if we could
4 scroll to the table on the next page, again, looking
5 at the bottom row, we'll focus on the three (3)
6 columns on the right presenting the percentage change
7 between prospective Cost of Service studies.

8 And you'll see there that the next
9 export revenue change between prospective Cost of
10 Service study '18 and '21 was an increase in 42
11 percent. And we see that along on the bottom row?

12 MS. MARNIE VAN HUSSEN: Correct.

13 MR. CHRIS KLASSEN: And then from '21
14 to '24 was an increase of 89 percent?

15 MS. MARNIE VAN HUSSEN: Correct.

16 MR. CHRIS KLASSEN: And in the text
17 below the table I'll ask you to confirm that we see
18 that this IR response presents four (4) PCOSS24
19 scenarios that were -- that use different figures for
20 net export revenues, correct?

21 MS. MARNIE VAN HUSSEN: Correct.

22 MR. CHRIS KLASSEN: And so, for
23 illustration sake, I'll ask Ms. Schubert to scroll us
24 to page 11 of 18 in this response.

25 And on page 11, Ms. Van Hussen, you'll

1 see a table formatted similarly to the one we -- we
2 just spent a few minutes on that referred to PCOSS18.

3 But we see here that this presents a
4 scenario of PCOSS24 that uses the \$692 million in
5 export revenue -- and, again, that's export revenue,
6 not net export revenue -- instead of the 1.154 billion
7 that was actually used in the prospective Cost of
8 Service study that was filed in this proceeding.

9 Is that correct?

10 MS. MARNIE VAN HUSSEN: That's
11 correct.

12 MR. CHRIS KLASSEN: And the 692
13 million gross export revenue incorporated into this
14 scenario is still higher than the \$638 million in
15 gross export revenue that was used in the preparation
16 of PCOSS21, correct?

17 MS. MARNIE VAN HUSSEN: Sorry, I'm --
18 I'm not remembering all the numbers perfectly, but
19 subject to check, yeah.

20 MR. CHRIS KLASSEN: Sure. And -- and
21 thank you for that Ms. Hussen -- Van Hussen.

22 And so, again, if we compare the two
23 (2) tables that are on the screen before us, we see
24 that, if PCOSS24 had been prepared using \$692 million
25 in export revenue, which we see works out to \$669.7

1 million in net export revenue, the residential
2 classes, RCC, would have been 95.5 percent instead of
3 94.4?

4 MS. MARNIE VAN HUSSEN: That's
5 correct.

6 MR. CHRIS KLASSEN: Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. CHRIS KLASSEN: And so then, Ms.
11 Van Hussen, the difference between the 94.4 percent we
12 see on the left side of the screen for PCOSS24 and the
13 95.5 percent we see in the top row on the far right of
14 the table on the right of the screen is a 1.1 percent
15 difference -- percentage point difference -- I
16 apologize -- between the actual PCOSS24 in this
17 PCOSS24 scenario, correct?

18 MS. MARNIE VAN HUSSEN: Correct.

19 MR. CHRIS KLASSEN: And again, using
20 the same illustration, GSL larger than a hundred
21 kilovolts would have been at 106.8 percent instead of
22 the 113.2 percent that they were at following the
23 PCOSS24 that was filed?

24 MS. MARNIE VAN HUSSEN: Correct.

25 MR. CHRIS KLASSEN: And for that

1 class, it's more than a 6 percentage point difference?

2 MS. MARNIE VAN HUSSEN: Correct.

3 MR. CHRIS KLASSEN: I'll ask Ms.

4 Schubert to just -- Ms. Schubert, if you wouldn't mind

5 displaying the response to 1st Round

6 Coalition/Manitoba Hydro Request number 85, Attachment

7 1, at page 26.

8 And to the Panel, recognizing that you

9 don't work in the capital asset management department

10 -- I apologize.

11 MR. KEVIN GAWNE: Mr. Klassen, maybe I

12 could help on the -- the numbers that we were looking

13 at previously and the comparisons.

14 MR. CHRIS KLASSEN: Of course.

15 MR. KEVIN GAWNE: So, I think that

16 sensitivity analysis was using a export revenue number

17 of 60 percent of the PCOSS24 values, correct?

18 MR. CHRIS KLASSEN: Correct.

19 MR. KEVIN GAWNE: So, in the 650

20 million range, thereabouts.

21 I -- just wanted to caution that, yes,

22 there's a lot of uncertainty in the market. And we

23 talked about the spot market prices and opportunity

24 revenues, but this is a prospective Cost of Study for

25 the '23/'24 year, and in there is dependable revenues.

1 And if you look back at MFR42, at the
2 actuals, they're in that 650 million range for
3 dependable revenue alone. So, the uncertainty in that
4 number is -- you know, you don't want to talk about
5 the entire number of export revenue as having this
6 type of uncertainty that you've explained through some
7 of your examples.

8 So, I just wanted to -- to be clear
9 that it's on the -- it's on the opportunity side where
10 the majority of that export revenue uncertainty lies.

11 MR. CHRIS KLASSEN: Understood. And I
12 --

13 MR. KEVIN GAWNE: As I was saying
14 yesterday, I think, you know, with the updated water
15 conditions and the update that we heard from Ms.
16 Sanclemente about how natural gas prices have softened
17 the sensitivity analysis with the '24/'25 NER numbers
18 is probably more in the range.

19 That's not an official forecast from
20 Manitoba Hydro, but I'm just trying to keep the Board
21 current on -- on where conditions are.

22 MR. CHRIS KLASSEN: Understood. And I
23 appreciate that clarification, Mr. Gawne.

24 Ms. Van Hussen, however, you'll confirm
25 that Mr. Gawne's comments about the certainty with

1 respect to forecasts doesn't affect the impact that
2 changes in revenues can have on RCCs, correct, as we
3 illustrated through those tables?

4 MS. MARNIE VAN HUSSEN: I would agree.
5 I think he was just talking about what is perhaps more
6 -- or more realistic sensitivity than others, but
7 absolutely that volatility exists, yes.

8 MR. CHRIS KLASSEN: Thanks very much.
9 And to the Panel, I -- I appreciate the comment. And
10 thanks for having this up, Ms. Schubert.

11 To the Panel, I trust that your legal
12 counsel would have let you know that we might discuss
13 this today. And I'm well aware that this is not your
14 area of expertise, and so you very possibly won't have
15 reviewed this before today. And as with my comment on
16 the similar subject previously, we won't spend a lot
17 of time here.

18 But for the purposes of our discussion,
19 is the Panel familiar with the capital investment
20 justification and, more generally, the project known
21 as the Portage Area Capacity Enhancement?

22 MR. SHANNON GREGORASHUK: Yes, we're
23 familiar with it.

24 MR. CHRIS KLASSEN: Thanks.

25 MR. SHANNON GREGORASHUK: We accept

1 that there's a CPG filed, yes.

2 MR. CHRIS KLASSEN: Thanks, Ms.
3 Gregorashuk. Now, this project is not in service,
4 correct, subject to check if you need?

5 MR. SHANNON GREGORASHUK: That's
6 correct, subject to check, yes.

7 MR. CHRIS KLASSEN: And again, subject
8 to check, if we were to scroll down, you'd see that
9 the construction on this project isn't proposed to
10 start until 2024? It might be a few pages down, and
11 it's not an important point, so we can stay here for
12 now.

13 MR. SHANNON GREGORASHUK: Subject to
14 check, that's fair, yeah.

15 MR. CHRIS KLASSEN: Thanks, Ms.
16 Gregorashuk. And just so we know what -- what we're
17 working on together, I'd like to ask a few questions
18 about this project and how we could expect this
19 project to be treated by the Cost of Service study
20 process when it does come into service so that we can
21 learn a little bit about how specific costs move
22 through the analysis.

23 Ms. Schubert, if we could scroll to
24 page 29 and 30 where we see a box labelled,
25 "Justification." And in the first sentence in this

1 box to the Panel we see three (3) reasons listed for
2 this project, correct? They are above average load
3 growth, new industrial customers, and increasing
4 exports to Saskatchewan, correct?

5 MR. SHANNON GREGORASHUK: I see that,
6 yes.

7 MR. CHRIS KLASSEN: Thanks. And if we
8 scroll to the next page but staying in the
9 "Justification" section, we see the last sentence in
10 this box notes that:

11 "All issues limit the ability to
12 connect new large loads to the
13 system in the Portage la Prairie
14 area and the southwestern region of
15 Manitoba."

16 Correct?

17 MR. SHANNON GREGORASHUK: That is how
18 it reads, yes.

19 MR. CHRIS KLASSEN: Thank you. Ms.
20 Schubert, if we could now scroll up to page 28, we
21 look at the top box on that page titled, "Capital
22 investment master data."

23 And in the third row down on the left
24 we see that the responsible department for this
25 project is transmission projects, correct?

1 MR. SHANNON GREGORASHUK: Correct.

2 MR. CHRIS KLASSEN: And if we go to
3 the next page, in the second box titled, "Scope," we
4 see Manitoba Hydro presenting the purpose of this
5 project. And we see a number of bullets related to
6 transmission, generally speaking.

7 Would you accept that?

8 MR. SHANNON GREGORASHUK: Yes.

9 MR. CHRIS KLASSEN: And we'll see on
10 the third bullet that there's also a component of this
11 project that indicates -- or that involves a radial
12 line from a new station to a particular customer's
13 Roquette station.

14 Do you see that there in the third
15 bullet?

16 MR. SHANNON GREGORASHUK: Yes, we do.

17 MR. CHRIS KLASSEN: Would it be
18 reasonable to expect then that a portion of this
19 project's costs would be assigned directly to that
20 particular consumer or customer, rather?

21 MS. SHANNON GREGORASHUK: I think
22 that's fair. There's not a lot of information on
23 here. But our assumption is we -- we do directly
24 assign cost of radial taps to the greater than a
25 hundred (100) kV class.

1 MR. CHRIS KLASSEN: Understood. Thank
2 you.

3 MS. SHANNON GREGORASHUK: Yeah.

4 MR. CHRIS KLASSEN: And how would
5 Manitoba Hydro determine the portion of the project
6 costs to be directly assigned to the customer?

7 MS. SHANNON GREGORASHUK: Once the
8 project's in service, we look at the assets
9 themselves. So there will be an asset with the
10 location that identifies that radial tap.

11 Some of the other components of the --
12 the project -- again, they -- we call it -- settle.
13 They will go through our accounting system and be
14 directed to certain types of assets. And we look at
15 those assets and the functions of those assets.

16 So to the extent that there is a
17 substation, we look at the voltage of the substation
18 and -- and functionalize it that way.

19 MR. CHRIS KLASSEN: Thanks for the
20 explanation.

21 Leaving aside the portion of the
22 project that might be directly assigned, would it be
23 reasonable to assume that the rest of this project
24 would be functionalized as transmission?

25 MS. MARNIE VAN HUSSEN: There

1 certainly appear to be portions that will be
2 subtransmission. But transmission and
3 subtransmission.

4 MR. CHRIS KLASSEN: And you'll correct
5 me if I'm wrong, but as a transmission project -- and
6 I believe the same also applies to the subtransmission
7 components, these costs would be classified as 100
8 percent demand, correct?

9 MS. MARNIE VAN HUSSEN: That's
10 correct.

11 MR. CHRIS KLASSEN: And as demand
12 costs, they would then be allocated among customer
13 classes based on each class's contributions to the top
14 fifty (50) winter coincident peak hours, is that
15 right?

16 MS. MARNIE VAN HUSSEN: That's
17 correct.

18 MR. CHRIS KLASSEN: Thank you for
19 that. We'll move on from the discussion of the
20 Portage area capacity enhancement and I -- I thank you
21 for bearing with me on discussion about a capital
22 project.

23 The panel is, of course, familiar with
24 Bipole III?

25 MS. MARNIE VAN HUSSEN: Yes.

1 MR. CHRIS KLASSEN: And Bipole III is
2 a high voltage direct current transmission line
3 connecting Manitoba Hydro's generating stations in
4 northern Manitoba to the southern part of the
5 province, right?

6 MS. MARNIE VAN HUSSEN: That's
7 correct.

8 MR. CHRIS KLASSEN: And in particular,
9 would you accept that Bipole III takes on substantial
10 responsibility for transmitting energy generated at
11 the Keeyask generating station?

12 MR. KEVIN GAWNE: It takes northern
13 generation. Bipole III, with Bipole I and II, carry
14 power from the north to the south. Whether it's
15 Keeyask electrons going down Bipole III is a question
16 for some electrical engineers.

17 MR. CHRIS KLASSEN: Thanks. And
18 perhaps back to Ms. Van Hussen.

19 As a high voltage direct current
20 transmission line, Bipole III is functionalized as
21 generation. Right?

22 MS. MARNIE VAN HUSSEN: That's
23 correct.

24 MR. CHRIS KLASSEN: And once
25 functionalized -- considering that it's functionalized

1 as generation -- costs associated with Bipole III are
2 then classified according to the system load factor
3 method. Right?

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. CHRIS KLASSEN: And in this
6 proceeding, based on eight (8) years of domestic load
7 factors, the system load factor results in 60.7
8 percent of these costs being classified as energy and
9 the remaining 39.3 percent as demand. Correct?

10 MS. MARNIE VAN HUSSEN: Subject to
11 check. I think I generally refer to it as sixty-forty
12 (60-40), but I'm --

13 MR. CHRIS KLASSEN: Okay.

14 MS. MARNIE VAN HUSSEN: -- assuming
15 your math is -- or --

16 MR. CHRIS KLASSEN: It's not math. I
17 read it off the page.

18 MS. MARNIE VAN HUSSEN: That's all
19 right. Your preciseness is correct.

20 MR. CHRIS KLASSEN: And then, once
21 classified, the energy portion of Bipole III costs are
22 allocated based on the relative total annual
23 consumption by each class. Of course, net of demand
24 side management savings and losses of generation.

25 MS. MARNIE VAN HUSSEN: The energy

1 portion is, yes. Correct.

2 MR. CHRIS KLASSEN: And the demand
3 portion, again, is allocated based on each class's
4 contributions to the top fifty (50) winter coincident
5 peak hours?

6 MS. MARNIE VAN HUSSEN: Correct.

7 MR. CHRIS KLASSEN: And if we could
8 turn for a moment, Ms. Schubert, to PDF page 63 of
9 Appendix 8.1. And we'll refer to table H3 for which
10 the title is on this page, but the table itself is on
11 the next. Thank you.

12 And in the first row of this table, we
13 see that export revenue -- gross export revenue that
14 was incorporated into prospective Cost of Service
15 study 24 was \$1.1541 billion. Correct?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. CHRIS KLASSEN: And in the
18 subsequent rows, we see the items that were deducted
19 from export revenue in order to calculate net export
20 revenue. Correct?

21 MS. MARNIE VAN HUSSEN: Correct.

22 MR. CHRIS KLASSEN: And those items,
23 as we see here, are the portion of water rentals
24 attributable to exports?

25 MS. MARNIE VAN HUSSEN: Correct.

1 MR. CHRIS KLASSEN: Next, variable O&M
2 costs?

3 MS. MARNIE VAN HUSSEN: Correct.

4 MR. CHRIS KLASSEN: Third,
5 contributions to the affordable energy fund, which was
6 at zero (0) for PCOSS24.

7 MS. MARNIE VAN HUSSEN: Yeah. And I
8 think, technically, it's the amortization of the
9 affordable energy fund.

10 MR. CHRIS KLASSEN: Of course, yeah.
11 Thank you for that -- that clarification.

12 And those deductions get us to net
13 export revenue -- or to the net export revenue value
14 that was used in PCOSS24, correct?

15 MS. MARNIE VAN HUSSEN: Correct.

16 MR. CHRIS KLASSEN: And recognizing
17 that Bipole III has a role in transmitting electrons
18 from the north to the south, some of which might end
19 up being exported, are the costs of Bipole III
20 associated with exports deducted from gross export
21 revenue in the calculation of net export revenue -- do
22 they appear in any of those three (3) rows in the
23 table here before us?

24 MS. MARNIE VAN HUSSEN: They do not.

25 MR. CHRIS KLASSEN: And recalling that

1 the Portage area capacity enhancement project was
2 driven, in part, by the pressures of increased exports
3 to Saskatchewan, is it accurate to suggest that by
4 this methodology costs for that project also
5 associated with exports will not be deducted from
6 export revenue for the purpose of calculating net
7 export revenue in a future Cost of Service study?

8 MS. MARNIE VAN HUSSEN: Based on the
9 methodology that we use, these are the only costs that
10 are deducted from export revenue.

11 MR. CHRIS KLASSEN: Understood. Thank
12 you.

13 MS. SHANNON GREGORASHUK: I just
14 wanted to clarify. I believe the CEJ indicated that
15 that was -- the exports to Saskatchewan was one
16 reasons. And I don't know if that was the main
17 driver.

18 MR. CHRIS KLASSEN: Of course. And
19 there were three (3) listed in --

20 MS. SHANNON GREGORASHUK: There were
21 three (3) listed. And that was the third item listed.

22 MR. CHRIS KLASSEN: Yeah. Thanks for
23 that, Ms. Gregorashuk.

24 Moving on to a different subject, the
25 panel is familiar with the term 'uniform rates',

1 correct?

2 MS. MARNIE VAN HUSSEN: Correct.

3 MR. CHRIS KLASSEN: And Ms. Van
4 Hussen, you'll accept that that term refers to a 2001
5 legislation change made by the Provincial Government
6 to make sure that rates charged to a class of grid
7 customers was the same throughout the province.

8 Correct?

9 MS. MARNIE VAN HUSSEN: Within the
10 class, yes, that's correct.

11 MR. CHRIS KLASSEN: Within the class.
12 Yes. Thank you for that.

13 And prior to that legislative change,
14 is it accurate that the residential class had been
15 separated into residential zones 1, 2, and 3?

16 MS. MARNIE VAN HUSSEN: That's
17 correct.

18 MR. CHRIS KLASSEN: And that zone 1
19 included Winnipeg; zone 2 included other cities,
20 towns, and villages; and that rural Manitoba was zone
21 3? Subject to check?

22 MS. MARNIE VAN HUSSEN: Subject to
23 check, yeah.

24 MR. CHRIS KLASSEN: Thanks. And would
25 it be fair to say that both prior to 2001 and still

1 today, the cost to serve a residence in Winnipeg would
2 be different from the cost to serve a residence on a
3 farm in rural Manitoba. Correct?

4 MS. MARNIE VAN HUSSEN: That's a fair
5 assessment.

6 MR. CHRIS KLASSEN: And all else
7 equal, you'd expect the cost to serve a residence in
8 Winnipeg to be lower than the cost to serve a
9 residence on a farm in rural Manitoba. Correct?

10 MS. MARNIE VAN HUSSEN: All else
11 equal, there are some major nuances like gas heat
12 versus electric heat, underground service versus
13 overhead service.

14 So certainly, there are some nuances
15 there, but --

16 MR. CHRIS KLASSEN: And I -- and I
17 thank you for that. But generally speaking, when
18 we're talking about differences in population and
19 customer density --

20 MS. MARNIE VAN HUSSEN: I think that's
21 fair, yes.

22 MR. CHRIS KLASSEN: Thank you. And
23 the rates charged to zones 1, 2, and 3, prior to the
24 uniform rate legislation, were reflective -- a
25 reflection of Manitoba Hydro's judgment that these

1 various zones brought different relative costs to the
2 system. Correct?

3 MS. MARNIE VAN HUSSEN: Sorry, can you
4 just repeat that one more time, please?

5 MR. CHRIS KLASSEN: And the separation
6 of residential customers into different zones was
7 intended to reflect the fact that these customers
8 presented different costs to the Corporation.

9 Correct?

10 MS. MARNIE VAN HUSSEN: That's a bit
11 before my time, Mr. Klassen, but I think that's a
12 reasonable -- subject to check.

13 MR. CHRIS KLASSEN: It was from a
14 prior discussion about --

15 MS. MARNIE VAN HUSSEN: Yes.

16 MR. CHRIS KLASSEN: Thank you. And
17 I'll ask Ms. Schubert to bring before us Order 143 of
18 2004. And again, recognizing that this Order might
19 have been, as -- as you suggested, Ms. Van Hussen,
20 before your time. I did give your counsel a heads-up
21 last night that we'd be referring to this.

22 And we'll draw our attention to the
23 last paragraph before hitting 10.3. And I'll give the
24 panel a moment to review the paragraph.

25

1 (BRIEF PAUSE)

2

3 MR. CHRIS KLASSEN: And if you
4 could please confirm that the excerpt before you from
5 this Public Utilities Board Order explains that in
6 order to implement uniform rates, the rates charged in
7 zones 2 and 3, which were the higher cost to serve
8 customers, were reduced to match the rates charged in
9 Winnipeg. Correct?

10 MS. MARNIE VAN HUSSEN: That's
11 correct.

12 MR. CHRIS KLASSEN: And, we also see
13 toward the end of the excerpt that this reduction in
14 rates resulted in an approximate \$14.8 million annual
15 decrease in Manitoba Hydro's revenues. Correct?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. CHRIS KLASSEN: And is it your
18 understanding that following that process, the Public
19 Utilities Board's direction with respect to the
20 treatment of that \$14.8 million difference, was that
21 that amount should be off-set as a first charge
22 against net export revenue. Correct?

23 MS. MARNIE VAN HUSSEN: That's
24 correct.

25 MR. CHRIS KLASSEN: And that's how

1 Manitoba Hydro treated the reduced revenue created by
2 the Uniform Rate Policy from 2004 all the way up to
3 the 2016 Cost of Service study review. Correct?

4 MS. MARNIE VAN HUSSEN: That's
5 correct. There was an adjustment made to the revenue
6 of the classes affected by uniform rates and it was
7 deducted from export revenue.

8 MR. CHRIS KLASSEN: And that amount
9 has been referred to here and by Manitoba Hydro as the
10 uniform rate adjustment. Correct?

11 MS. MARNIE VAN HUSSEN: Correct.

12 MR. CHRIS KLASSEN: And if I could ask
13 Ms. Schubert to bring onto the screen the excerpt from
14 the Hansard -- from the sitting of the standing
15 committee of -- of the Public Utilities and Natural
16 Resources from June of 2001, this was provided to
17 Manitoba counsel yesterday and I believe, presented to
18 the panel.

19 And for the purposes of -- of aiding
20 cross-examination, Mr. Chair, I'll request to enter
21 this document as Exhibit Consumers Coalition 24.

22 THE CHAIRPERSON: Thank you.

23

24 --- EXHIBIT NO. CC-24: Excerpt from the sitting
25 of the standing committee

1 of the Public Utilities
2 and Natural Resources from
3 June of 2001
4

5 CONTINUED BY MR. CHRIS KLASSEN:

6 MR. CHRIS KLASSEN: And, Ms. Schubert,
7 if you could take us to page 2 of this document, we
8 see that present in this meeting, first are on the
9 right side of the screen, Mr. Greg Selinger, the then
10 Minister of Finance. Correct?

11 MS. MARNIE VAN HUSSEN: Sorry, yes.

12 MR. CHRIS KLASSEN: Yes, great. Thank
13 you. And on the left side of the screen under
14 appearing, we also see Mr. Robert B. Brennan,
15 President and Chief Executive Officer of Manitoba
16 Hydro, present at the meeting. Correct?

17 MS. MARNIE VAN HUSSEN: Correct.

18 MR. CHRIS KLASSEN: And, Ms.
19 Schubert, if you could scroll us down toward the
20 bottom to where we see highlighted text, it's probably
21 on the last page. And, just, back to the top of this
22 page, Ms. Schubert, so we can see who's speaking in
23 this excerpt. Thank you.

24 I'll ask the panel to confirm that Mr.
25 Greg Selinger was explaining that the Uniform Rate

1 Policy was intended to be facilitated by export
2 revenues and that his quote was that the government
3 was not asking other Manitobans to pay more to provide
4 this uniform rate. Correct?

5 MS. MARNIE VAN HUSSEN: I'm not sure I
6 would go so far as to say that exports were to
7 facilitate the uniform rates, but I believe it said we
8 are fortunate that we have export revenues in this
9 year, such that we are not asking for a rate increase.

10 MR. CHRIS KLASSEN: Yeah, understood,
11 and thanks for that -- that characterization.

12 And, again, at the bottom of the
13 highlighted section, you see there that the minister
14 explained that the government was not asking
15 Manitobans to pay more to provide this uniform rate.

16 MS. MARNIE VAN HUSSEN: I would agree
17 with that.

18 MR. CHRIS KLASSEN: Thanks. And
19 uniform rate legislation is still in place today.

20 Correct?

21 MS. MARNIE VAN HUSSEN: That's
22 correct.

23 MR. CHRIS KLASSEN: And that means
24 that today's Residential Customer Class continues to
25 include customers who formerly paid different rates

1 depending on whether they lived in zone 1, 2 or 3.

2 Correct?

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MR. CHRIS KLASSEN: Ms. Schubert, if
6 you could take us to Order 164 of '16 at the bottom of
7 page 39 and the last paragraph. And -- and we'll
8 probably scroll over into the next page in a moment.

9 Now if we'd focus our attention on the
10 bottom five (5) lines or so, there's a sentence there
11 beginning with the "financial impact" toward the right
12 of the page. You see there on the fourth line from
13 the bottom, confirmation of that \$14.8 million figure,
14 which was the value of the uniform rate adjustment
15 when the policy was first implemented. Correct?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. CHRIS KLASSEN: And we see on the
18 bottom line of this page that the uniform rate
19 adjustment by the time of PCOSS14 had grown to an
20 annual of \$23.5 million. Correct?

21 MS. MARNIE VAN HUSSEN: That's the
22 adjusted number from 2003 escalated by rate increases
23 approved by the PUB. Correct.

24 MR. CHRIS KLASSEN: Great, thank you.
25 And is it accurate to say that in Order 164 of '16,

1 this Board found that the uniform rate adjustment was
2 no longer to be deducted from net export revenue?

3 MS. MARNIE VAN HUSSEN: That's
4 correct. I think if you scroll forward a few pages,
5 you see the --

6 MR. CHRIS KLASSEN: Page 41, in the
7 third paragraph of 41 please, Ms. Schubert.

8 And you'll see that statement in the
9 first sentence that the Board finds that the costs of
10 the uniform rate adjustment should not be deducted
11 from export revenue. Correct?

12 MS. MARNIE VAN HUSSEN: Correct.

13 MR. CHRIS KLASSEN: And if we look to
14 the last two (2) sentences in this paragraph, starting
15 with, 'there is no cost/causation' on the fourth line
16 from the bottom. We see the Board directing Manitoba
17 Hydro to, instead, consider the uniform rate
18 adjustment as a matter of rate design.

19 MS. MARNIE VAN HUSSEN: Correct.

20 MR. CHRIS KLASSEN: Ms. Schubert, if
21 you could take us to Coalition/Manitoba Hydro 1st
22 Round Request 157 and scrolling through the response,
23 we'll focus on 'A'.

24 And I'm looking for the table that's
25 titled, 'Percentage Change in Class Load', and that's

1 the one we need right there. Thank you very much.

2 And, for the purpose of the panel, we
3 see before us the percentage change in class load
4 between PCOSS21 and PCOSS24 for each of demand, energy
5 and customer count for each customer class along the
6 left. Correct?

7 MS. MARNIE VAN HUSSEN: That's
8 correct.

9 MR. CHRIS KLASSEN: And, if we see the
10 second row from the bottom, the GSL larger than a
11 hundred (100) kilovolt class in the middle row, the
12 change in energy, we see a material 19 percent
13 decrease in load for this class between PCOSS21 and
14 PCOSS24. Is that correct?

15 MS. MARNIE VAN HUSSEN: That's
16 correct.

17 MR. CHRIS KLASSEN: And in responses
18 to Information Requests, Manitoba Hydro attributed
19 this change to reductions in activity in the mining
20 sector. Is that right?

21 MS. MARNIE VAN HUSSEN: I believe
22 that's what our load forecasts attributed it to.
23 Correct.

24 MR. CHRIS KLASSEN: Thank you. And is
25 it accurate to say that as a result of these load

1 reductions, the costs classified as energy, paid by
2 this class, would have decreased between the two (2)
3 Cost of Service studies?

4 MS. MARNIE VAN HUSSEN: I don't know
5 that you can make the assumption that the costs have
6 gone down in totality, certainly the costs allocated
7 to the customer class because energy has gone down.
8 Correct.

9 MR. CHRIS KLASSEN: Yeah, thank you.
10 And, do you recall, Ms. Van Hussen, and -- and we can
11 go there if needed, but in Manitoba Hydro's rebuttal
12 evidence, the Corporation confirmed that despite that
13 -- despite that change the -- sorry, I apologize.
14 Thanks for your patience.

15 The conclusion of the Corporation, in
16 consideration of that change, is that the 19 percent
17 decrease in load between prospective Cost of Service
18 Study 21 and 24, was sufficient to keep costs for that
19 class relatively flat, despite overall increases in
20 gross generation and transmission costs.

21 MS. MARNIE VAN HUSSEN: That's
22 correct.

23 MR. CHRIS KLASSEN: Thank you. And
24 all other things being equal, can you confirm that in
25 the so-called zero sum realm of cost of service, these

1 increased costs then must inevitably have been picked
2 up by other customer classes.

3 MS. MARNIE VAN HUSSEN: There was
4 costs that shifted around, but we have to be cautious
5 in terms of RCC impacts when we look at a load
6 reduction, such as this.

7 The -- the cost attributed to the class
8 go down, the revenues also go down, so those revenues
9 are low -- no longer there.

10 And in the case of this class, to the
11 extent that that is freed up energy, it is being sold
12 on the -- on the export market. So, there's an off-
13 setting increase in export revenue that will,
14 potentially, counteract that -- that reduction. So
15 you have an off-set to the GNT costs. So the -- the
16 cost shift are perhaps not as great as they otherwise
17 would be.

18 MR. CHRIS KLASSEN: Thanks for that
19 explanation, Ms. Van Hussen.

20 You'll confirm, though, that revenues
21 from this class pay for about half the costs taken
22 into account in PCOSS24, again, prior to the
23 allocation in net export revenue?

24 MS. MARNIE VAN HUSSEN: Confirmed.

25 MR. CHRIS KLASSEN: Thanks. And we'll

1 move on from that discussion, Ms. Van Hussen.

2 Ms. Van Hussen, you'll recall, from our
3 discussion earlier this morning, that conducting a
4 Cost of Service study involves the exercise of a -- a
5 fair amount of judgment?

6 MS. MARNIE VAN HUSSEN: I think we
7 said determining the methodology takes a -- a fair bit
8 of judgment. Correct.

9 MR. CHRIS KLASSEN: Thanks. And that
10 the outputs of a Cost of Service study can vary
11 widely, depending on the circumstances of the year in
12 which it's based?

13 MS. MARNIE VAN HUSSEN: Confirmed.

14 MR. CHRIS KLASSEN: And is it fair to
15 suggest that, to address this -- this, and other
16 sources of imprecision in the Cost of Service study,
17 Manitoba Hydro makes use of a zone of reasonableness?

18 MS. MARNIE VAN HUSSEN: Correct.

19 MR. CHRIS KLASSEN: And that concept
20 creates a range of 95 percent to 100 percent -- sorry
21 -- 95 percent to 105 percent of unity?

22 MS. MARNIE VAN HUSSEN: That is the
23 zone that we use. Correct.

24 MR. CHRIS KLASSEN: And, if a class's
25 estimated RCC is between those two (2) numbers, that

1 means the Cost of Service study views that class's
2 revenues as sufficiently covering its costs. Correct?

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MR. CHRIS KLASSEN: Would you accept
6 that one of the outcomes of Order 164 of '16 was to
7 clarify the distinction between the Costs of Service
8 study process and the rate design process?

9 MS. MARNIE VAN HUSSEN: I don't know
10 if I would say that that was the purpose of that
11 hearing going in, but, certainly, with the Order --
12 sorry -- did you say the process or the Order?

13 MR. CHRIS KLASSEN: The Order.

14 MS. MARNIE VAN HUSSEN: The Order? I
15 -- I think that's fair. The Order was -- was clear
16 that there is a demarcation point.

17 MR. CHRIS KLASSEN: Thank you. And,
18 in doing so, this Board confirmed that the Cost of
19 Service study is to be underpinned by cost/causation
20 and that cost/causation is paramount?

21 MS. MARNIE VAN HUSSEN: That was --
22 yes, I would agree with that.

23 MR. CHRIS KLASSEN: And the Board also
24 determined that rate-making principles and goals
25 should have no place in the Cost of Service study and

1 that they should, instead, be considered in the rate
2 design portion of a General Rate Application.

3 Correct?

4 MS. MARNIE VAN HUSSEN: I would agree
5 with that.

6 MR. CHRIS KLASSEN: And, in fact,
7 you'll confirm -- or I'll ask you to confirm that when
8 determining final rates, taking into account Cost of
9 Service study, and the outcome of rate design process,
10 the Public Utilities Board has discretion to rely on
11 or not rely on the outcome of the Cost of Service
12 study?

13 MS. MARNIE VAN HUSSEN: I would agree
14 with that. It is a tool that the -- the Board can
15 use, if they choose.

16 MR. CHRIS KLASSEN: And Order 164 of
17 '16, recognizing that -- that it determined the
18 distinction between the two (2) processes, it was
19 about cost of service. It was not about rate design.

20 Correct?

21 MS. MARNIE VAN HUSSEN: I think that's
22 fair.

23 MR. CHRIS KLASSEN: And, while in that
24 Order the Board did remove certain considerations from
25 costs of service and deferred them to rate design, it

1 did not provide direction on rate design or how those
2 considerations should be addressed. Correct?

3 MS. MARNIE VAN HUSSEN: I think that's
4 fair for 164/16. I do believe they have provided
5 direction, subsequent to that, and that they have
6 approved rates, in three (3) subsequent Orders, that
7 have been direct -- their direction is to use the
8 results of the costs of service for differentiation.
9 So, I believe there's been some direction since 164/16
10 related to rate design.

11 MR. CHRIS KLASSEN: Sure. Thanks.

12

13 (BRIEF PAUSE)

14

15 MR. CHRIS KLASSEN: Mr. Chair, for
16 your purposes, I probably have about 30 minutes left
17 of -- of questions and I'm happy to break any time.

18 THE CHAIRPERSON: Okay. Well, this is
19 a good plan. Why don't we break now for 15 minutes.

20 MR. CHRIS KLASSEN: Sure.

21 THE CHAIRPERSON: Thank you.

22 MR. CHRIS KLASSEN: Thanks.

23

24 --- Upon recessing at 10:20 a.m.

25 --- Upon resuming at 10:37 a.m.

1

2

THE CHAIRPERSON: Mr. Klassen...?

3

MR. CHRIS KLASSEN: Thank you, Mr.

4 Chair.

5

6 CONTINUED BY MR. CHRIS KLASSEN:

7

MR. CHRIS KLASSEN: Witnesses, hello.

8

Thanks. Welcome back. Ms. Schubert, if we could turn

9

to figure 8.6 in tab 8. That's at PDF 14, please. I

10

apologize, I misspoke. We're at page 11, and figure

11

8.4 there. Thank you.

12

To the panel, tab 8 and -- this section

13

of tab 8 presents Manitoba Hydro's rate design

14

exercise, correct?

15

MS. SHANNON GREGORASHUK: I think this

16

shows our rate objectives.

17

MR. CHRIS KLASSEN: Exactly. So, in

18

this figure in particular identifies the rate

19

objectives that Manitoba -- Manitoba Hydro applied in

20

conducting its rate design exercise, correct?

21

MS. SHANNON GREGORASHUK: I believe

22

what we -- how we would characterize is these other

23

ones were prioritized but, obviously, there are other

24

traditional objectives we would always consider as

25

well.

1 MR. CHRIS KLASSEN: Sure. Thank you.

2 And on that subject, would you confirm, Ms.

3 Gregorashuk, that some of Manitoba Hydro's identify,

4 at least as far as they're listed here, rate-making

5 objectives have changed since those that were

6 identified in the 2017/'18 General Rate Application?

7 And if it isn't coming to mind, we can

8 go to a reference if that would be helpful.

9 MS. SHANNON GREGORASHUK: No, I think

10 that's fair. There's quite a few that are -- are

11 similar in nature. There's a couple that are

12 different.

13 MR. CHRIS KLASSEN: Understood. And

14 ones that are different -- and again, not trying to

15 make this discussion cumbersome, but we can go to a

16 reference if -- if your recall is -- is not there.

17 But is it accurate that 1) Fairness in

18 equity, and 2) Simplicity and Understandability were

19 on the list in '17/'18 and are no longer on the list

20 today?

21 MS. SHANNON GREGORASHUK: Certainly

22 those words are not on the list, absolutely, and

23 simplicity and understandability are not on the list.

24 Fairness and equity I think to a

25 certain extent are covered in some of the other

1 considerations like reflecting the Cost of Service.

2 MR. CHRIS KLASSEN: Thank you.

3 Flexibility is new, correct?

4 MS. SHANNON GREGORASHUK: That's
5 correct.

6 MR. CHRIS KLASSEN: And to your
7 knowledge, flexibility is not among the regulatory
8 principles adopted by the Public Utilities Board
9 listed on its website?

10 MS. SHANNON GREGORASHUK: To my
11 knowledge, that's correct.

12 MR. CHRIS KLASSEN: And numerous
13 flexibility among the rate-making principles set out
14 in the 1961 or 1988 editions of Bonbright Principles
15 of Public Utility Rate Making, correct?

16 MS. SHANNON GREGORASHUK: Yeah, and I
17 believe Bonbright considers them or class --
18 characterizes them as attributes. You know, he might
19 use the word 'principles', but I believe attributes is
20 --

21 MR. CHRIS KLASSEN: Sure. Thanks for
22 the clarification.

23 Ms. Schubert, if we could now turn to
24 figure 8.6, and I apologize for misspeaking earlier.
25 To the witnesses have -- can you confirm, please, that

1 this table presents the rate objectives that we just
2 saw on the screen a moment ago that were applied by
3 Manitoba Hydro on the left, and in the right-hand
4 column provides commentary on how each one was
5 applied, correct?

6 MS. SHANNON GREGORASHUK: That's
7 correct. And these are specific to the rate of rental
8 proposal, so not the overall rate designs phase, so
9 the entirety of phase 3.

10 MR. CHRIS KLASSEN: Understood. So,
11 the rate design -- or the differentiated rate
12 proposals and I thank you for that clarification.

13 If we look first to efficiency, which
14 is the fourth row down, and if we look at the comment
15 on the right, Manitoba Hydro notes that it has
16 proposed differentiated rates to:

17 "Increase alignment with embedded
18 cost/causation."

19 Correct?

20 MS. SHANNON GREGORASHUK: That's
21 correct.

22 MR. CHRIS KLASSEN: And Manitoba Hydro
23 uses revenue to cost coverage ratios and the zone of
24 reasonableness as a measure of alignment between rates
25 and embedded cost to causation, correct?

1 MS. SHANNON GREGORASHUK: For the
2 purposes of rate differentiation, yes.

3 MR. CHRIS KLASSEN: Looking at the
4 first objective on the left, reflecting cost to
5 providing service, so now back up to the top of the
6 table.

7 The comment there indicates that this
8 objective calls for RCCs to move closer to or inside
9 the zone of reasonableness. Correct?

10 MS. SHANNON GREGORASHUK: Correct.

11 MR. CHRIS KLASSEN: And the next,
12 stability, envisions a five (5) to ten (10) year
13 window for moving classes into the zone of
14 reasonableness, correct?

15 MS. MARNIE VAN HUSSEN: That's a
16 comment related to how the objective was applied
17 related to the differentiation. The objective
18 stability itself considers the importance of customers
19 having stable and predictable rates.

20 MR. CHRIS KLASSEN: Sure. Thank you.
21 But as you mentioned with respect to the
22 differentiated rate proposal, the application of the
23 objective of stability led Manitoba Hydro to envision
24 an approximate five (5) to ten (10) year window for
25 moving --

1 MS. MARNIE VAN HUSSEN: Correct.

2 That's fair.

3 MR. CHRIS KLASSEN: Thank you. And in
4 the description of the application of flexibility to
5 the proposed rate differentiation, Manitoba Hydro
6 acknowledges, again, that moving classes into the zone
7 of reasonableness will facilitate responses to future
8 unknown changes, and again is the outcome of the
9 application of this objective.

10 MS. MARNIE VAN HUSSEN: Correct.

11 MR. CHRIS KLASSEN: Manitoba Hydro
12 makes no mention of the uniform rate adjustment in
13 this figure, correct?

14 MS. MARNIE VAN HUSSEN: We do not.

15 MR. CHRIS KLASSEN: And you'll confirm
16 that the uniform rate adjustment is not mentioned
17 elsewhere in tab 8 of the application?

18 MS. MARNIE VAN HUSSEN: That's
19 correct.

20 MR. CHRIS KLASSEN: In applying the
21 objective of affordability -- now at the bottom of the
22 table -- Manitoba Hydro does not make reference in
23 this figure to information in its possession, for
24 example, about its customers experiencing an energy
25 burden due to their electricity bills?

1 MS. SHANNON GREGORASHUK: No. In the
2 context of this table, rate -- affordability is -- is
3 the magnitude of the bill impacts, but does not
4 consider energy poverty.

5 MR. CHRIS KLASSEN: Sure. Thank you.
6 And on that note, Ms. Schubert, if we could turn to
7 Manitoba Hydro Exhibit 47, Attachment 1, which was
8 Attachment 1 to the response to Undertaking 16.

9 And we'll see on the screen in front of
10 us this is Manitoba Hydro's quarterly customer
11 perceptions and satisfaction tracking survey, correct?

12 MS. SHANNON GREGORASHUK: Correct.

13 MR. CHRIS KLASSEN: And that this
14 document is from the third quarter of the '22/'23
15 fiscal year dated January of 2023.

16 MS. SHANNON GREGORASHUK: Correct.

17 MR. CHRIS KLASSEN: And the panel will
18 be aware that this was provided as a response to an
19 undertaking, so it was not filed as part of the
20 initial application. In fact, an earlier version of
21 this report was filed and, in response to an
22 undertaking, Manitoba Hydro has -- has provided a more
23 recent edition of its survey results.

24 Subject to check, you'll accept that
25 explanation?

1 MS. SHANNON GREGORASHUK: I see it's
2 marked as MH Undertaking 16, so yes.

3 MR. CHRIS KLASSEN: Great. Thank you.
4 Ms. Schubert, if you could scroll to page 8, please.

5 And I'll draw the panel's attention to
6 the first sub-bullet under bullet 2, if that
7 explanation makes sense. We see an indented paragraph
8 there beginning with the word "the proportion". We
9 see that:

10 "The proportion of respondents
11 reporting their household is
12 experiencing an energy burgeon --
13 burden rose to 41 percent versus 30
14 percent range in 2021 or earlier."

15 Do you see that on the screen?

16 MS. SHANNON GREGORASHUK: Yes.

17 MR. CHRIS KLASSEN: And for Manitoba
18 Hydro, you accept that information as accurate?

19 MS. SHANNON GREGORASHUK: Manitoba
20 Hydro provided it, so, yes, I would say.

21 MR. CHRIS KLASSEN: Thank you. The
22 panel will recall discussing with My Friend Mr.
23 Buchart yesterday the Neighbours Helping Neighbours
24 Program, correct?

25 MS. SHANNON GREGORASHUK: Correct.

1 MR. CHRIS KLASSEN: And it's your
2 understanding that this is a joint initiative with the
3 Salvation Army that provides -- I was going to say one
4 (1) time; I believe he used the words 'once in a
5 lifetime' -- emergency grants to customers struggling
6 to pay their hydro bills, correct?

7 MS. SHANNON GREGORASHUK: I believe
8 that sounds right, yes.

9 MR. CHRIS KLASSEN: Okay. Thank you.
10 And, Ms. Schubert, the 2020/'21 Annual Report of the
11 Neighbours Helping Neighbours Program was provided to
12 Manitoba Hydro legal counsel in advance. And as an
13 aid to cross-examination, I'll request it is as
14 Exhibit Consumers Coalition 25.

15

16 --- EXHIBIT NO. CC-25: 2020/'21 Annual Report of
17 the Neighbours Helping
18 Neighbours Program

19

20 CONTINUED BY MR. CHRIS KLASSEN:

21 MR. CHRIS KLASSEN: And hearing no
22 objection, Ms. Schubert, I'll ask you to scroll to
23 page 4. And we're going to look at the bar graph on
24 the top right of the screen, and I'll ask the panel to
25 confirm that in the 2020/'21 years, which is the bar

1 on the far right, the total assistance granted in that
2 year was sixty-three thousand nine hundred twenty-one
3 dollars (\$63,921)?

4 MS. SHANNON GREGORASHUK: Yeah.
5 Correct, yeah.

6 MR. CHRIS KLASSEN: And without asking
7 you to do specific math on the spot, would you
8 confirm, subject to check, that that figure for
9 2020/'21 was less than half of the value of grants
10 issued in any of the four (4) years prior, correct?

11

12 (BRIEF PAUSE)

13

14 MS. SHANNON GREGORASHUK: I think in
15 terms of your question about the math, I think I could
16 agree with that. I just was noticing the time frame.
17 It was during, you know, critical sort of pandemic
18 sort of considerations. There were fewer disconnects,
19 I think, at the time, and other considerations that
20 might have driven that lower number, yes.

21 MR. CHRIS KLASSEN: Thanks for the
22 explanation. Is it fair, based on Manitoba Hydro's
23 inclusion of affordability among its rate objectives,
24 that the Corporation has considered alternative rate
25 designs or rate structures that enable consumers to

1 take steps to reduce their energy burden?

2 MS. MARNIE VAN HUSSEN: I think that's
3 fair. We've certainly looked at what tools we have in
4 our toolbox based on the technology that we have.

5 So certainly, for certain customer
6 classes where we have an -- an energy-only meter,
7 there's sort of say some -- some limited tools that we
8 -- we can pull upon, but we do look at that.

9 MR. CHRIS KLASSEN: Sure. And, for
10 example, for customer classes that have an energy-only
11 meter, one (1) of those tools, I'll suggest -- and
12 I'll ask if Manitoba Hydro has considered it -- would
13 be consideration of an increased fixed charge on
14 residential bills in an effort to reduce the overall
15 billing for higher-volume customers.

16 And again -- and I apologize for my
17 imprecision -- my first question is whether that's one
18 (1) of the tools that Manitoba might -- Manitoba
19 Hydro might consider, and second, whether it's done
20 so.

21 MS. MARNIE VAN HUSSEN: Absolutely it
22 is one (1) of our tools. If we think of our pie, we
23 can shift some -- some meringue and some lemon around.
24 The -- it gets tricky in terms of -- of rebalancing
25 when we have one (1) class of residential customers.

1 There's little correlation that we've
2 found between energy use and energy poverty, so not
3 all low-income users are -- are low usage. And so we
4 have customers that are struggling to pay on both ends
5 of the spectrum.

6 So what we do that will help one (1)
7 set of customers through a lower fixed charge or a
8 higher fixed charge will have the opposite effect on
9 low-income users at the opposite end of the spectrum.

10 So it's a balance, certainly, and it's
11 one that we haven't quite solved yet. So we have
12 applied the -- the increase uniformly across the basic
13 monthly charge and the -- and the energy charge -- or
14 we're proposing to.

15 MR. CHRIS KLASSEN: Understood. Thank
16 you. And on that note, you'll confirm then that
17 Manitoba Hydro has not proposed any changes to the
18 residential rate structure in this -- in this
19 application?

20 MS. MARNIE VAN HUSSEN: That's
21 correct.

22 MR. CHRIS KLASSEN: Thank you for
23 that. Ms. Van Hussen, I realize that most of my
24 questions have been answered by you today, and I --
25 and I thank you for working with me in this

1 discussion. I have a couple of very short questions
2 remaining for you, and they're just a follow-up on a
3 brief conversation you had with Mr. Hombach yesterday.

4 You'll recall that he posed questions
5 to you about the impact on prospective Cost of Service
6 study 24 of the government's reductions to water --
7 water rental and debt guarantee fees?

8 MS. MARNIE VAN HUSSEN: Yeah. I
9 recall we were --

10 MR. CHRIS KLASSEN: Yes.

11 MS. MARNIE VAN HUSSEN: -- talking
12 something about that, yes.

13 MR. CHRIS KLASSEN: And you confirmed
14 to him that PCOSS24 functionalized the water rental
15 fees as 100 percent generation?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. CHRIS KLASSEN: And I don't
18 believe you confirmed to him, but I'll ask you to
19 confirm today, that the provincial guarantee fee being
20 functionalized, according to rate base, was
21 functionalized as 83.4 percent generation and
22 transmission, subject to check? Or, if you need, we
23 can go to a --

24 MS. MARNIE VAN HUSSEN: I think we're
25 -- yes, that's correct.

1 MR. CHRIS KLASSEN: Thank you. And
2 that means that the government's reduction of these
3 fees primarily served to reduce costs functionalized
4 as generation and transmission?

5 MS. MARNIE VAN HUSSEN: Correct. In
6 the cost of service, to the extent that the debt
7 guarantee fee goes down, net income goes up, so
8 there's sort of a net effect of zero. So one goes up,
9 one goes down, and they're functionalizing classified
10 the same, so there's no net effect in the cost of
11 service.

12 MR. CHRIS KLASSEN: Understood. And
13 so just to be clear, with water rental functionalized
14 as 100 percent generation and provincial -- and the
15 provincial guarantee functionalized as a 3.4 percent
16 generation and transmission?

17 MS. MARNIE VAN HUSSEN: Correct.

18 MR. CHRIS KLASSEN: Thank you very
19 much. Mr. Chair, those are my questions. I thank the
20 witnesses for their time and attention to Consumers
21 Coalition.

22 THE CHAIRPERSON: Thank you, Mr.
23 Klassen. Now, Mr. Walichnowski, I don't know if you
24 want to move to the front row.

25 MR. ROBERT WALICHNOWSKI: Yes, I will,

1 Mr. Chair.

2 THE CHAIRPERSON: You're going to
3 switch? Okay. Good.

4

5 (BRIEF PAUSE)

6

7 MR. ROBERT WALICHNOWSKI: Morning, Mr.
8 Chair. Good morning, members of the Panel. Good
9 morning, members on this panel. My name is Robert
10 Walichnowski. I am counsel to the GSS-GSM
11 representatives.

12 Before I ask you my -- my questions
13 this morning, there's just a couple of quick
14 housekeeping matters that I -- I think it's prudent to
15 put on the record.

16 This morning, by email, we provided
17 answers to Undertakings numbers 47, 48, and 49 that
18 arose from Mr. Madsen's direct evidence -- or Mr.
19 Madsen's evidence last Friday.

20 I'm going to ask that those be marked
21 as GSS/GSM Exhibits 9 through 11, respectively.

22

23 --- EXHIBIT NO. GSS/GSM-9: Response to Undertaking 47

24

25 --- EXHIBIT NO. GSS/GSM-10: Response to Undertaking

1 48

2

3 --- EXHIBIT NO. GSS/GSM-11: Response to Undertaking

4 49

5

6 MR. ROBERT WALICHNOWSKI: Second is I
7 have -- we had previously asked for forty-five (45)
8 minutes for this cross-examination. I advised Mr.
9 Hombach that likely we -- we're not going to need that
10 time. We're going to be considerably shorter than
11 that, I expect perhaps twenty (20) minutes.

12 THE CHAIRPERSON: That's fine.

13 MR. ROBERT WALICHNOWSKI: So thank
14 you.

15

16 CROSS-EXAMINATION BY MR. ROBERT WALICHNOWSKI:

17 MR. ROBERT WALICHNOWSKI: Turning to
18 my questions for the panel, you covered this yesterday
19 in your presentation, but I just want to confirm at a
20 high level today kind of just at the outset that when
21 you're determining rates, or when Manitoba Hydro is
22 determining the rates that it seeks to charge to
23 individual customer classes, Hydro undertakes a three
24 (3) step process consisting of: determining first the
25 revenue requirement, then undertaking a Cost of

1 Service Study, and then designing the rate. It's that
2 three (3) step process.

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MR. ROBERT WALICHNOWSKI: And -- and
6 you'll agree with me that as part of that process, the
7 second step, the Cost of Service study, involves
8 allocating costs between classes? I think we've
9 talked about that a lot already.

10 MS. MARNIE VAN HUSSEN: Correct.

11 MR. ROBERT WALICHNOWSKI: And as those
12 costs are allocated, the total of those costs has to
13 equal the revenue requirement?

14 MS. MARNIE VAN HUSSEN: That's
15 correct. We keep the revenue requirement whole.

16 MR. ROBERT WALICHNOWSKI: And -- and
17 that's because the amount of money that Manitoba Hydro
18 needs to collect from the classes is established by
19 the rate requirement. There's that connection there?

20 MS. MARNIE VAN HUSSEN: Correct. It's
21 established in phase 1. And we talked about being the
22 pie. And the pie stays the same throughout the
23 process.

24 MR. ROBERT WALICHNOWSKI: And -- and
25 that actually leads directly into the next couple

1 questions I have.

2 You're familiar with the report
3 authored by Ms. Derksen and filed by the -- on behalf
4 of the Consumers' Coalition. Am I correct?

5 MS. MARNIE VAN HUSSEN: Ms. Derksen's
6 evidence?

7 MR. ROBERT WALICHNOWSKI: Yes.

8 MS. MARNIE VAN HUSSEN: Yes. Correct.

9 MR. ROBERT WALICHNOWSKI: And we can -
10 - we can go there if -- if need by. Actually, Ms. --
11 Ms. Schubert, thank you for that. If you could put it
12 onto page 13 just so you can see.

13 In this paragraph that's right in the
14 middle of the screen that begins with:

15 "It should also be noted that cost
16 allocation is a zero sum gain."

17 Do you see that?

18 MS. MARNIE VAN HUSSEN: Yes, I do.

19 MR. ROBERT WALICHNOWSKI: Can I ask,
20 would -- would you agree with that characterization?

21 MS. MARNIE VAN HUSSEN: I think it's
22 fair. It's that concept of the pie, that if we slice
23 one (1) customer's piece a little bit larger, then
24 someone else gets -- well, more accurately, I guess,
25 if we slice someone's a little bit smaller, then

1 someone else's has to get bigger, so, yes, I would
2 agree with that.

3 MR. ROBERT WALICHNOWSKI: After it's
4 been baked, the pie can't grow anymore?

5 MS. MARNIE VAN HUSSEN: Correct.

6 MR. ROBERT WALICHNOWSKI: Yeah. And
7 so, just the -- the effect of that, as I understand
8 it, and -- and please correct me if I'm wrong, in this
9 zero sum game, that means that, as some class's
10 proportionate share of cost rises, therefore, other
11 class's proportionate share would have to fall?

12 MS. MARNIE VAN HUSSEN: I have a
13 sticky button, but, yes, that's correct.

14 MR. ROBERT WALICHNOWSKI: And -- and
15 the converse would be true?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. ROBERT WALICHNOWSKI: So, if one
18 class goes up, at least some of them have to go down,
19 and vice versa?

20 MS. MARNIE VAN HUSSEN: That's
21 correct.

22 MR. ROBERT WALICHNOWSKI: Ms.
23 Schubert, can I ask you to pull up Board Order 59/'18,
24 please, and at page 197. Thank you. If you could
25 scroll down a little bit. And if we could just hold

1 it right there.

2 I'm -- I'm going to ask you a few
3 questions about -- about not only this table, but also
4 the text that follows it.

5 But I -- I'd like to just start by --
6 by asking you to just confirm that -- that I'm -- I'm
7 correct in this, that it was -- it was this Order and,
8 in fact, it was this paragraph that set out the
9 direction from this Board that the zone of
10 reasonableness was to be between 95 and 105 percent
11 for the revenue to cost coverage ratio.

12 Am I -- am I correct on that?

13 MS. MARNIE VAN HUSSEN: You're
14 correct. The zone of reasonableness though, however,
15 had been 95/105 for a long time. This Order confirmed
16 that we were to continue to use 95/105.

17 MR. ROBERT WALICHNOWSKI: Thank you
18 for that clarification. And I believe yesterday you
19 had a -- you had a conversation with Mr. Hombach about
20 that and about moving to a 91/10 split.

21 And in light of that, I just -- I just
22 wanted to -- to confirm that, in this proceeding,
23 Manitoba Hydro is not asking the Board to revisit the
24 zone of reasonableness or change the zone of
25 reasonableness from 95 to 105?

1 MS. MARNIE VAN HUSSEN: Is your
2 question that we're not asking the Board to change?
3 Yeah, no, we are not proposing that the -- the zone be
4 expanded.

5 MR. ROBERT WALICHNOWSKI: Thank you.
6 And -- and while we're on this page, I'd like you to
7 look at the -- the table in the middle of the screen.
8 I believe my friend, Mr. Klassen, may have brought
9 this table to your attention; he -- he may not have.

10 I'm going to suggest to you that this -
11 - this table is a -- is -- shows the revenue to cost
12 coverage ratios arising from the prospective Cost of
13 Service study '18.

14 Would you -- would you agree with me
15 about that?

16 MS. MARNIE VAN HUSSEN: Yes.

17 MR. ROBERT WALICHNOWSKI: And -- and
18 this -- as -- as I understand it, this -- this
19 reflects the changes in -- in methodology with respect
20 to export revenues that the Board ordered in -- in
21 59/'18. Am I -- am I right about that?

22 MS. MARNIE VAN HUSSEN: I believe
23 that's correct. I -- subject to check, I think this
24 table would show the new RCC calculation. It's hard
25 to tell on this page specifically, but I -- subject to

1 check, yes.

2 MR. ROBERT WALICHNOWSKI: And
3 actually, Mr. Schubert, if you could just scroll up,
4 the paragraph prior to this -- actually, the two (2)
5 paragraphs prior to this, so on the -- the previous
6 page.

7 The Board, I'm going to suggest, in --
8 in these two (2) paragraphs, sets out its alternative
9 methodology for treating export revenues. And then,
10 if we scroll down, Ms. Schubert, as we get to the
11 table, it says:

12 "As such, the revenue to cost ratios
13 arising from PCOSS18 are..."

14 And so, I'm going to suggest that, in
15 its context, this -- it suggests anyway that this
16 table represents that new --

17 MS. MARNIE VAN HUSSEN: It's
18 confirmed.

19 MR. ROBERT WALICHNOWSKI: Thank you.
20 And -- and just to -- you have no reason to dispute
21 the accuracy of any of these figures?

22 MS. MARNIE VAN HUSSEN: No.

23 MR. ROBERT WALICHNOWSKI: And just
24 looking at the figures very quickly, recognizing, of
25 course, we -- the zone of reasonableness is from 95 to

1 105 percent of revenue to cost coverage ratio, in
2 PCOSS18, the residential customer class was at 93.5
3 percent?

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. ROBERT WALICHNOWSKI: And that's
6 below the zone of reasonableness?

7 MS. MARNIE VAN HUSSEN: Correct.

8 MR. ROBERT WALICHNOWSKI: And the next
9 customer class, the General Service Small non-demand,
10 they're at -- or 115.7 percent?

11 MS. MARNIE VAN HUSSEN: That's
12 correct.

13 MR. ROBERT WALICHNOWSKI: And that
14 would be above the zone of reasonableness?

15 MS. MARNIE VAN HUSSEN: Correct.

16 MR. ROBERT WALICHNOWSKI: And the --
17 just very quickly, the -- the two (2) other general --
18 or the General Service Small and the general --
19 General Service Small demand and the General Service
20 Small Medium are -- would both be within the zone of
21 reasonableness?

22 MS. MARNIE VAN HUSSEN: That's
23 correct.

24 MR. ROBERT WALICHNOWSKI: And if I'm -
25 - if I'm looking at it correctly, General Service

1 Large 30 to a hundred and General Service Large
2 greater than a hundred would both be above?

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MR. ROBERT WALICHNOWSKI: Thank you.
6 Ms. Schubert, can I ask you to go page 198. And if we
7 can go kind of near the bottom of the page. So, I'm
8 going to ask you about the second to last paragraph on
9 the page. If you'd just have a moment to -- you need
10 a moment to just...

11 MS. MARNIE VAN HUSSEN: I think I'm
12 good.

13 MR. ROBERT WALICHNOWSKI: Thank you.
14 I just want to confirm that your understanding is the
15 same as mine, which is that this Board in Order 59/18
16 directed Manitoba Hydro to adjust the class revenue
17 targets to move among other classes, General Service
18 Small non-demand into the zone of reasonableness?

19 MS. MARNIE VAN HUSSEN: Over a period,
20 yes. But they -- they did direct that the movement be
21 commenced.

22 MR. ROBERT WALICHNOWSKI: Thank you.
23 And -- and speaking of that period, and I believe you
24 talked with My Friend Mr. Hombach about that
25 yesterday, and if we look at the next paragraph, the

1 Board in that Order asked Manitoba Hydro to assume a
2 ten (10) time frame to move all classes into the zone
3 of reasonableness.

4 Am I correct on that?

5 MS. MARNIE VAN HUSSEN: Correct. For
6 that test year --

7 MR. ROBERT WALICHNOWSKI: And -- and--

8 MS. MARNIE VAN HUSSEN: -- yes.

9 MR. ROBERT WALICHNOWSKI: Thank you.
10 You anticipated my next question. And so, that was
11 ten (10) years from the test year 2018/2019?

12 MS. MARNIE VAN HUSSEN: Yeah. And I -
13 - I don't want to -- to speak for the Board. I think
14 the language here says for -- for the test year that
15 this Order applied to, use a ten (10) year.

16 We have continued to use a ten (10)
17 year assuming that that was the starting period.

18 MR. ROBERT WALICHNOWSKI: And would I
19 be correct in thinking that the ten (10) years from
20 this Order would have been approximately the 28 --
21 2028/2029 test years should -- when -- when this Board
22 -- or if and when this Board hears an application with
23 respect to those test years?

24 MS. MARNIE VAN HUSSEN: I think that
25 sounds right, correct -- or --

1 MR. ROBERT WALICHNOWSKI: So --

2 MS. MARNIE VAN HUSSEN: -- '27/'28.

3 MR. ROBERT WALICHNOWSKI: Twenties.

4 MS. MARNIE VAN HUSSEN: In that range.

5 MR. ROBERT WALICHNOWSKI: I'll -- I'll

6 jump to the end. We're more than halfway there, I

7 would suggest to you?

8 MS. MARNIE VAN HUSSEN: Yeah. For the

9 purposes of the test years we're looking at, we are at

10 five (5) years based on --

11 MR. ROBERT WALICHNOWSKI: So -- thank

12 you. My friend -- actually, Ms. Schubert, can we pull

13 up Board Order 164/'16, please, and page 27.

14 My Friend Mr. Klassen very briefly

15 spoke to you about -- and -- and we're going to be

16 looking at this first paragraph here under, "Board

17 findings."

18 My Friend Mr. Klassen suggested to you

19 that this Board in Order 164/'16 indicated that in --

20 that the principle of cost/causation was to be

21 paramount for the Cost of Service study methodology.

22 I -- I believe he asked you about that.

23 Do you recall that?

24 MS. MARNIE VAN HUSSEN: Yes.

25 MR. ROBERT WALICHNOWSKI: I don't

1 think he actually brought you here, but I think he --
2 I remember him using the word 'paramount'.

3 Do you recall that?

4 MS. MARNIE VAN HUSSEN: Yes, I think
5 that's fair.

6 MR. ROBERT WALICHNOWSKI: I understand
7 the word 'paramount' to mean dominant or the most
8 important. Is -- would you agree with that definition
9 in the -- in this context?

10 MS. MARNIE VAN HUSSEN: In this
11 context, yes.

12 MR. ROBERT WALICHNOWSKI: And so, if
13 this definition is -- if that definition of
14 'paramount' is applied, cost/causation ought to be the
15 dominant or the most important consideration when
16 undertaking a Cost of Service study.

17 MS. MARNIE VAN HUSSEN: I would agree
18 with that. I think that was the Board's direction,
19 for sure.

20 MR. ROBERT WALICHNOWSKI: Ms.
21 Schubert, if we can go back to Order 59/18. And if we
22 could go to page 196.

23 And in this -- in this Order, among the
24 things that the Board directed was that -- one of the
25 things Board directed was that the revenue -- or the

1 RCC ratios were to be calculated by treating exports
2 revenues as a reduction of allocated classes costs.

3 Am I correct on that?

4 MS. MARNIE VAN HUSSEN: That's
5 correct.

6 MR. ROBERT WALICHNOWSKI: And if we
7 can go to -- Ms. Schubert, if we can go to page 198,
8 at the bottom, kind of spilling on to 199.

9 In this last paragraph here, as it's
10 moving -- and if we scroll down to the next page, I'm
11 going to direct your attention to the last sentence of
12 this line -- of this paragraph, which says:

13 "As a result, the residential
14 customer class -- which is currently
15 the only class below the zone of
16 reasonableness -- will begin to move
17 into the zone of reasonableness."

18 Do you see that?

19 MS. MARNIE VAN HUSSEN: I do.

20 MR. ROBERT WALICHNOWSKI: I'm going to
21 suggest to you that this suggests that it was
22 recognized, when this Order was issued, that applying
23 this methodology could result -- this alternative
24 methodology for calculate -- or the treatment of
25 export revenues within cost/causation -- within the

1 COS study -- I'm going to suggest to you that it was
2 anticipated and recognized that applying that
3 methodology would result in the residential customer
4 class moving into the zone of reasonableness from --
5 from below.

6 MS. MARNIE VAN HUSSEN: Sorry, can you
7 repeat that one more time?

8 MR. ROBERT WALICHNOWSKI: I -- I think
9 I probably should because I think even I lost it.

10 I'm going to suggest that when the
11 Board ordered the -- the revised -- or the alternative
12 methodology for treating export revenues as a
13 reduction of cost, that it was recognized that in
14 doing so would result in the residential customer
15 classes -- their RCCs increasing.

16 MS. MARNIE VAN HUSSEN: I believe the
17 alternative method would have resulted in their RCCs
18 decreasing from the -- the alternative methodology.
19 That's certainly what happens this time.

20 So I believe this sentence is talking
21 about getting above average rate increases and that's
22 what will cause the residential RCC to increase,
23 rather than the methodology of the RCC calculation
24 itself.

25 MR. ROBERT WALICHNOWSKI: And the

1 larger than -- and those larger rate increases would
2 potentially flow from rebalancing of the RCCs in that
3 way?

4 MS. MARNIE VAN HUSSEN: Yes, that's
5 correct.

6 MR. ROBERT WALICHNOWSKI: Thank you.
7 And just to confirm, at the -- at the time of this
8 Order -- and we've already talked about that -- the
9 residential customers were the only class below the
10 zone of reasonableness.

11 MS. MARNIE VAN HUSSEN: That's
12 correct.

13 MR. ROBERT WALICHNOWSKI: Thank you.
14 Ms. Schubert, if we can go to tab 8 of the
15 Application. Page 9, figure 8.3.

16 You've talked about this -- this before
17 with a couple of my friends. And I'm just going to --
18 just very quickly go through a couple of the numbers
19 with you.

20 With respect to PCOSS21, you'll agree
21 with me that the consumers -- or the residential
22 customer class had an RCC of ninety-six-point-two
23 (96.2)?

24 MS. MARNIE VAN HUSSEN: That's
25 correct.

1 MR. ROBERT WALICHNOWSKI: And that was
2 in the zone of reasonableness.

3 MS. MARNIE VAN HUSSEN: Correct.

4 MR. ROBERT WALICHNOWSKI: And you'll
5 agree with me that GSS non-demand, at a hundred-and-
6 thirteen-point-eight (113.8), was above the zone of
7 reasonableness.

8 MS. MARNIE VAN HUSSEN: Correct.

9 MR. ROBERT WALICHNOWSKI: And, in
10 fact, other than area and roadway lighting, and GSS
11 non-demand, all of the other classes were within the
12 zone of reasonableness.

13 MS. MARNIE VAN HUSSEN: That's
14 correct.

15 MR. ROBERT WALICHNOWSKI: And if we
16 look at PCOSS24, you'll agree that nine -- that the
17 residential customers, if -- if -- with this
18 methodology, the residential customers are at a 94.4
19 percent RCC. Am I right on that?

20 MS. MARNIE VAN HUSSEN: Correct.

21 MR. ROBERT WALICHNOWSKI: And that
22 would be below?

23 MS. MARNIE VAN HUSSEN: Correct.

24 MR. ROBERT WALICHNOWSKI: The zone of
25 reasonableness, of course.

1 And with respect to GSS non-demand,
2 they are at one-hundred-and-nine-point-seven (109.7),
3 which is still above the zone of reasonableness.

4 Am I right on that?

5 MS. MARNIE VAN HUSSEN: That's
6 correct.

7 MR. ROBERT WALICHNOWSKI: So with
8 respect to GSS non-demand, the change between PCOSS21
9 and 24, I'm going to suggest to you, is directionally
10 appropriate, in that it's moving the class closer to
11 the zone of reasonableness -- not only to the zone of
12 reasonableness, but also closer to unity.

13 Would you agree with me on that?

14 MS. MARNIE VAN HUSSEN: Sorry, can you
15 repeat that one more time? I just want to make sure
16 I've got the exact context.

17 MR. ROBERT WALICHNOWSKI: Absolutely.
18 So with respect to GSS non-demand, we look at the
19 changes between PCOSS21 and PCOSS24, wherein --
20 wherein -- or sorry, I'll just -- I'll start again.

21 With respect to General Service Small
22 non-demand, when we compare PCOSS21 and PCOSS24, the
23 move or the change for the GSS non-demand is moving
24 closer to the -- to the zone of reasonableness.

25 MS. MARNIE VAN HUSSEN: Sure.

1 Correct. And I just wanted to have you restate the
2 question just to make sure that I -- I could clarify
3 anything.

4 So certainly, directionally, we are
5 moving in the right direction. I think that's a
6 factor of both the differentiated rate increases we've
7 applied over the past couple of years, as well as
8 there's cost changes in there as well. So it's not a
9 direct apples-to-apples comparison when you're looking
10 between studies.

11 But certainly, directionally, I would
12 agree with your comment. We are moving in the right
13 direction.

14 MR. ROBERT WALICHNOWSKI: And when you
15 say "right direction," am I -- am I right to
16 understand that you're -- when you say "right
17 direction," you're meaning moving towards unity.

18 Am I right on that?

19 MS. MARNIE VAN HUSSEN: Certainly
20 moving towards the zone of reasonableness and towards
21 unity.

22 MR. ROBERT WALICHNOWSKI: So moving
23 the other way, moving away from unity or away from the
24 zone of reasonableness, would you agree that's not the
25 right direction to use the phrase that you just used?

1 MS. MARNIE VAN HUSSEN: Barring any
2 direction from, you know, the Public Utilities Board
3 that that was their desire to move customer classes
4 further from unity, then, yes, I would agree in that
5 context.

6 MR. ROBERT WALICHNOWSKI: And would
7 you confirm that the residential customers are, in
8 fact, moving in the direction that they are moving
9 between PCOSS21 and PCOSS24 is not towards unity and
10 not towards the zone of reasonableness.

11 MS. MARNIE VAN HUSSEN: Certainly,
12 directionally, they have moved further from unity.
13 And as I said, there's, you know, different studies,
14 so there's different changes in costs for sure that
15 caused that to happen. But yes, they've moved further
16 from unity.

17 MR. ROBERT WALICHNOWSKI: Thank you.
18 I'm going to -- I'm going to -- I have -- I have two
19 (2) kind of quick topics left. And the first has to
20 do with the proposal to break the rate harmonization
21 between the General Service Small and General Service
22 Medium customers.

23 And, first of all, can I just ask you
24 to confirm that that is what Manitoba Hydro is seeking
25 to do?

1 MS. MARNIE VAN HUSSEN: Confirmed.

2 MR. ROBERT WALICHNOWSKI: And the
3 rationale for that change, as I understand it, is
4 because of the very different load characteristics
5 between GSS non-demand, GSS demand, and General
6 Service Medium.

7 Am I -- am I understanding that
8 correctly?

9 MS. MARNIE VAN HUSSEN: That's
10 correct. They're very different classes with, you
11 know, different loads, different load shapes,
12 different amounts of customers.

13 So when you're playing -- or not
14 playing -- when you're adjusting the levers, it
15 becomes very difficult to get the RCCs all moving in
16 the same direction -- or in the right direction, I'll
17 say.

18 MR. ROBERT WALICHNOWSKI: Thank you.
19 And -- and so, you kind of anticipate my next
20 question.

21 But, can you just confirm that breaking
22 this rate harmonization will allow Manitoba Hydro to
23 move GSS non-demand into the zone of reasonableness
24 more quickly without a corresponding negative impact -
25 - or a corresponding negative impact on the GSS demand

1 or the GSM, their own RCCs?

2 MS. MARNIE VAN HUSSEN: Certainly, it
3 will allow us to do it more easily without having to
4 make adjustment to the proposals to the other classes,
5 being GSSD and GSM.

6 I don't know that the -- the timing is
7 as correlated. I think we can, you know, adjust the
8 timing. But it certainly makes it easier to adjust
9 all three (3) classes definitely.

10 MR. ROBERT WALICHNOWSKI: And so, if
11 some classes are outside and some classes are inside
12 the zone of reasonableness, that separation allows --
13 would allow Manitoba Hydro to address those outside,
14 without necessarily having to address those inside the
15 zone.

16 MS. MARNIE VAN HUSSEN: Theoretically,
17 yes.

18 MR. ROBERT WALICHNOWSKI: Yes, okay,
19 okay. I'll just move on.

20 Returning to Ms. Derksen's report and -
21 - and we can go there if -- if you'd like, but do you
22 recall when -- that Ms. Derksen's opines that without
23 rate differentiation that the RCC's will naturally
24 come into a fairly tight range reasonably aligned with
25 the ninety-five (95) to a hundred and five (105) zone

1 of reasonableness. Do you -- do you recall that?

2 MS. MARNIE VAN HUSSEN: I recall her
3 statement, yeah -- or I recall that statement, yes.

4 MR. ROBERT WALICHNOWSKI: Would a
5 passive approach, which is what I'm going to suggest
6 Ms. Derksen is advocating, without rate
7 differentiation, in -- in -- in your view, would that
8 result in all classes moving into the zone of
9 reasonableness by 2028?

10 MS. MARNIE VAN HUSSEN: I think that
11 statement doesn't take into account all the other
12 changes that will happen within those five (5) years.
13 It's isolating one change being net export revenue and
14 suggesting that all else equal, nothing else changes.

15 And we can see that that doesn't
16 happen. We see that between PCOSS18, PCOSS21 and
17 PCOSS24, so I don't think it's fair to make an
18 assumption that, you know, doing nothing and just rely
19 on export revenue to reduce will have everybody in the
20 zone of reasonableness.

21 MR. ROBERT WALICHNOWSKI: Thank you.
22 Mr. Chair, those are my questions. Thank you.

23 THE CHAIRPERSON: Thank you. I don't
24 know -- AMC, Carly are -- so, Ms. Fox you're going to
25 do -- did you want to start now? Okay. If you -- if

1 you could do about a half an hour and then we'll break
2 for lunch? Appreciate it. Thank you.

3 Now, did you want to relocate? Yeah.

4 MS. CARLY FOX: All right, thank you
5 Mr. Chair.

6

7 CROSS-EXAMINATION BY MS. CARLY FOX:

8 MS. CARLY FOX: Good morning, Panel,
9 or is it morning? Yes. My name is Carly Fox. I'm
10 counsel for the Assembly of Manitoba Chiefs and I'm
11 here with Emily Guglielmin, who is also co-counsel.

12 I have a few questions for you today.
13 Maybe we can start, Ms. Schubert, if you could turn to
14 Exhibit AMC-3-12. And let's start at the table on the
15 bottom of the page there.

16 So, looking at this table, we can see
17 that First Nations Residential Customers on Reserve
18 are facing a proposed sixteen point five (16.5)
19 cumulated rate increase since September 1st, 2020.
20 That's the rate side, the right column, second to the
21 bottom. Is that correct?

22 THE CHAIRPERSON: Sorry, I just want
23 to make sure the record -- you said, September 1st,
24 2020 and it says September 1st, 2023.

25 MS. CARLY FOX: Since then, the

1 cumulative rate increase.

2 THE CHAIRPERSON: Okay, sorry. Okay.

3

4 CONTINUED BY MS. CARLY FOX:

5 MS. MARNIE VAN HUSSEN: Yes. Okay.

6 MS. CARLY FOX: Thank you.

7 MS. MARNIE VAN HUSSEN: Thank you.

8 MS. CARLY FOX: So, if the chart --
9 April -- April 1st, 2024 rate increase proposed by
10 Manitoba Hydro is confirmed, that will result in a
11 19.3 percent rate increase for First Nations customers
12 on reserve? Is that correct?

13 MS. SHANNON GREGORASHUK: Between
14 September 1 of 2020 to, if -- if approved, yes.

15 MS. CARLY FOX: Thank you. In
16 comparison, the cumulative rate increase for the
17 Residential Customer Class, not on reserve, will be
18 11.5 percent, if the rate increase proposed by
19 Manitoba Hydro are confirmed for the test years.

20 Is that correct?

21 MS. MARNIE VAN HUSSEN: I don't have
22 that number in front of me, subject to check. If you
23 were to go back to August 1st of 2017, you would see
24 that same cumulative increase for all residential
25 customers compared to the First Nations on reserve.

1 MS. CARLY FOX: Thank you. Ms.
2 Schubert, can you turn to AMC-2-44 on page 2, the
3 table here. So this is the first table in the
4 Information Request and it sets out the response
5 regarding the fact -- oh sorry.

6 If you look at Barren's Land (sic)
7 right on the top here, you can see that there is a
8 zero (0) electric space heat and that zero is a
9 reflection that Barren's Land First Nation (sic) is a
10 diesel electric service First Nation.

11 Is that correct?

12 MS. MARNIE VAN HUSSEN: That's
13 correct.

14 MS. CARLY FOX: If we go to page 4,
15 there's a table with the most recent data and we can
16 see that the average monthly bill, the far right
17 column, for First Nations on reserve for customers
18 with electric heat only, on the low end, is about \$159
19 and that's Buffalo Point First Nation. And -- we --
20 is that correct, subject to check?

21 MS. MARNIE VAN HUSSEN: Subject to
22 check.

23 MS. CARLY FOX: In this same table, if
24 we scroll down to Marcel Colomb, this indicates the
25 average monthly bill for electric service for this

1 First Nation is \$328 per month.

2 Is that correct?

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MS. CARLY FOX: And, subject to check,
6 that's the highest average monthly bill shown in this
7 table?

8 MS. MARNIE VAN HUSSEN: Sure, subject
9 to check, I trust that you found the -- yeah.

10 MS. CARLY FOX: Thank you. Would it
11 be accurate to say then that most of the First Nations
12 residential customers living on reserve, with electric
13 heat, have an average monthly bill that is higher of
14 \$200 per month?

15 MS. MARNIE VAN HUSSEN: Sorry, higher
16 than the -- \$200 higher than -- I'm not sure I
17 followed your question. Sorry.

18 MS. CARLY FOX: So, \$200 per month,
19 what we're saying is that the average, if you look at
20 that for --

21 MS. MARNIE VAN HUSSEN: Sorry,
22 confirmed.

23 MS. CARLY FOX: Thank you. If we
24 could turn to page 7, the table there. This table
25 shows us the electricity consumption on First Nations

1 reserves for customers with electric heat.

2 Is that correct?

3 MS. MARNIE VAN HUSSEN: Correct.

4 MS. CARLY FOX: And this table
5 indicates that approximately 58 percent of First
6 Nations residential customer bills on reserve with
7 electric heat use two thousand and one (2001)
8 kilowatts or more of electricity?

9 And the way I came to this is if you
10 add the percentages in strata for 2001, to six
11 thousand and one (6,001) and over, that's how I got 58
12 percent.

13 So, subject to check, would you agree?

14 MS. MARNIE VAN HUSSEN: Sorry, subject
15 to check, I think that's correct.

16 MS. CARLY FOX: And, subject to check,
17 21 percent of the bills are in the two thousand and
18 one (2001) to three thousand (3000) kilowatt per hour
19 month range. Is that correct?

20 MS. MARNIE VAN HUSSEN: Correct.

21 MS. CARLY FOX: And 15 percent is the
22 three thousand and one (3,001) to four thousand
23 (4,000) kilowatt hours per month.

24 MS. MARNIE VAN HUSSEN: Correct.

25 MS. CARLY FOX: If we go to page 9 of

1 this Information Request now. This shows that the
2 percentage of customers with electricity consumption
3 of two thousand and one (2,001) kilowatt hours or more
4 increases to approximately 89 percent in the months of
5 December to March. Is that correct?

6 MS. MARNIE VAN HUSSEN: I think that
7 looks correct. Yes.

8 MS. CARLY FOX: Thank you. What we
9 can determine from this table is that customers with
10 over two thousand (2,000) kilowatt hours of
11 electricity consumption drive the demand for the First
12 Nations Customer Class. Is that correct?

13 MS. MARNIE VAN HUSSEN: Sorry, can you
14 repeat that one more time?

15 MS. CARLY FOX: What we can determine
16 from this table is that customers with over two
17 thousand (2,000) kilowatt hours of electricity
18 consumption, drive the demand for the, I guess, the
19 previous First Nations customer class.

20 Is that correct?

21 MS. MARNIE VAN HUSSEN: Yeah, I don't
22 know if I would characterize it that way, but I think
23 you can certainly say that most customers in -- in
24 those First Nations have over two thousand (2,000)
25 kilowatt hours a months, for sure.

1 MS. CARLY FOX: And would that be even
2 more so in the winter?

3 MS. MARNIE VAN HUSSEN: Yes, correct.

4 MS. CARLY FOX: Similar tables were
5 provided for in the Manitoba Hydro 2017/'18 and
6 2018/'19 General Rate Application.

7 And subject to check, can you confirm
8 that that data has not materially changed from that
9 hearing -- or those hearings?

10 MS. MARNIE VAN HUSSEN: We'd have to
11 do that subject to check, but...

12 MS. CARLY FOX: Okay. Thank you. Ms.
13 Schubert, can you turn to Manitoba Hydro's
14 application, at Appendix 8.6 at page 1?

15 This appendix sets out customer bill
16 impacts in relation to the proposed rate increase
17 effective September 1st, 2023. Is that correct?

18 MS. MARNIE VAN HUSSEN: That's
19 correct.

20 MS. CARLY FOX: This table indicates
21 that the higher kilowatt hours used by a customer, so
22 that would be a higher electricity consumption, then
23 the larger the impact on the customer bill.

24 Is that correct?

25 MS. MARNIE VAN HUSSEN: The percentage

1 impact is the same across all of them but, certainly,
2 the dollar impact is bigger, the bigger you get. Yes.

3 MS. CARLY FOX: So, just to clarify,
4 if a residential customer uses 5,000 kilowatt hours of
5 electricity, they will see an \$11.37 bill increase.

6 Is that correct?

7 MS. MARNIE VAN HUSSEN: That's
8 correct.

9 MS. CARLY FOX: And, in comparison, if
10 you look at the General Service Small, non-demand
11 customer, if they use 5,000 kilowatt hours' of
12 electricity, they will see a bill increase of
13 approximately \$4.25. Is that correct?

14 MS. MARNIE VAN HUSSEN: That's
15 correct. I think you have to look at that in terms of
16 the -- sorry -- yes, that is -- that is correct.

17 MS. CARLY FOX: Yeah. Thank you.
18 Based on the consumption information we just viewed
19 for First Nations' residential customers, living on
20 reserve, the majority of those customers tend to fall
21 above the 2,000 kilowatt hour and up to and beyond
22 5,000 kilowatt-hour range that is set out in these
23 bill impact charts?

24 MS. MARNIE VAN HUSSEN: Sorry. I'm
25 going to have to get you to ask me that one more time.

1 Sorry.

2 MS. CARLY FOX: First Nations' -- the
3 First Nations' residential customers, the majority of
4 them tend to use 2,000 to 5,000, plus kilowatt hours.

5 Is that correct?

6 MS. MARNIE VAN HUSSEN: Sorry. That's
7 correct. Yes.

8 MS. CARLY FOX: Thank you. Ms.
9 Schubert, can we turn to Appendix 8.9 of Manitoba
10 Hydro's Application. This appendix sets out the
11 customer bill impacts in relation to the proposed rate
12 increase, effective April 1, 2024. Is that correct?

13 MS. MARNIE VAN HUSSEN: That's
14 correct.

15 MS. CARLY FOX: And what this table
16 does is it shows that a residential customer, using
17 5,000 kilowatts of electricity, will see an
18 approximate \$11.62 increase in their monthly
19 electricity bill of the rate -- of the rate proposed
20 for April 1st, 2024, if approved. Is that correct?

21 MS. MARNIE VAN HUSSEN: That's
22 correct.

23 MS. CARLY FOX: In an approximately
24 seven-month period, then, is it correct that a
25 residential customer, using 5,000 kilowatt-hours of

1 electricity, will have an approximately \$23.92 bill
2 impact?

3 MS. MARNIE VAN HUSSEN: If -- if they
4 use 5,000 in that month, yes. That's correct.

5 MS. CARLY FOX: Thank you. Ms.
6 Schubert, can you turn to Exhibit AMC-2-43. And if we
7 go to page 2 -- yep -- perfect -- of this table here.

8 This is a response to an Information
9 Request that sets out the more specific bill impacts
10 for First Nations on-reserve customers, since
11 September 1st, 2020.

12 Do you agree that the main difference
13 between the First Nations on-reserve residential
14 customers and the general residential class is a
15 result of the removal of the previous First Nations
16 on-reserve residential class and the former class 6.5
17 percent increase on September 1st, 2020?

18 MS. MARNIE VAN HUSSEN: I'm not sure I
19 followed your question in terms of the difference, but
20 I would agree that the former First Nations on-reserve
21 customers did receive a 6.5 as a result of the -- the
22 class being eliminated.

23 MS. CARLY FOX: Thank you. Sorry.
24 That was confusing. The response indicates that the
25 result was that a First Nations on-reserve residential

1 customer, using 5,000 kilowatt-hours of electricity,
2 on September 1st, 2020, would have seen a monthly bill
3 increase of approximately \$27.23. Is that correct?

4 MS. MARNIE VAN HUSSEN: That's
5 correct. I think I just want to be cautious. The
6 billing determinant tables, I don't know that they
7 would suggest that in -- in the month of September,
8 that a customer would use over 5,000 kilowatt hours.
9 But, yes, that is --

10 MS. CARLY FOX: If they did?

11 MS. MARNIE VAN HUSSEN: -- if they
12 did, that is the bill calculation, yeah.

13 MS. CARLY FOX: Thank you. This is
14 just a hypothetical. I understand that it may not
15 always be five thousand (5,000), but just so that I'm
16 clear, from September 1st, 2020, to January 1st, 2022,
17 if a residential customer was consistently using 5,000
18 kilowatt hours on reserve a month, this would have
19 been approximately fifty-seven dollars and fifty-two
20 cents (\$57.52) of a bill increase.

21 Is that correct? And you can take that
22 subject to check.

23 MS. MARNIE VAN HUSSEN: Subject to
24 check, sure.

25 MS. CARLY FOX: Do you agree that the

1 impacts of higher energy costs are more pronounced for
2 households that already spend a significant portion of
3 their total income on energy?

4 MS. SHANNON GREGORASHUK: Yes, I -- I
5 think we would agree with that.

6 MS. CARLY FOX: Thank you. Do you
7 accept that, in comparison with the average
8 residential customer, First Nations residential
9 customers living on reserve face higher impacts from
10 rate increases?

11 MS. SHANNON GREGORASHUK: Certainly, I
12 -- I think, if -- you know, when we're considering
13 usage and -- and the like for the customers who live
14 on -- on reserve, it -- it sure seems to be that --
15 that they will have a higher impact.

16 I think, you know, if there are other
17 customers that also have higher usage, they will also
18 have those larger bill impacts as well.

19 MS. CARLY FOX: Thank you. Ms.
20 Schubert, can you bring up Order 59/'18 at page 232,
21 the creation of the customer class, right here.

22 In this Board Order it states that 96
23 percent of First Nations people on reserve live in
24 poverty, and Manitoba Reserves have the highest rate
25 of energy poverty in Canada.

1 To your knowledge, have these
2 statistics changed? Oh, sorry, child poverty.

3 MS. SHANNON GREGORASHUK: I -- I don't
4 -- I couldn't comment on that. I'm -- I'm not
5 familiar with it.

6 MS. CARLY FOX: Okay. If we look at
7 AMC Exhibit 3-11, here we see that the median income
8 level of First Nations citizens on reserve is thirteen
9 thousand and ninety-nine dollars (\$13,099).

10 Is that correct?

11 MS. SHANNON GREGORASHUK: Yes. That
12 was provided by AMC to us, yes. I see that number,
13 yes.

14 MS. CARLY FOX: Do you agree that
15 housing stock on reserve is poorer when compared to
16 most residential customers living off reserve?

17 MS. SHANNON GREGORASHUK: I can't
18 speak directly to that, but that is my understanding
19 of some -- some positions put forward, yes.

20 MS. CARLY FOX: Thank you. And are
21 you aware that the majority of First Nations on-
22 reserve residential customers do not have access to
23 natural gas for heating?

24 MS. SHANNON GREGORASHUK: I -- I think
25 that's fair. I believe the majority of First Nations

1 reside in the north, and we do not have gas in the
2 north of the province.

3 MS. CARLY FOX: So would you then
4 agree that with the poorer housing and the lack of
5 access to natural gas for heating, that means that the
6 consumption of electricity on reserve by residential
7 customers is higher than the consumption for most off-
8 reserve customers?

9

10 (BRIEF PAUSE)

11

12 MS. SHANNON GREGORASHUK: Yes,
13 generally we would agree with that.

14 MS. CARLY FOX: Thank you. So as a
15 result of these factors that we've discussed, like
16 poorer housing, lack of access to natural gas heating,
17 instances of poverty on reserve, First Nations
18 residential customers on reserve in Manitoba are
19 disproportionately vulnerable to rate increases.

20 Would you agree with that?

21 MS. SHANNON GREGORASHUK: I think all
22 -- all customers who may face similar challenges would
23 also be disproportionately impacted by any -- any
24 increase in -- in any costs that we see, including our
25 rate increases.

1 MS. CARLY FOX: Okay. Ms. Schubert,
2 can you bring up Order 59/'18 again at page 232.

3 In this Board Order, the Board
4 previously found that on-reserve residential
5 ratepayers are uniquely situated among residential
6 customers in Manitoba, and that First Nations
7 customers are disproportionately vulnerable to rate
8 increases.

9 Would you agree?

10 MS. SHANNON GREGORASHUK: Yes, I would
11 agree with that, yes.

12 MS. CARLY FOX: Thank you.

13 MS. SHANNON GREGORASHUK: Thank you
14 for the reference.

15 MS. CARLY FOX: Does Manitoba Hydro
16 agree that it has a role to play in addressing issues
17 of bill affordability through rate design and
18 monitoring the impacts of rate increases?

19 MS. SHANNON GREGORASHUK: Sorry, Ms.
20 Fox. I think Manitoba Hydro is governed by its
21 legislation, so that is the parameters by which I
22 think we can separate.

23 MS. CARLY FOX: So that would be --
24 bill affordability through rate design is not one (1)
25 of the factors that you consider?

1 MS. SHANNON GREGORASHUK: I -- I think
2 how we described affordability being taken into
3 consideration with respect to rate design is when we
4 looked at the differentiation between the rate classes
5 that we might be proposing, we kept those quite
6 moderate when you reflect on there's an average rate
7 increase, and -- and some classes might need to
8 receive a higher and some a lower increase.

9 MS. CARLY FOX: Thank you. Would you
10 agree then that the rate increases requested by
11 Manitoba Hydro for the test years are based on a long-
12 term forecast that is aimed at achieving debt-to-
13 equity ratio targets set for -- set out in Bill 30 --
14 set out in Bill 36, excuse me?

15 MS. SHANNON GREGORASHUK: Yes, I think
16 that was primarily the evidence given by the Revenue
17 Requirement Panel certainly.

18 MS. CARLY FOX: Thank you. And just
19 for clarification, these debt-to-equity ratio targets,
20 they're not currently in force. Is that correct?

21 MS. SHANNON GREGORASHUK: That's
22 correct. I believe they come in force officially
23 April 1 of 2025.

24 MS. CARLY FOX: So as a result, would
25 it be correct then that the rate path put forward by

1 Manitoba Hydro in this current Application is higher
2 than what is strictly required for Manitoba Hydro to
3 meet its cost of service to its customers?

4 MS. SHANNON GREGORASHUK: I don't --
5 I'm not sure I can comment on that. I -- I don't
6 think it would be higher. You know, I'm -- I'm not
7 sure. I'm probably not the best -- in a good position
8 to comment on that.

9 MS. CARLY FOX: Okay. Thank you. I
10 just had a follow-up from Mr. Klassen and Mr.
11 Buchart's questions for you about the programs to
12 assist customers with energy bills, including the
13 Customer Arrears Assistance Program, Neighbours
14 Helping Neighbours, and the Equal Payment Plan.

15 And I understand that you may not have
16 this today, but does Manitoba Hydro have any
17 information about how many First Nations residential
18 on-reserve customers are in receipt of these programs?

19 MS. SHANNON GREGORASHUK: We certainly
20 wouldn't have that with us right now, but I believe we
21 could take that as an undertaking and get you that
22 information if -- if you like.

23 MS. CARLY FOX: That would be great,
24 and if possible, First Nations who live off reserve,
25 would you have that information?

1 MS. SHANNON GREGORASHUK: We can
2 certainly find out if we -- if we have it, and we will
3 bring it forward.

4 MS. CARLY FOX: Thank you so much.

5

6 --- UNDERTAKING NO. 61: Manitoba Hydro to advise
7 how many First Nations
8 residential on reserve and
9 off reserve customers are
10 in receipt of Customer
11 Arrears Assistance
12 Program, Neighbours
13 Helping Neighbours, or the
14 Equal Payment Plan

15

16 CONTINUED BY MS. CARLY FOX:

17 MS. CARLY FOX: Moving on, I have a
18 few questions related to the Exhibit PUB 4-5, Ms.
19 Schubert. Thank you.

20 So in this Information Request,
21 Manitoba Hydro acknowledges that, as consumers move to
22 become prosumers, which are producers and consumers,
23 utilities like Manitoba Hydro will need to rethink
24 traditional cost recovery mechanisms.

25 If we go to page 2 of this Information

1 Request -- perfect, right here -- where Manitoba Hydro
2 states that:

3 "Over the next twenty (20) years
4 their existing simple tariff
5 structure that does not consider
6 what energy is either consumed or
7 produced will need to incorporate
8 more granular price signals."

9 And this information response indicates
10 that Manitoba Hydro's current rate design will need to
11 change in the next twenty (20) years.

12 Is that correct?

13 MS. MARNIE VAN HUSSEN: I think what
14 this is saying is it may need to change based on what
15 type of customers we have in the future, correct.

16 MS. CARLY FOX: Yet Manitoba Hydro's
17 application relies on the twenty (20) year forecast as
18 -- as the basis for smoothed rate predictions.

19 Am I understanding that correctly?

20 MS. MARNIE VAN HUSSEN: That's
21 correct. And I think we need to look at the
22 difference between what the twenty (20) year
23 trajectory is, and that's about the setting the size
24 of the pie.

25 When we talk about cost recovery

1 mechanism, sometimes we're talking about how we're
2 going to slide it and how the -- the composition of
3 the rate structure them -- themselves. So, I just
4 wanted to clarify that point, yeah.

5 MS. CARLY FOX: Thank you.

6 MR. SHANNON GREGORASHUK: If I could
7 add that the twenty (20) year forecast scenario, that
8 -- that longer term view is -- has been along I think
9 -- I believe a preference of the Board in terms of the
10 -- the path -- rate path and the time frame to look
11 at.

12 And so, we certainly want to be helpful
13 to this Board, and that's -- you know, we -- we look
14 at that for -- for that reason.

15 MS. CARLY FOX: Thank you. If we
16 could move to page 2, the bottom of the page here,
17 right -- oh, sorry, just up, "Proactively phasing."

18 So, this says:

19 "Proactively phasing in changes to
20 rate structures may be beneficial
21 for moderating bill impacts.

22 However, given the current forecast
23 for grid parity, there's time to
24 complete foundational work, such as
25 the IRP and development of hourly

1 load forecast to better understand
2 the timing and potential of impacts
3 to Manitoba Hydro's system and costs
4 of providing service in advance of
5 phasing in potential changes to rate
6 design."

7 So, I have a few follow-up questions
8 for you about this section.

9
10 Would you accept that large customers
11 like industrial and commercial loads are more capable
12 and willing to invest in distributed energy resources
13 or make other investments to offset rate increases for
14 Manitoba Hydro?

15 MS. MARNIE VAN HUSSEN: I'm not sure
16 if we can comment on that. I think to the extent that
17 a large user would need to use distributed energy, I
18 believe it would be also quite costly. So, they have
19 a large -- you know, I -- I just can't comment on the
20 -- the economics of -- of what it would take to -- to
21 have a distributed energy for a large customer like
22 that.

23 MS. CARLY FOX: Okay. Let's move then
24 to Exhibit AMC-2-33. This Information Request asks
25 for information about Manitoba Hydro's involvement, if

1 any, in the planning, integration, and operation of
2 renewable energy systems on First Nation reserves in
3 Manitoba.

4 And my question to you is: Could
5 renewable energy systems be one (1) solution to
6 mitigating the impacts of increasing Manitoba Hydro
7 rates on First Nations customers?

8

9

(BRIEF PAUSE)

10

11 MR. KEVIN GAWNE: I believe it could,
12 yes.

13

MS. CARLY FOX: And I don't think we
14 need to go there, but Manitoba Hydro has also
15 indicated that it doesn't specifically track First
16 Nations distributed generation solar installations
17 throughout Manitoba but through a location search was
18 able to identify five (5) behind-the-meter
19 installations on First Nations reserves in Manitoba.

20

Is that correct? And I can bring you
21 to it if you'd like.

22

MR. KEVIN GAWNE: Yeah, you would have
23 to bring me to it --

24

MS. CARLY FOX: Okay.

25

MR. KEVIN GAWNE: -- or subject to

1 check.

2 MS. CARLY FOX: Ms. Schubert, can you
3 pull up AMC Exhibit 2-9C. Go.

4

5 (BRIEF PAUSE)

6

7 MR. KEVIN GAWNE: Okay. Thank you.

8 MS. CARLY FOX: Thank you. So, these
9 five (5) installations are currently found on three
10 (3) out of sixty-three (63) First Nations in Manitoba.

11 Is that correct?

12 MR. KEVIN GAWNE: I believe so.

13 MS. CARLY FOX: Is it also correct
14 that these five (5) installations on reserve are out
15 of a total of one thousand one hundred and seventy-one
16 (1,171) behind-the-meter installations in Manitoba of
17 which 99 percent are solar?

18 MR. KEVIN GAWNE: That number sounds
19 correct for the time that it was taken in.

20 MS. CARLY FOX: Okay.

21 MR. KEVIN GAWNE: I'm sure it's
22 changed slightly since.

23 MS. CARLY FOX: All right. Ms.
24 Schubert, can you turn back to AMC 2-33. And this is
25 at the bottom of the response which states that:

1 "Manitoba Hydro is available to
2 discuss renewable energy projects in
3 Manitoba for First Nations owned
4 initiatives."

5 My question to is, are there any
6 hurdles that you're aware of, including regulatory
7 hurdles, for First Nations customers, including First
8 Nations governments on reserve, for undertaking solar
9 installations?

10

11 (BRIEF PAUSE)

12

13 MR. SHANNON GREGORASHUK: I -- I don't
14 believe any of us could -- could fully answer that.
15 But we will take it away as an undertaking if you'd
16 like and -- and get you some information if we can on
17 that.

18 MS. CARLY FOX: That would be great.
19 Thank you.

20 MR. SHANNON GREGORASHUK: Absolutely.
21 Thank you.

22

23 ---UNDERTAKING NO. 62: Manitoba Hydro to provide
24 if there are any hurdles,
25 including regulatory

1 hurdles, for First Nations
2 customers, including First
3 Nations governments on
4 reserve, for undertaking
5 solar installations

6
7 MS. CARLY FOX: Mr. Chair, this would
8 be a good time for me to stop, I think.

9 THE CHAIRPERSON: Thank you. Thank
10 you very much, Ms. Fox. So, we're going to adjourn
11 until one o'clock for lunch. Thank you very much.

12

13 --- Upon recessing at 11:46 a.m.

14 --- Upon resuming at 1:02 p.m.

15

16 THE CHAIRPERSON: Thank you. Ms. Fox,
17 I'm advised you've concluded your cross-examination,
18 is that correct?

19 MS. CARLY FOX: I -- sorry. Okay. Got
20 it. Sorry. I understand that there may be an answer
21 to some of my solar questions.

22 THE CHAIRPERSON: Yes. My -- my
23 understanding is that I'm supposed to call on Mr.
24 Gawne now.

25 MR. KEVIN GAWNE: Thank you. Yes, if

1 Ms. Schubert could please pull up PUB-MH-1-43, part G
2 -- or part F, I guess. On page 2. And if you could
3 just go to the response, please.

4 As to the question that was put to me
5 about -- on First Nations communities, could renewable
6 power solar help lower the energy costs. I'm
7 paraphrasing.

8 And I said it could. But I did want to
9 add some more to this. This IR, we were asked to
10 estimate when or if -- so in our response here we've -
11 - we've provided that our estimate of solar PV is
12 approximately twenty-one (21) cents per kilowatt hour.

13 And then, if you scroll up a little bit
14 to part F. So after Efficiency Manitoba and the
15 Canada Greener Homes Initiative incentives, that could
16 be reduced to approximately fifteen (15) cents. But
17 still, we're not anticipating that that would achieve
18 greater parity over the horizon of the scenario that
19 we've provided, so.

20 MS. CARLY FOX: Okay. Thank you. I
21 appreciate that. And I have no more questions, but
22 I'd like to thank the panel.

23 THE CHAIRPERSON: Thank you, Ms. Fox.

24 Now, Mr. Hombach, something my mind
25 indicated I was supposed to call on Mr. Williams?

1 MR. SVEN HOMBACH: On Mr. Hacault,
2 actually.

3 THE CHAIRPERSON: Well, no. So we're
4 -- we're just moving to -- I thought there was a
5 matter that came up to -- nothing in relation to the
6 AC -- okay.

7 MR. SVEN HOMBACH: I don't believe so,
8 Mr. Chair. It's -- if we're ready, we can proceed to
9 Mr. Hacault.

10 THE CHAIRPERSON: Okay. M. Hacault...?

11 MR. ANTOINE HACAULT: Yes. There is a
12 housekeeping matter. I had circulated yesterday a
13 Chemtrade response and it's a little bit out of the
14 order because I'm introducing other exhibits.

15 But we're at -- that would be
16 introduced as Exhibit 19.

17

18 --- EXHIBIT NO. MIPUG-19: Chemtrade Undertaking
19 response

20

21 CROSS-EXAMINATION BY MR. ANTOINE HACAULT

22 MR. ANTOINE HACAULT: Yes. Good
23 afternoon, members of the panel, Board members.
24 Apparently, I'm the only thing standing between you
25 and having a nice afternoon off.

1 I did speak to Mr. Hombach and if I
2 might be able to, I think my questioning will actually
3 be over an hour, if I'm permitted. But we'll see
4 where -- see where it leads. Thank you.

5 For the record, my name is Antoine
6 Hacault, of TDS. Ms. Van Hussen hasn't seen me yet, I
7 think. Welcome.

8 There was some discussion this morning
9 about uniformity of rates for the residential class.

10 Just to confirm for the Panel sitting
11 in front of you, the PUB, in Manitoba, uniformity of
12 rates applies for all classes irrespective of the
13 class, correct?

14 MS. MARNIE VAN HUSSEN: That's
15 correct. The uniform rates legislation changed the
16 rates for -- not all customer classes had rates in
17 three (3) distinct zones when uniformed rates was
18 passed.

19 But, yes, all customer classes have
20 rates that are equalized across the province per the -
21 - that class.

22 MR. ANTOINE HACAULT: So whether it's
23 a commercial user, residential user, agricultural
24 user, industrial user, they all pay the class rate,
25 irrespective of their location and whether it costs

1 more to serve those customers located in rural or
2 remote areas. Agreed?

3 MS. MARNIE VAN HUSSEN: That's
4 correct.

5 MR. ANTOINE HACAULT: If we can go to
6 Board book of documents, volume 6, page 49, there was
7 an extract of Ms. Derksen's evidence.

8 And I had circulated, a couple days
9 ago, some updated information with respect to what's
10 reproduced in the top left-hand side of that table,
11 being the BC Hydro RCCs. Could Ms. Schubert, please,
12 bring that document up, which would be marked as
13 Exhibit 17, MIPUG. It's a May 23 -- or May 29, 2023
14 letter from BC Hydro.

15 And we'll see that although there's a
16 legislative component to what happens in BC, you'll
17 agree with me that directionally, from 2018 up to
18 2022, we're getting closer to the unity of one hundred
19 (100). Correct?

20 MS. MARNIE VAN HUSSEN: If you're
21 looking specifically at the residential class, then I
22 would agree with that. Yes.

23 MR. ANTOINE HACAULT: Yes. Thank you.
24 And now, the next thing I'd like to address, Mr.
25 Hombach had referred this panel to the legislated

1 increase of 2.9 percent. When he did that, it was in
2 his Board book of documents, which affected Hydro's
3 discretion to impose differential rates.

4 Do you recall that discussion?

5 MS. MARNIE VAN HUSSEN: I do.

6 MR. ANTOINE HACAULT: Now, as I
7 understand the evidence so far, Manitoba Hydro has
8 targeted meeting the Bill -- we've been calling it
9 Bill 36, even though it's law -- debt/equity ratios in
10 its long-term forecast scenario in arriving at the 2
11 percent rate path. Correct?

12 MS. MARNIE VAN HUSSEN: I think that's
13 fair. Yes.

14 MR. ANTOINE HACAULT: Yeah. In other
15 words, Bill 36 is influencing the rate path?

16 MS. MARNIE VAN HUSSEN: That's
17 correct.

18 MR. ANTOINE HACAULT: Now, if we go to
19 Board book of documents, volume 4, page 69, there's a
20 section there, 39.1(a) -- or (1)(a). We look at (a)
21 and then I'll read it into the record:

22 "It's hereby declared to be the
23 policy of the Government that (a)
24 the rates charged by the Corporation
25 to each class of grid customers in

1 Manitoba are to be based on the
2 revenue requirements properly
3 allocated to that class."

4 And in French -- because I always look
5 at the French side -- there's the words 'correctement
6 associe', that's loosely translated as correctly
7 associated with or there's a causation aspect to it.

8 Now, if this paragraph A is interpreted
9 as requiring that the class only pay its measured
10 costs, and that's to be implemented as of April 1,
11 2025, why is Hydro not seeking to smooth over the next
12 two (2) years of rates differentiation which will get
13 us close to parity by April 1 of 2025?

14

15 (BRIEF PAUSE)

16

17 MS. MARNIE VAN HUSSEN: One thing --
18 certainly this isn't a legal interpretation, but our
19 interpretation at this point is that rates aren't
20 necessarily needed to be set at unity but, at least,
21 in -- in the zone.

22 We're also mindful that the volatility
23 of the RCCs and the results this year are, you know,
24 bigger than -- than historically have been other way -
25 - or in other -- other years.

1 So, we've continued to take the -- the
2 approach directed by this Board in 59/18 to take a
3 gradual approach to -- to rebalancing the rates.

4 MR. ANTOINE HACAULT: Thank you for
5 that perspective. Now, talking --

6 THE CHAIRPERSON: Sorry, are -- are
7 you leaving this section 39? Can -- can I ask a
8 question that -- you raised an -- an interesting
9 point.

10 Is it the position of Manitoba Hydro
11 then under 39.1(1) where M. Hacault raised, properly
12 allocated that by April 1, 2025, all customers are
13 going to need to be within the zone of reasonableness?
14 Because that's -- it sort of sounded that's what you
15 were alluding to. But I just -- I'm just trying to
16 figure out if that's --

17 MS. MARNIE VAN HUSSEN: Sorry. Are
18 you suggesting at the -- at the beginning, like, as of
19 April 1st, 2025, they need to be in the zone?

20 THE CHAIRPERSON: That's what I'm
21 asking. You said, well, we don't think there needs to
22 be unity, there needs -- they just need to be within
23 the zone of reasonableness.

24 And I just wanted to --

25 MS. MARNIE VAN HUSSEN: Sure. Thank

1 you.

2 THE CHAIRPERSON: -- understand if
3 that's the position or it's, well, we really don't
4 have a position on it right now.

5 MS. MARNIE VAN HUSSEN: Sorry, that
6 wasn't what I intended to say.

7 THE CHAIRPERSON: Okay.

8 MS. MARNIE VAN HUSSEN: My
9 interpretation of this is that, you know, based on
10 revenue requirements, you know, so certainly taking
11 into account I think the zone of reasonableness, it
12 also speaks to the rate period.

13 So, the interpretation is that, by the
14 end of the rate period, which would be three (3) years
15 from April 1st of 2025, customer classes should be
16 moved at least towards the zone.

17 THE CHAIRPERSON: Okay. Thank you.
18 Thanks.

19

20 CONTINUED BY MR. ANTOINE HACAULT:

21 MR. ANTOINE HACAULT: And when you say
22 -- say -- make those statements, can we take them as
23 being a Manitoba Hydro position or just your personal
24 view?

25 MS. ODETTE FERNANDES: I think Ms. Van

1 Hussen is speaking as to Manitoba Hydro's position on
2 the issue, but I do -- I do caution that there may be
3 a legal interpretation that is required.

4 So, if that's something this Board
5 would like us to address in final argument, we can
6 definitely provide that opinion at that time.

7 THE CHAIRPERSON: Yes. Thank you.

8

9 CONTINUED BY MR. ANTOINE HACAULT:

10 MR. ANTOINE HACAULT: Yes. Thank you.

11 Now, I'll flip back to a previous hearing or Board
12 Order, 9/'22. I -- I haven't given this to Ms.
13 Schubert, but I don't think we need to go there.

14 That is when PCOSS21 was under
15 consideration. And in that Order, Manitoba Hydro
16 didn't seek to adjust or normalize the PCOSS21 study,
17 correct?

18 MS. MARNIE VAN HUSSEN: Well, I think
19 inherent the PCOSSes are normalized in that they use
20 sort of weather normalized load forecast and things
21 like that. But you're correct in that we used PCOSS21
22 for the purposes of differentiating rates.

23 MR. ANTOINE HACAULT: And since it's
24 up, if we go to page 70 of this Board Order, a bit
25 further down, we'll have the Board's comments that it

1 used PCOSS21 to guide the rate increases being
2 proposed for each customer class.

3 And then it actually confirmed the
4 proposed rate increases which are in the schedule that
5 immediately follows these paragraphs. It's on the
6 next page, Ms. Schubert.

7 And that resulted in differentiated
8 rate increases for General Service Small non-demand
9 and area roadway lighting, correct?

10 MS. MARNIE VAN HUSSEN: Correct.

11 MR. ANTOINE HACAULT: And flipping to
12 page 72, we have Manitoba Hydro's position, but we'll
13 go to the Intervener's position, Consumers' Coalition.

14 As recorded in the first paragraph
15 under the heading, "Intervener's position," it was
16 suggesting that PCOSS21 not be used because Keeyask
17 hadn't yet been fully put in service in that study,
18 correct?

19 MS. MARNIE VAN HUSSEN: That's
20 correct.

21 MR. ANTOINE HACAULT: Okay. If we go
22 down to the bottom, MIPUG accepted the results of that
23 study, even though there was significant capital that
24 hadn't been introduced in that study for purposes of
25 the rate differentiation which was being sought in

1 that Order, correct?

2 MS. MARNIE VAN HUSSEN: That's
3 correct.

4 MR. ANTOINE HACAULT: Now, if we can
5 go back to Exhibit 17, which is that May 29, '23,
6 letter. We saw the residential movement in that
7 province.

8 The one thing that's also on Ms.
9 Derksen's table which I have not drawn the attention
10 to this Panel is the next page which sets out MGS, so
11 Medium General Service and large, LGS, large service.

12 In both those cases, directionally,
13 there's a move towards parity, correct?

14 MS. MARNIE VAN HUSSEN: That's
15 correct.

16 MR. ANTOINE HACAULT: Okay. Now, if
17 we go back to MIPUG 6, which is Mr. Bowman's evidence,
18 at page 56, and more particularly, to Figure 4-1,
19 there was quite a bit of discussion in the cross-
20 examination of various PCOSSes over the last decades
21 and maybe not some being comparable.

22 But irrespective of whether they were
23 comparable or had different approaches, I'm going to
24 suggest to you it's been a longstanding issue that
25 both GSL 30 to 100 and GSL over 100 kV have been over

1 their cost coverage ratio?

2 MS. MARNIE VAN HUSSEN: Certainly,
3 it's -- it's a trend that we've seen across different
4 variations. How significant would depend on which
5 version of the PCOSS you were using at -- in some of
6 those years, but I would agree generally.

7 MR. ANTOINE HACAULT: But we haven't
8 seen that line go under the parity and go down to the
9 90s for those two (2) classes --

10 MS. MARNIE VAN HUSSEN: I would agree
11 with --

12 MR. ANTOINE HACAULT: -- during the
13 two (2) decades, correct?

14 MS. MARNIE VAN HUSSEN: I would agree
15 with that, yes.

16 MR. ANTOINE HACAULT: And the reverse
17 being that, directionally, we've never seen, although
18 there are numerous statements that there were going to
19 be self-correcting, the residential class going
20 anywhere near a hundred and ten (110) and a hundred
21 and fifteen (115) cost coverage ratio, correct?

22 MS. MARNIE VAN HUSSEN: I think that's
23 fair, and in our Application, we talk about the
24 residential class being close to the bottom end of the
25 zone of reasonableness, yes.

1 MR. ANTOINE HACAULT: And old geezent
2 (phonetic) like me go back to old hearings, like
3 there's an Order back in 1996 issued by Chairman then
4 Gerry Forrest of the Public Utilities Board. And if
5 you could bring that Order up -- it's 51/'96 -- it's -
6 - I'd mark it as MIPUG 18.

7

8 --- EXHIBIT NO. MIPUG-18: PUB Order 51/'96 issued by
9 then Chairman Gerry
10 Forrest

11

12 CONTINUED BY MR. ANTOINE HACAULT:

13 MR. ANTOINE HACAULT: And if we go to
14 page 61 of 101 of the PDF, there are Board findings on
15 that page. And I don't intend to read everything
16 that's from pages 53 of this decision up to about 61
17 of the decision, but to highlight a couple of
18 historical things.

19 If we go down to the bottom of the
20 page, the paragraph that starts, "This study," so the
21 Board finding back in 1996 is that:

22 "Hydro should prepare a study which
23 is intended to examine all
24 alternatives, including subsidies;
25 should recognize a time limit to

1 address the problems of inter- and
2 intra-class equity; and should
3 assume a revised zone of
4 reasonableness target of 95-105."

5 Do you see that?

6 MS. MARNIE VAN HUSSEN: I do.

7 MR. ANTOINE HACAULT: And if we go to
8 page 63 of the PDF, there are -- are various bullets
9 there with 'X'es. And then there's a couple of
10 things. The first 'X', which is closer to the top,
11 says that:

12 "Within the ZOR, Hydro will adopt a
13 program with the intent of gradually
14 moving all classes towards RCC of
15 unity."

16 Do you see that expressed desire by the
17 Board?

18 MS. MARNIE VAN HUSSEN: I believe that
19 that passage says that Hydro confirmed that that was
20 their plan. I'm not sure if that was the direction of
21 the Board, but --

22 MR. ANTOINE HACAULT: Right. Thank
23 you. Sorry about that.

24 And Hydro's policy in the next 'X' was
25 that annual adjustments be permitted which result in

1 class increases up to 2 percentage points?

2 MS. MARNIE VAN HUSSEN: Correct.

3 MR. ANTOINE HACAULT: And then, going
4 back to -- or down to the bottom, there's a paragraph
5 that records what the Board has in Board Order 25/'19
6 -- of '92, so that's going back to 1992. It had
7 requested a detailed plan with time parameters to get
8 classes within the 90 to 110 range.

9 Do you see that?

10 MS. MARNIE VAN HUSSEN: I do.

11 MR. ANTOINE HACAULT: And then finally
12 at page 69 of 101 of the PDF, there's a table, and we
13 see that the Board has implemented some fairly
14 significant differentiated rates. And to see that,
15 that's the Board that approved this. If we go just
16 above the table, there's a paragraph that introduces
17 it.

18 Right before the table, it says:

19 "The Board approves the following
20 rate increases,"

21 and we see a fairly different approach
22 by this Board, I guess, in the sense that you have up
23 to minus 5 percent, so a rate reduction for area and
24 roadway lighting up to the higher end of the rate
25 increases for the residential class at 2.84 percent.

1 Do you see that?

2 MS. MARNIE VAN HUSSEN: I see that,
3 yes.

4 MR. ANTOINE HACAULT: If you go to
5 slide 14 of your presentation, which is Manitoba Hydro
6 Exhibit 51, there's a pie shape. I like your analogy,
7 by the way. I like pies.

8 So it was the net cost allocated to
9 each class versus the rate revenue generated from each
10 class, correct?

11 MS. MARNIE VAN HUSSEN: That's
12 correct.

13 MR. ANTOINE HACAULT: And the thing
14 that becomes more visual for me is that compared to
15 other classes in this chart, the residential class is
16 the largest contributor to rate revenue at \$832
17 million for domestic revenue.

18 MS. MARNIE VAN HUSSEN: That's
19 correct.

20 MR. ANTOINE HACAULT: And then, in the
21 big circle that goes around, we see that the net costs
22 are in the range of 881 million.

23 MS. MARNIE VAN HUSSEN: That's
24 correct.

25 MR. ANTOINE HACAULT: So does this

1 tell us that other classes, based on the analysis done
2 in PCOSS24, are contributing to the shortfall of
3 measured costs in that analysis?

4 MS. MARNIE VAN HUSSEN: That's
5 correct. That's how the -- the cost of service works.
6 To the extent that revenues -- or, sorry, costs are
7 not being recovered from the residential class, they
8 are being recovered from other classes.

9 MR. ANTOINE HACAULT: Thank you. And
10 if we can go to -- and I think you explained that this
11 is why, if we're going to move other classes' revenue
12 to cost recovery ratios that are closer to the parity
13 or in the zone of reasonableness, some of it's going
14 to have to come from the residential class.

15 MS. MARNIE VAN HUSSEN: Certainly, if
16 you were under the premise that some customer classes
17 needed to have below-average increases and you were
18 keeping all other classes with an average increase,
19 then -- or -- sorry.

20 Perhaps I could get you to restate your
21 question and I can get a better answer for you, but --

22 MR. ANTOINE HACAULT: Well, they're
23 nearly -- they're nearly half the pie. If you're
24 going to change other parts of the pie, you're going
25 to have to take a little bit of that half part that

1 comes from residential.

2 MS. MARNIE VAN HUSSEN: Certainly
3 absent PUB direction to leave the residential rates --
4 or the residential increase on average, then yes,
5 generally speaking, you would expect that the -- the
6 residential would pick up a piece of that revenue
7 shortfall or -- or less than average increase, I
8 should say, from the other classes.

9 MR. ANTOINE HACAULT: And we've been
10 going to Appendix 8.1 of PCOSS20 -- where PCOSS24 is
11 looked at. Could we go there, Ms. Schubert. Yes,
12 thank you. If we could just increase the size so my
13 poor eyes can see the residential line and other
14 lines, please. Thank you.

15 Now, it's my understanding that the pie
16 shape that we were looking at took its numbers from
17 this chart or charts similar to this, correct?

18 MS. MARNIE VAN HUSSEN: That's
19 correct.

20 MR. ANTOINE HACAULT: So we see, as
21 discussed before, that these numbers are based on the
22 preliminary budget for 2023/2024, correct?

23 MS. MARNIE VAN HUSSEN: Correct.

24 MR. ANTOINE HACAULT: And this
25 illustrates how the net export revenues are applied to

1 each class, correct?

2 MS. MARNIE VAN HUSSEN: It does. It
3 shows each class's allocation of net export revenue.

4 MR. ANTOINE HACAULT: Now, this
5 morning there was some discussion about some 18.5
6 million and 23 million because of uniformity of rates
7 and Mr. Selinger's view at that time that export
8 revenues might cover those costs.

9 In PCOSS 24, how much of net export
10 revenue is allocated to the residential class?

11 MS. MARNIE VAN HUSSEN: PCOSS 24,
12 there's 471.2 million allocated to the residential
13 class.

14 MR. ANTOINE HACAULT: Well, my
15 lawyer's math would be, even though we take some \$23
16 million, we have twenty (20) years of recovery of \$23
17 million, and by four hundred and seventy-one (471)
18 million, correct?

19 MS. MARNIE VAN HUSSEN: I'm not sure
20 about your math, I'll say subject to check, but I
21 think the premise you -- I don't know that it -- it's
22 fair to characterize that they don't get the share of
23 allocation of net -- or sorry, the Residential Class
24 wouldn't get a share of net export revenue in absence.

25 So, I don't think you can say it's one

1 or the other, so I just would caution that, but I -- I
2 think, certainly, there is -- it's a fairly
3 substantial number that's being allocated.

4 MR. ANTOINE HACAULT: As we nearly get
5 half a billion dollars of net export revenue.

6 MS. MARNIE VAN HUSSEN: Correct.

7 MR. ANTOINE HACAULT: Now, we saw on
8 the chart that there was a -- a difference between the
9 class revenue for the residentials and the top line on
10 this chart, if we could move towards the right, you
11 see Class Revenue eight hundred and thirty-one point 6
12 (831.6) million. Correct?

13 MS. MARNIE VAN HUSSEN: Correct.

14 MR. ANTOINE HACAULT: And then that's
15 what we had seen on the chart and then we move further
16 to the right, we see net cost of eight hundred and
17 eighty-one point 2 (881.2) million. Correct?

18 MS. MARNIE VAN HUSSEN: Correct.

19 MR. ANTOINE HACAULT: And that is a
20 bit short of \$50 million.

21 MS. MARNIE VAN HUSSEN: Oh, sorry.
22 Yeah, the difference? Yes, sorry. It is correct.

23 MR. ANTOINE HACAULT: So that
24 shortfall comes from other classes.

25 MS. MARNIE VAN HUSSEN: Correct, we

1 recover our net revenue requirement or our proposing
2 to recover our net requirements, so to the extent it's
3 not recovered from the Residential Class, it would be
4 picked up by other classes.

5 MR. ANTOINE HACAULT: Okay. If we go
6 to further down this table where it says "General
7 Service Large greater than a hundred (100) kV's," you
8 see the class revenue is a hundred and sixty-six point
9 6 (166.6) million. Correct?

10 MS. MARNIE VAN HUSSEN: Correct.

11 MR. ANTOINE HACAULT: And the cost to
12 serve them is actually lower than what they pay the
13 cost to serve is at a hundred and forty-seven point
14 two (147.2) million. Correct?

15 MS. MARNIE VAN HUSSEN: Net of export
16 revenue, yes.

17 MR. ANTOINE HACAULT: So, do you have
18 a sense of how many customers are in that class?

19 MS. MARNIE VAN HUSSEN: I might have
20 the -- the distinction between customer count and --
21 and individual companies slightly mixed up, but
22 there's roughly fourteen (14).

23 MR. ANTOINE HACAULT: Okay. So, let's
24 take that in little bites. There's roughly fourteen
25 (14) companies and if we do the mathematical

1 subtraction between a hundred and sixty-six point six
2 (166.6) million and a hundred and forty-seven point 2
3 (147.2) million, we get nineteen point 4 (19.4)
4 million. I think.

5 MS. MARNIE VAN HUSSEN: Subject to
6 check, sure.

7 MR. ANTOINE HACAULT: So, you've got
8 fourteen (14) companies contributing over \$19 million
9 towards the shortfall of the Residential Class?

10 MS. MARNIE VAN HUSSEN: Well I -- I
11 would want to be cautious that that is not, sorry,
12 just -- sorry, can you repeat that one more time?

13 MR. ANTOINE HACAULT: Mathematically
14 looking at this and while taking little bites, a class
15 revenue is -- is based on what Manitoba Hydro is
16 estimating the revenue it's going to receive from that
17 class, correct?

18 MS. MARNIE VAN HUSSEN: Yes, on a
19 forecast basis, if your math and -- and your
20 conclusion is correct. Yeah.

21 MR. ANTOINE HACAULT: And also,
22 mathematically Hydro in its '23/'24 budget is saying,
23 if I look at PCOSS24, the cost to serve those
24 customers is a hundred and forty-seven point two
25 (147.2) million. Correct?

1 MS. MARNIE VAN HUSSEN: Correct.

2 MR. ANTOINE HACAULT: So,
3 mathematically between those two (2) numbers, there's
4 \$19.4 million that comes from these fourteen (14)
5 companies that are in that class. Correct?

6 MS. MARNIE VAN HUSSEN: I think that's
7 correct and I think where I was trying to go and I --
8 is just that on a -- on a forecast basis, this is
9 correct. If that -- on the -- as we discussed a
10 little bit yesterday, we have more certainty in the
11 cost side. The -- the total cost not net of export
12 revenue, so there's more certainty on that cost side.

13 The -- the export revenue that we're
14 going to receive has less certainty. So, to the
15 extent that that number is less certain than as --
16 there's less certainty that those customers are -- are
17 over contributing I would say, because that -- there's
18 more variability in the -- in -- to get to the net
19 cost.

20 MR. ANTOINE HACAULT: Yeah, and we saw
21 that and I'll bring you to one of those charts that we
22 saw before when we take out the high water reservoir
23 and, I'm going to say, normalize the export revenue,
24 we get to about a hundred and ten (110), so about 3
25 percent difference. Instead of a hundred and thirteen

1 (113), as shown on this chart, I'll get to that, but
2 we're at a hundred and ten (110).

3 So, it would still be a substantial
4 contribution for the fourteen (14) ---

5 MS. MARNIE VAN HUSSEN: Yeah, there's
6 still a -- there's --

7 MR. ANTOINE HACAULT: --- companies.

8 MS. MARNIE VAN HUSSEN: --- yeah.

9 MR. ANTOINE HACAULT: Thank you. Now,
10 same thing with respect to GSL 30 kV to 100 kV, do you
11 have an idea of about how many customers there's in
12 that class?

13 MS. MARNIE VAN HUSSEN: It's forty-
14 eight accounts (48), again, give or take how many
15 companies that is, but forty-eight (48) accounts.

16 MR. ANTOINE HACAULT: Yeah, I had
17 forty-five (45) customers in my ---

18 MS. MARNIE VAN HUSSEN: Okay.

19 MR. ANTOINE HACAULT: --- in my notes
20 so we're -- we're talking the same range.

21 The revenue generated according to
22 PCOSS24 from those customers will be a hundred and
23 seven (107) million, based on this chart. You see the
24 third line down when we talk about General Service
25 Large 30 to 100 kV, we move over two (2) lines, do you

1 see that 107 million?

2 MS. MARNIE VAN HUSSEN: I do.

3 MR. ANTOINE HACAULT: Okay. So that's
4 the projected revenue and then the projected cost,
5 keeping in mind your previous comments that there
6 might be changes, is some ninety-five point two (95.2)
7 million. Correct?

8 MS. MARNIE VAN HUSSEN: Correct.
9 Correct.

10 MR. ANTOINE HACAULT: So, at least
11 based on the calculations made under these
12 projections, we're not too far away from \$12 million.

13 MS. MARNIE VAN HUSSEN: Correct.

14 MR. ANTOINE HACAULT: And you probably
15 won't be able to answer this question, but do you have
16 any sense of the millions of dollars in contributions
17 by these two (2) classes over the last decades that
18 we've looked at, the twenty (20) years, compared to
19 where they would have contributed if they were at
20 parity?

21 MS. MARNIE VAN HUSSEN: I -- I don't
22 have that number. I think it would depend if you were
23 looking on a forecast basis through the Cost of
24 Service studies or if you were looking on an actual
25 basis, certainly, so I -- I don't know that I could

1 provide that answer.

2 MR. ANTOINE HACAULT: Right. But, you
3 -- you would agree with me that it would be fairly
4 significant over those decades?

5 MS. MARNIE VAN HUSSEN: I -- I think,
6 certainly, from an RCC perspective, it would like
7 that. I think order of magnitude we would have to
8 take a look at the size of the class, 'cause we don't
9 get the sense from the RCC just how much revenue or
10 export revenue. It's sort of indifferent to -- to
11 that total level, so it's hard to say order of
12 magnitude if PCOSS24 would be representative. I think
13 we've seen, certainly, the costs are much higher --
14 costs and revenues are much higher in PCOSS24, than
15 they would have been, say twenty (20) years ago.

16 So, certainly, I'm not going to say
17 that it's insignificant, by any means, but --

18 MR. ANTOINE HACAULT: Yeah. And I
19 understand that because one of the things that we
20 looked at and we, will say changed, was we had an
21 export class before so, we were treating PCOSS a bit
22 different, because we were actually -- we had a
23 separate class for export. I think that was from
24 about 2008 to 2016 when it changed. Correct?

25 MS. MARNIE VAN HUSSEN: That's

1 correct. I don't know that that has that same --
2 doesn't have the implication perhaps. We still have
3 the same amount of class revenues on a net basis.
4 You're still getting a -- a large chunk of -- of
5 export revenues, so your cost -- the net export
6 revenue even when we had the class was still being
7 returned to all the domestic customers.

8 So, you're still getting that
9 reflection in the -- in the revenue to net cost. So,
10 it's more the order of magnitude of how much export
11 revenue there was and how big the classes were and
12 what the underlying rates were at those -- in those
13 years.

14 MR. ANTOINE HACAULT: I'll move back
15 to slide 17 of the -- your presentation. And 17, one
16 (1) seven (7), please. Thank you, Ms. Schubert.

17 Now, Hydro's proposal is to increase
18 General Service Small, non-demand, according to this
19 chart, primarily for the reason that it has
20 persistently been above the zone of reasonableness and
21 not affected by record levels of export revenue in
22 PCOSS24. Correct?

23 MS. MARNIE VAN HUSSEN: That's
24 correct.

25 MR. ANTOINE HACAULT: And I'll get

1 back to this, but please keep in mind your slide shows
2 109.7 percent, being the RCC for this class and
3 PCOSS24. Bear with me.

4 So, Manitoba Hydro, if I did it right,
5 exercised its discretion not to recommend a 1 percent
6 increase and instead, it's recommended 1.5 percent
7 increase to GSL 30 to 100 and GSL over 100, on the
8 basis -- and it's on the right-hand side of this slide
9 -- that there were record levels of export revenue,
10 which are highly variable and expected to decline.

11 Do you see that?

12 MS. MARNIE VAN HUSSEN: I do.

13 MR. ANTOINE HACAULT: Let's take this
14 in small steps. Let's first deal with the issue of
15 being persistently above the zone of reasonableness.

16 If we go back to Mr. Bowman's slide --
17 yeah -- or evidence at page 56, you'll agree with me
18 that those two (2) classes have persistently, over the
19 last two (2) decades, been above the zone of
20 reasonableness?

21 MS. MARNIE VAN HUSSEN: I -- I do. I
22 agree.

23 MR. ANTOINE HACAULT: And, in fact,
24 and there's been reasons explained for this, at the
25 very end of the graph, if you look at PCOSS18 to -24,

1 there's an upward trend of movement away from the zone
2 of reasonableness. Do you see that?

3 MS. MARNIE VAN HUSSEN: I do. I
4 believe it's also -- this chart also excludes PCOSS21.
5 So, there is certainly a -- a difference there, and
6 when we're comparing to PCOSS21, when we see that the
7 -- the RCC of those classes were, in fact, very close
8 to unity.

9 MR. ANTOINE HACAULT: Yeah, and that
10 was an unusual year, because we were adding major
11 capital, but not having all the revenues associated
12 with that capital.

13 MS. MARNIE VAN HUSSEN: I think you
14 could argue that this year might be an unusual year
15 too, Mr. Hacault.

16 MR. ANTOINE HACAULT: Yeah. We'll get
17 to that. It's about a 3 percent difference on
18 exports.

19 And that moves me to the next document,
20 PUB 141(a) to (b), which addresses your statement
21 about the export revenue variants. If we go to
22 Question (a) of that IR, it says:

23 "Please provide indicative revenue
24 to cost coverage ratios, if net
25 export revenue for 2023 was based on

1 average water flows at the higher
2 reservoir starting conditions and
3 the provide indicative RRCs using
4 forecast NER for 2024."

5 You'll agree with me that the higher
6 reservoir starting point would have led to higher
7 export revenues, all things being equal?

8 MS. MARNIE VAN HUSSEN: Yes.

9 MR. ANTOINE HACAULT: Okay. And
10 instead of flipping from one IR to the other, there is
11 a table in Mr. Bowman's evidence, at page 48.

12 Now, if we look at the bottom footnote,
13 you'll see that there's a -- sorry -- on the previous
14 page, Ms. Schubert, prior to the table.

15 You will see the footnote there. It
16 was the PUB IR that I just referred to, PUB/MH 1-
17 141(a) is what's transcribed, and we could go back and
18 forth, but, in the table that is in the following page
19 of Mr. Bowman's evidence, being Table 4-2.

20 Now, with that, I'm going to say
21 adjustment in the water levels, to the PCOSS analysis,
22 we see, firstly, that the residential consumers don't
23 change much?

24 MS. MARNIE VAN HUSSEN: That's
25 correct.

1 MR. ANTOINE HACAULT: So, they'll
2 continue to be pretty stable around that ninety-four
3 (94) and ninety-five (95) range regardless of movement
4 in net export revenue?

5 MS. MARNIE VAN HUSSEN: All else
6 equal, sure.

7 MR. ANTOINE HACAULT: Yeah. And you'd
8 made the same point with respect to General Service
9 Small non-demand. They are basically insulated from
10 net export revenue variations also, correct?

11 MS. MARNIE VAN HUSSEN: I don't know
12 if I meant that they were insulated, but they're
13 certainly not as dramatically impacted, I guess I'll
14 say.

15 MR. ANTOINE HACAULT: And that was one
16 (1) of the reasons, you mentioned just a couple
17 minutes ago, that you -- that Manitoba Hydro exercised
18 its discretion to say, well, listen, we'll give them a
19 1 percent in -- increase instead of the 2 percent
20 increase?

21 MS. MARNIE VAN HUSSEN: That's
22 correct.

23 MR. ANTOINE HACAULT: Now, I said -- I
24 asked you to remember the 109.7 that's on this chart.

25 Even with this adjustment on reservoir

1 levels, General Service large, 30 to 100, and General
2 Service Large greater than a hundred, if we go to the
3 right-hand of the table and go down, we see that
4 they're at 100.2 percent above, 100.5 percent above?

5 MS. MARNIE VAN HUSSEN: That's
6 correct.

7 MR. ANTOINE HACAULT: And Hydro's
8 exercise of discretion was that even with this
9 adjustment, which shows us what happens when we take
10 out the high reservoir levels.

11 And even though these two (2) classes
12 are 5 percent above the zone of reasonableness, you
13 decided not to give them the same 1 percent as the
14 General Service Small non-demand, correct?

15 MS. MARNIE VAN HUSSEN: That's
16 correct. And I think in our application and -- and
17 hopefully in our presentation, we -- we talked about
18 the -- sort of the longer term trend.

19 And when we -- we talk about that
20 certainly historically but also looking forward and
21 it's not just the above-average water levels for
22 export revenue. We're also seeing, you know, in the
23 future, those export revenues aren't continued --
24 aren't expected to continue at the same level. So,
25 it's also in recognition of that.

1 It also recognizes the fact that the
2 RCC calculation, when you have classes that are highly
3 susceptible -- or not susceptible, but impacted by net
4 export revenue, that RCC change is also exacerbated.

5 So, it's sort of two-fold. You could
6 look at that hundred and ten (110). There's also an
7 RCC calculation impact embedded in there that does not
8 affect the General Service Small non-demand. So, that
9 factored into that level of differentiation between
10 those classes as well.

11 MR. ANTOINE HACAULT: Okay. You've
12 provided a number of things in that answer, one of
13 which is the net export revenues are going to go down.
14 We know when NSP ends in 2025. After that, we've seen
15 in this hearing, that we're forecasting opportunity
16 market revenue instead of dependable.

17 But for these test years, are there any
18 major contracts that are going to end that are going
19 to affect the dependable energy revenue stream?

20 MR. KEVIN GAWNE: No.

21 MR. ANTOINE HACAULT: And we will be
22 back in front of this Board to do another PCOSS when
23 that export revenue stream changes. And it'll have
24 different capital contributions and generation,
25 distribution and transmission, and all of those

1 factors are going to be considered, correct?

2 MS. MARNIE VAN HUSSEN: Yes, that's
3 correct.

4 MR. ANTOINE HACAULT: And there has --
5 well, your statement that it's going revenue -- export
6 revenues are going to decline is a prospective
7 statement which we're going to be dealing with in the
8 future, correct?

9 MS. MARNIE VAN HUSSEN: I think that's
10 fair.

11 MR. KEVIN GAWNE: If I could just add
12 to that, Mr. Hacault. If it's possible to pull up tab
13 4 of the Application, page 19, which is a chart, just
14 at the top, Figure 4-11.

15 So you're correct, the dependable or
16 long-term contracts, which is the blue bars, are
17 pretty stable during the test year for this cost
18 study, but there's a substantial proportion of that
19 energy that's opportunity and is subject to that
20 uncertainty price that we talked about the second day
21 of the hearing, just to close that out.

22 MR. ANTOINE HACAULT: And once we
23 transition in 2025/2026, which is out of these test
24 years, by that time there's going to be three (3)
25 years of additional capital investments. We've seen a

1 lot of -- or discussed a lot about that.

2 And why I've taken this panel there and
3 kind of tried to stay within the three (3) years is
4 I'm starting to be an old, crusty guy, but I've heard
5 the line, oh, it's going to self-correct, don't worry,
6 when we do Bipole III, it's going to self correct,
7 don't worry, we're going to do Keeyask, it's going to
8 correct, and we haven't seen that happen -- sorry,
9 that wasn't much of a question -- have we? I mean, it
10 hasn't.

11 MS. MARNIE VAN HUSSEN: No. I would
12 say, you know, we haven't suggested that they -- that
13 they will self-correct. I think we put it on the
14 record this morning that there's costs and -- and that
15 costs of services will change each time we file, and
16 that's the nature of -- of filing a cost of service.
17 So we expect changes to come.

18 What we were saying, however, is I
19 think there's a difference in the nature of costs when
20 we have sort of that total costs or we think back to
21 the blue bar where those in the year are fairly
22 stable, and that green bar in that export revenue is
23 less stable.

24 So it's sort of in recognition of those
25 are two (2) different types of -- of costs. One is an

1 actual cost, plant in the ground, and one is an offset
2 of costs that is from the market. So I think we -- we
3 do view those a little bit different in cost of
4 service.

5 MR. ANTOINE HACAULT: Yeah, and I can
6 understand the conservative -- last couple of hearings
7 ago when we were getting MMTP and stuff like that.
8 Mr. Cormier was up here. He was the fellow who was
9 negotiating all the contracts, and they were
10 projecting all these opportunity sales.

11 I said, oh, they're saying you're not
12 going to do a good job, Mr. Cormier. And then we saw
13 SaskPower sales and a whole bunch of other good sales
14 happen.

15 So we don't know yet today what kind of
16 sales are going to fill up that opportunity area, if
17 any, in 2025/'26 going forward, correct, Mr. Gawne?

18 MR. KEVIN GAWNE: There's -- there is
19 certainly some uncertainty about what those
20 opportunity revenues will be that far out, but as we
21 talked about in the supply-demand portion of our
22 Export and Drought Panel, there's not -- you know, we
23 talked about this sliver of surplus of capacity.

24 So, as far as the surplus to Manitoba
25 load, there's not a lot left to enter into those long-

1 term bundled contracts as capacity and energy.

2 MR. ANTOINE HACAULT: Okay. Thank
3 you. Now, the one thing I didn't find, Ms. Van
4 Hussen, in the analysis is the impact of the
5 distribution investment that's expected to be made in
6 the next couple of years.

7 Did I miss that? 'Cause that's a cost
8 that only gets allocated to residential consumers.
9 Where is that analysis of the impact of those
10 increased costs in the RCC?

11 MS. MARNIE VAN HUSSEN: First off,
12 distribution costs do not just get allocated to the
13 residential class. They are allocated to all customer
14 classes with the exception of the -- the two (2)
15 largest General Service classes.

16 So those distribution impacts, while
17 they are picked up -- a big portion by the residential
18 class just 'cause of their sheer size, the
19 distribution system is -- is used by 70 percent of the
20 load I believe is the number. So it's not just a
21 residential cost.

22 MR. ANTOINE HACAULT: Well, something
23 that'll help us understand that is Appendix 8.1 at
24 page 28 of 63.

25

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: So if we go to
4 the bottom line and keep the top headings -- sorry. I
5 had 28 of 63 on the PDF. Yeah, that's it. Thanks.

6 So total investment under PCOSS if we
7 go down the line to distribution, and on the left-hand
8 side we see distribution, that's \$2.368 billion.

9 Do you see that?

10 Oh, yeah. Here we're on a different --
11 two point three six eight (2.368). Yeah. I have --
12 what's -- what's the heading on this slide? Sorry,
13 we're looking at something different.

14 Functionalization of rate base. That's close enough.
15 I can work with this.

16 If we go down to the bottom of the
17 slide, we see that there's some \$27 billion of total
18 assets, correct?

19 And if we go up a little bit on the
20 sub-totals, we see there's some \$20 billion of
21 generation, correct?

22 MS. MARNIE VAN HUSSEN: If --
23 approximately 15 million of -- of generation. So I
24 think we're probably looking at an average versus a
25 year-ending rate base.

1 MR. ANTOINE HACAULT: What I'm looking
2 at, top heading line, generation, and then all of them
3 added, they're functionalized. There's a total of --
4 at the bottom where it says, "Sub-total -- "

5 MS. MARNIE VAN HUSSEN: Oh.

6 MR. ANTOINE HACAULT: " -- of 20
7 billion."

8 MS. MARNIE VAN HUSSEN: Sorry. I
9 follow you now. Yes, I would agree.

10 MR. ANTOINE HACAULT: And if we move
11 more to the right, we'll see the \$2.2 billion related
12 to transmission?

13 MS. MARNIE VAN HUSSEN: Correct.

14 MR. ANTOINE HACAULT: And then close
15 to \$800 million on sub-transmission?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. ANTOINE HACAULT: And then nearly
18 \$3.4 billion on distribution?

19 MS. MARNIE VAN HUSSEN: Correct.

20 MR. ANTOINE HACAULT: And do you agree
21 that -- that the materiality of investments in
22 affecting the RCC is in relation to the relative
23 proportion of those base costs?

24 In other words, if I have \$3 billion
25 of increase in distribution, we'd see a bigger change

1 than if I have \$3 billion to generation when applied
2 to the residential class.

3 MS. MARNIE VAN HUSSEN: I think it's
4 fair. You have to be cautious about just looking at
5 the investment in isolation. Investment is one thing,
6 but we're also working with revenue requirements, so
7 it depends on what type of operating costs and certain
8 things. So -- but, generally speaking, I think that's
9 fair.

10 MR. ANTOINE HACAULT: Okay. So that
11 if we go to the same appendix I have at page 20 of 63.

12

13 (BRIEF PAUSE)

14

15 MR. ANTOINE HACAULT: Yes, this is the
16 table. If we go to the top row, there's a heading
17 'Distribution Customer Service' and 'Distribution
18 Plant Costs'.

19 Do you see that?

20 MS. MARNIE VAN HUSSEN: I do.

21 MR. ANTOINE HACAULT: And if we look
22 at the top line, it -- it relates to residential
23 consumers. Do you see that?

24 MS. MARNIE VAN HUSSEN: I do.

25 MR. ANTOINE HACAULT: So we have in

1 those two (2) categories, being distribution cost
2 service, \$79.5 million, correct, for residential?
3 That's at the very top, close to the right-hand end.

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. ANTOINE HACAULT: And distribution
6 plant costs for residential consumers comes in at
7 about \$251 million?

8 MS. MARNIE VAN HUSSEN: Correct.

9 MR. ANTOINE HACAULT: So, that -- my
10 lawyer's math as I round off to about \$330 million,
11 that's related to residential class?

12 MS. MARNIE VAN HUSSEN: Correct.

13 MR. ANTOINE HACAULT: Now, if we keep
14 that \$330 million in mind and go to PUB/MH Round One
15 IR 92, page 2, I'm focussing on the bottom two (2)
16 items in this table, advanced metering infrastructure.

17 Is that generally a residential class
18 expense?

19 MS. MARNIE VAN HUSSEN: I wouldn't
20 necessarily say that, Mr. Hacault. Certainly, there's
21 a metering cost within that. But there is also a lot
22 of communication, other digital aspects, communication
23 between the billing system and the meterings
24 themselves.

25 So, I don't know that it's -- that we

1 can go so far as to say, because we treat current
2 meters as a customer cost, that we would necessarily
3 treat the same -- the AMI investment the same way.

4 It's a bit of a different animal, and
5 so I don't know that you can just make that
6 conclusion.

7 MR. ANTOINE HACAULT: Okay. I'll back
8 up a little bit to a more general category then
9 because I had started with the \$3. odd million --
10 billion of distribution.

11 Would advanced metering infrastructure
12 be considered a distribution function?

13 MS. MARNIE VAN HUSSEN: I think my
14 answer's the same. I don't know that you can make
15 that conclusion. Certainly, we will have
16 communication that will likely be more -- shared more
17 broadly than just the distribution system.

18 I'm not sure all the details and all
19 the components that's in that AMI number, but I don't
20 know that you can -- I'd say a large portion would be
21 related to the distribution system certainly, but I
22 don't know that you could say the -- the whole thing
23 for sure.

24 MR. ANTOINE HACAULT: And that -- is
25 that because it's not considered transmission or sub-

1 transmission item?

2 MS. MARNIE VAN HUSSEN: Where, I'm --
3 I'm not sure. We -- we have existing communication
4 equipment and -- and stuff on our transmission system,
5 but we certainly don't have the same level of smart
6 metering, even for those customers that are interval
7 metered currently.

8 So, I'm -- I'm just not sure where the
9 distinction would be. I believe this is a replacement
10 of most metering. I don't know if it includes all the
11 metering instrumentation, so I just don't have enough
12 to confirm whether it would be entirely distribution
13 or not.

14 MR. ANTOINE HACAULT: Now, we'll leave
15 it at your answer, that it's probably a substantial
16 part of distribution.

17 MS. MARNIE VAN HUSSEN: I -- I think
18 that's fair.

19 MR. ANTOINE HACAULT: Okay. And what
20 about grid modernization? Would that -- at 180
21 million, would that be substantially also
22 distribution?

23 MS. MARNIE VAN HUSSEN: We might have
24 to take an undertaking on that. I'm not sure exactly
25 what's all in the grid modernization. We understand

1 it's substations and sub-transmission and
2 distribution, so I -- I don't know that we can say for
3 certain.

4 MR. ANTOINE HACAULT: Well, if you
5 could make an undertaking to advise how that's
6 allocated between distribution and other functions,
7 that would be great.

8 So, that's grid modernization at \$180
9 million, the allocation between the various functions,
10 distribution and other, agreed?

11 MS. MARNIE VAN HUSSEN: To the extent
12 that we can, certainly, we rely on more detailed than
13 perhaps we have certainly available. We'll -- we will
14 do our best to --

15

16 ---UNDERTAKING NO. 63: Manitoba Hydro to advise
17 grid modernization at \$180
18 million, the allocation
19 between the various
20 functions, distribution
21 and other

22

23 CONTINUED BY MR. ANTOINE HACAULT:

24 MR. ANTOINE HACAULT: I'm okay with an
25 estimate. It doesn't have to be precise. I'll move

1 on to different -- a couple other small discrete
2 issues.

3 Going back to Board book of documents,
4 Volume 6, page 64, at the bottom of the page, and
5 there was some discussion about this in your
6 presentation, but in the footnote that has the little
7 star, it talks about a proposed rate includes a 5.5
8 percent increase to the demand charge.

9 Do you see that?

10 MS. MARNIE VAN HUSSEN: I do.

11 MR. ANTOINE HACAULT: And then it
12 talks about a nine (9) cent rate impact be also
13 related to the billing demand definition change in
14 Figure 8.31.

15 So, just for the Board's benefit, how
16 does demand definition change cause a point nine (.9)
17 cent rate impact for these classes?

18 MS. MARNIE VAN HUSSEN: And I think if
19 we scroll up on this page, there is --

20 MR. ANTOINE HACAULT: Or nine (9)
21 cents, for the record. I said -- I think I said,
22 point nine (.9). It's nine (9) cents.

23 MS. MARNIE VAN HUSSEN: This explains
24 that billing demand definition change. And by
25 changing the billing demand definition to be based on

1 -- have a time component, we're expecting -- we're
2 measuring demand either in the peak hours or the non-
3 peak hours.

4 So, with that expectation, there are
5 some customers that peak in the off-peak hours, and it
6 will have an -- an effect on the billing determinants
7 that we use to calculate our demand rate.

8 So, because the billing determinants
9 come -- are lower under this new definition, we won't
10 have the same -- if we keep the demand rate the same,
11 we won't be revenue neutral. So, we'll be recovering
12 less revenue using those new billing determinants than
13 we would if we -- if we didn't change the billing
14 demand change.

15 So, that adjustment to the rate is just
16 to remain revenue neutral for that change. That's --
17 that's what we're proposing to do.

18 MR. ANTOINE HACAULT: Okay. So, I'll
19 take that in two (2) little bites.

20 Does that mean that these peaks for the
21 General Service Large are -- that you're talking about
22 are not coinciding with the residential peaks?

23 MS. MARNIE VAN HUSSEN: It -- it
24 doesn't have to do with the residential peak. It's --
25 it's coinciding with what we've defined to be

1 representative of when our system peak typically
2 occurs.

3 So, we've defined those hours in the
4 Board book of documents. But the -- the heat chart
5 where we're talking about the different hours. So, to
6 the extent that customers aren't peaking during those
7 times, there'll be a reduction to the level of billing
8 determinants that we use to calculate the demand rate,
9 which will mean less revenue, forecast revenue.

10 And to stay revenue neutral, we're
11 proposing to adjust that demand rate to -- to equal
12 out.

13 MR. ANTOINE HACAULT: Could you -- if
14 you don't have the number, undertake to provide me
15 with the amounts per class if it's more than one (1)
16 class. I think it's more than the greater than one
17 hundred (100) that are affected by this nine (9) cent.

18 So that -- you talked about we're not
19 going to be revenue neutral. I'm trying to isolate
20 what that number is.

21 MS. MARNIE VAN HUSSEN: I believe
22 there is an IR that Mr. Hombach and I looked at
23 yesterday that shows the bill impact of that billing
24 demand change.

25 MR. ANTOINE HACAULT: I'm not looking

1 for the bill impact on customers, I'm looking for the
2 number -- the total number.

3 MS. MARNIE VAN HUSSEN: The total
4 number of customers?

5 MR. ANTOINE HACAULT: The total number
6 to keep Manitoba Hydro revenue neutral. There's a
7 difference there. You say we're going to be short?

8 MS. MARNIE VAN HUSSEN: It's nine (9)
9 cents.

10 MR. ANTOINE HACAULT: No, but what's
11 the total -- total number --

12 MS. MARNIE VAN HUSSEN: Oh, if you
13 scroll up on this page, it's -- it's in there. It's -
14 - I believe it's three hundred and seventy thousand
15 dollars (\$370,000) for this class. And the GSL
16 greater than a hundred would be on -- it would be in
17 Tab 8, as well.

18 So, if you look, the revenue
19 calculation will show you the total revenue that
20 Manitoba Hydro would be short based on that billing
21 demand change.

22 MR. ANTOINE HACAULT: Okay. So, those
23 are actuals on those charts?

24 MS. MARNIE VAN HUSSEN: Those are
25 forecast. The difference between the forecast billing

1 determinant under the existing billing demand
2 definition and the proposed billing demand definition.

3 MR. ANTOINE HACAULT: Thank you.

4 We'll move on. If we go to Board book Volume 6, page
5 39. That's Coalition Manitoba Hydro 2nd Round 57D.

6 In the first bullet there's a
7 discussion of differences between some of the charts
8 on marginal values. And in the last sentence of the
9 first bullet there's an explanation that there's an
10 adjustment being made in the following table for load
11 factors, but only as it relates to transmission and
12 distribution.

13 Am I correct so far? If we go to the
14 next page, we'll see that table.

15 MS. MARNIE VAN HUSSEN: That's
16 correct.

17 MR. ANTOINE HACAULT: And the reason
18 I'm thinking that is if I go on this table, which is
19 on the next page, we see that the levelized marginal
20 value, the left part of that table, all the numbers
21 are uniform in generation, transmission, and
22 distribution. Do you see that?

23 MS. MARNIE VAN HUSSEN: Ms. Schubert,
24 scroll down a bit. Sorry, and you're saying and the
25 generation one is the same in both columns --

1 MR. ANTOINE HACAULT: Generation,
2 transmission, and distribution on the left-hand side
3 of this table, which is marginal cost with 100 percent
4 load factor, all the numbers are the same?

5 MS. MARNIE VAN HUSSEN: That's
6 correct. And it's done in part because the -- the
7 split between energy and capacity is CSI and so this
8 gives us that (INDISCERNIBLE).

9 MR. ANTOINE HACAULT: So -- and I
10 don't want you to go in CSI, but just so I hope the
11 panel is following me, if we go, for example, to the
12 first left-hand portion of the table, where we're 100
13 percent load factor -- are you following me so far --
14 on residential. If we go to transmission, we see
15 point-three (.3). That's cents per kilowatt?

16 MS. MARNIE VAN HUSSEN: That's
17 correct. Kilowatt hour.

18 MR. ANTOINE HACAULT: Kilowatt hour.
19 And then, if we move more to the right, we see a
20 heading that says 'Class Coincident Peak Load Factor
21 from PCOSS24', is that right?

22 MS. MARNIE VAN HUSSEN: Correct.

23 MR. ANTOINE HACAULT: And the
24 residential class is not actually at 100 percent load
25 factor in the study, correct?

1 MS. MARNIE VAN HUSSEN: That's
2 correct.

3 MR. ANTOINE HACAULT: It's only at
4 50.9 percent, correct?

5 MS. MARNIE VAN HUSSEN: Correct.

6 MR. ANTOINE HACAULT: And if we look
7 at transmission -- again, going back at 100 percent
8 load factor, it's point-three (.3) cents?

9 MS. MARNIE VAN HUSSEN: That's
10 correct.

11 MR. ANTOINE HACAULT: And if we go in
12 the table to the right where it's adjusted for the
13 load factor, it nearly doubles to point-five-nine
14 (.59) cents? See that top row?

15 MS. MARNIE VAN HUSSEN: Oh, sorry,
16 we're back up to the top row. Yes.

17 MR. ANTOINE HACAULT: Top row,
18 residential. And if we do the same thing for
19 distribution in the residential line, we start on the
20 left-hand side of the table, we see it's at fifty-five
21 (55) cents if we have 100 percent load factor.

22 You're following me so far?

23 MS. MARNIE VAN HUSSEN: Yeah.

24 MR. ANTOINE HACAULT: And when we
25 adjust for the fact that residential have a load

1 factor of only 58.9 percent, if we go further right,
2 we see that that fifty-five (55) cents nearly doubles
3 to one-point-zero-eight (1.08).

4 MS. MARNIE VAN HUSSEN: That's
5 correct.

6 MR. ANTOINE HACAULT: And what you're
7 telling me is you can't give me the numbers on the
8 right-hand of the table for generation as to what
9 change would occur under the heading 'Generation'
10 because that's CSI?

11 MS. MARNIE VAN HUSSEN: The split
12 between energy and capacity of that number is CSI,
13 correct.

14 MR. ANTOINE HACAULT: So we can't
15 know, on the public record, how much higher, if
16 anything, generation would be once we take into
17 account the 50.9 percent load factor?

18 MS. MARNIE VAN HUSSEN: That's
19 correct. I think it's fair to say it would be higher.

20 MR. ANTOINE HACAULT: I think that's
21 about all you can say on the public record.

22 And if we compare that to the bottom,
23 where my clients are in the classes of thirty (30) to
24 one hundred (100) and greater than one hundred (100),
25 we see -- if we go down the middle column, where it's

1 the class peak load factor from PCOSS, that they're
2 from 91.8 percent on average to 94.4 percent on
3 average. Do you see that?

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. ANTOINE HACAULT: And then, when
6 we go to see how that translates to an increased value
7 in the marginal cost, we see there isn't that drastic
8 increase of doubling. We only go from -- for General
9 Service Large, from point-three-zero (.30) to point-
10 three-two (.32). Correct?

11 MS. MARNIE VAN HUSSEN: Correct.

12 MR. ANTOINE HACAULT: And for General
13 Service thirty (30) to one hundred (100), we go from
14 point-three-zero (.30) to point-three-three (.33).

15 Correct?

16 MS. MARNIE VAN HUSSEN: Correct.

17 MR. ANTOINE HACAULT: I have -- I have
18 one final area that I'd like to deal with. And it may
19 be that I can shortcut quite a bit of it.

20 I had distributed an aid to cross-
21 examination, which were two (2) tables, which
22 summarized MIPUG/MH-1-62B and -- or MIPUG/MH-1-62B and
23 C.

24 Subject to check, can we work with
25 these tables and mark them as our next exhibit?

1 MS. MARNIE VAN HUSSEN: We haven't had
2 a chance to -- to check all the numbers, but certainly
3 if you want to ask questions, I think that's fair.

4 MR. ANTOINE HACAULT: It's not -- I
5 think -- so we'll mark it as our next exhibit, Exhibit
6 20.

7

8 --- EXHIBIT NO. MIPUG- 20: Two tables that summarize
9 MIPUG-MANITOBA HYDRO-1-
10 62B and C

11

12 CONTINUED BY MR. ANTOINE HACAULT:

13 MR. ANTOINE HACAULT: Now, if we flip
14 back to the Hydro presentation, Exhibit 51, page 5.

15 You'll see, under phase 2, that you had
16 presented this under the cost allocation procedure,
17 there is a term 'classes of customers'.

18 And that's what you used to describe
19 'class', correct?

20 MS. MARNIE VAN HUSSEN: I'm not sure I
21 followed your question quite there, but --

22 MR. ANTOINE HACAULT: There's -- we've
23 seen different classes.

24 MS. MARNIE VAN HUSSEN: Yes. We have
25 different classes of --

1 MR. ANTOINE HACAULT: Residential,
2 General Service Small non-demand.

3 And at least the time I've been here,
4 we don't -- we don't touch those classes very often,
5 do we?

6 MS. MARNIE VAN HUSSEN: Certainly, we
7 haven't changed the -- the classes in my time either,
8 Mr. Hacault. They're pretty standard.

9 MR. ANTOINE HACAULT: And do you
10 recall, if any, at what time there was a restructuring
11 or a critical look at classes and their composition?

12 MS. MARNIE VAN HUSSEN: I don't
13 remember the year. I know at one -- my understanding
14 is, at one point, the General Service Large, the three
15 (3) subclasses, were treated more as one (1) -- one
16 (1) class. I'd have to check on the year of that, but
17 that's my understanding.

18 MR. ANTOINE HACAULT: Yeah. And
19 there's some discussion of that in the '96 Order that
20 I've put in front of the Board, so you go back pretty
21 far too.

22 MS. MARNIE VAN HUSSEN: Yeah. And I -
23 - I believe that around 1988, there were some changes
24 amongst the commercial classes as well. But --

25 MR. ANTOINE HACAULT: It's been a long

1 time.

2 And you agree that the purpose of a
3 class is to represent a group of customers that are
4 homogeneous?

5 MS. MARNIE VAN HUSSEN: I think that
6 would be the ideal. There's a balance between
7 simplicity and understandability and getting too
8 complex and too granular with your customer classes.

9 So there's certainly, you know, trade-
10 offs there that -- to the extent you can have
11 homogeneous classes.

12 But just the nature of customers usage,
13 I don't know how often or practical that is to -- to
14 have all your classes by homogeneous. I don't -- I
15 think that's --

16 MR. ANTOINE HACAULT: I understand
17 that. But at least it would be useful if they used
18 power similarly, correct?

19 MS. MARNIE VAN HUSSEN: Certainly,
20 there would be less interclass cross-subsidization if
21 everyone used the system the same way.

22 MR. ANTOINE HACAULT: And if there's a
23 large disparity in size and quantity of usage, that
24 may make a difference?

25 MS. MARNIE VAN HUSSEN: It could. I

1 don't think size is necessarily definitively going to
2 cause a difference. If they have similar load shapes,
3 if they use the same parts of the system than just
4 because one is bigger than the other, it doesn't
5 necessarily cause a disparity.

6 MR. ANTOINE HACAULT: Excellent point.
7 And if we go back to slide 14, we have the class
8 that's sometimes referred to as zero (0) to thirty
9 (30), sometimes seven-fifty (750) to thirty (30) kV.

10 Do you know what kind of customers are
11 included in that broad categories? Maybe we can go
12 back to aid to examination. That's one of the reasons
13 I had put that up there.

14 MS. MARNIE VAN HUSSEN: Sure. Some
15 commercial, some industrial customers.

16 MR. ANTOINE HACAULT: And some
17 agricultural. If we go to GSL less than thirty (30),
18 you see there's a heading 69 -- customers in the
19 agricultural component of -- of that group and it's a
20 total of three hundred and sixty-six (366) customers
21 based on the response we received from Manitoba Hydro.

22 Correct?

23 MS. MARNIE VAN HUSSEN: Correct.

24 MR. ANTOINE HACAULT: And then we see
25 commercial nearly, I guess, three (3) -- three (3)

1 times -- not -- somewhere between two (2) and three
2 (3) times more than the agricultural at a hundred and
3 seventy-eight (178).

4 MS. MARNIE VAN HUSSEN: Correct.

5 MR. ANTOINE HACAULT: And then,
6 finally, the industrial class at -- or not industrial
7 class, it's industrial consumers within that class.

8 Correct?

9 MS. MARNIE VAN HUSSEN: Correct.

10 MR. ANTOINE HACAULT: Of ninety-four
11 (94) customers. Correct?

12 MS. MARNIE VAN HUSSEN: Correct.

13 MR. ANTOINE HACAULT: Then if we go --
14 and the bottom chart on this page, we'll see that GSL
15 -- the usage characteristics are different for the
16 different categories of agriculture, commercial and
17 industrial. Would you agree with that?

18 MS. MARNIE VAN HUSSEN: Yes, I would
19 agree with that.

20 MR. ANTOINE HACAULT: Now, we had had
21 some MIPUG member presentations, including Maple Leaf
22 Foods, who described their large plant in Brandon.

23 Do you agree that Maple Leaf is an
24 example of GSL, a zero (0) to thirty (30) kV customer?

25 MS. MARNIE VAN HUSSEN: Yes, I would.

1 MR. ANTOINE HACAULT: Now, do you know
2 if there's any other customers in that class that are
3 similar to Maple Leaf in terms of size, pattern of
4 usage within a day or a year?

5 MS. MARNIE VAN HUSSEN: Off the top of
6 my head, I -- I don't, Mr. Hacault. One way or
7 another I -- I don't know the answer.

8 MR. ANTOINE HACAULT: Yeah. Yes, some
9 of these contextual sentences are -- leads to a
10 question: Is Manitoba Hydro willing to look at the
11 issue of customer homogeneity in this class of zero
12 (0) to thirty (30) and report back to the PUB at the
13 next GRA, on whether there is merit in adjusting or
14 changing the composition of the classes zero (0) to
15 thirty (30) and then thirty (30) to one hundred (100)?

16 MS. MARNIE VAN HUSSEN: So, I think
17 it's certainly something Manitoba Hydro consider -- or
18 can consider, sorry. If we look -- think back to the
19 opening direct evidence presentation on there, we had
20 a schematic that showed where the GSL customers
21 connected to the system.

22 And, currently, the way the class is
23 set up, is that it's based on what parts of the system
24 that the customer classes are connected to. So, to
25 the extent that we look at that zero (0) to thirty

1 (30) class and look at homogeneity.

2 You know, utilities typically will set
3 up their customer classes to reflect where customers
4 connect on the system similar to Manitoba Hydro or
5 they use usage or consumption profiles. Some use end-
6 use, so it depends on the level of granularity that
7 you're looking at and so you have to kind of make some
8 assumptions around the size of your classes.

9 So, to split that class up and have a -
10 - I'm not sure if the suggestion is that it's a sub-
11 class or just to take a look at it.

12 Certainly, we'll look at it when we are
13 developing our hourly low profiles. With the next
14 one, we'll have a better sense of -- of the types of
15 shapes these customers have.

16 MR. ANTOINE HACAULT: Yeah, I -- I
17 think that that's the problem that's arising, based on
18 the feedback we're getting from our clients and, Ms.
19 Van Hussen, is that the classes are somewhat arbitrary
20 in the sense of where you hook up to it. It's not
21 related to the load profile and demand profiles of the
22 company and -- and -- because of that some of them
23 feel that the class rate structure does not fit well
24 with them and it -- in the class in which they're put.

25 So, that was the context of asking my

1 question, because the current classification is based
2 solely on how you hook up to the system as opposed to
3 your load profile and your demand profile.

4 MS. MARNIE VAN HUSSEN: And I think,
5 to paraphrase what you're saying is, they feel like
6 they're not similar to the average customer in that
7 class, representative of the average.

8 MR. ANTOINE HACAULT: That's right.

9 MS. MARNIE VAN HUSSEN: And,
10 certainly, we can -- something we can take a look at.
11 I -- I will say that's, you know, will happen with all
12 of our customer classes, you know, not all customers
13 can be close to the average. So, certainly, to the
14 extent that's going to happen, regardless of the --
15 the make-up of your class. But we will, we will take
16 a look at it.

17 MR. ANTOINE HACAULT: Thank you very
18 much. Those are all my questions. Thank you very
19 much to the Panel.

20 THE CHAIRPERSON: Thank you, Mr.
21 Hacault. I'll -- I'll ask the Panel if they have any
22 questions.

23 BOARD MEMBER BASS: Ms. Schubert, if
24 we could bring up, please, MH-51, slide 17.

25 And just as I looked at this and -- and

1 was considering the -- the residential class to -- to
2 start with, and their position outside the -- the zone
3 of reasonableness.

4 When you think about the -- the people
5 who are in that class, we likely have a lot of
6 consumers who have just gone through the -- the
7 pandemic and now are dealing with inflation and that
8 sort of thing.

9 Is there any judgment by Manitoba Hydro
10 that, because of what the people in that class might
11 be going through, that we shouldn't put their -- their
12 rates up very much more than what you're suggesting?

13 MS. MARNIE VAN HUSSEN: Sorry, is your
14 question whether we should consider something less
15 than two point 4 (2.4) or whether the Board should
16 consider whether they should go above two point four
17 (2.4). I'm not sure if I caught that question
18 correctly.

19 BOARD MEMBER BASS: Well, you've got
20 the question right and I'm not suggesting one way or
21 the other.

22 What I'm trying to understand is
23 whether there's -- that sort of element that goes into
24 the decision making?

25 MS. SHANNON GREGORASHUK: Certainly, I

1 -- I think through the consideration of that
2 affordability objective, we -- we did look at that and
3 -- and one of the things we -- we've been hearing and
4 -- and certainly through the pandemic, you know, we --
5 we've had, I would agree, like a lot of residential
6 customers had certain hardships.

7 I think we also heard that there are
8 certain businesses and -- and larger customers as
9 well, face those hardships. And -- and I think it's
10 really about trying to consider like all of those
11 customer interests and -- and balance this -- the --
12 the rate proposals and -- and that's certainly what we
13 hope, you know, the Board will see as we've done here.

14 You know, certainly, that the 2.4
15 percent is at .4 percent higher than -- than an
16 average increase, I think it works out to about a
17 fifty (50) cents per month difference.

18 And -- and you know, I -- I recognize
19 any -- any increase can be challenging for customers,
20 but, you know, we are trying to really balance.

21 Because, you know, the lower -- again,
22 going back to the pie analogy of the -- the lower the
23 residential customer increase, then -- then someone
24 else picks it up and -- and we've certainly heard
25 that, you know, you know, other customer classes, you

1 know -- you know, represented here, would have some
2 concerns about that.

3 So, it really was about trying to
4 balance and -- and considering things like, you know,
5 cost causation paramount, but all these other
6 objectives as well, including Board direction and --
7 and previous results of -- of Cost of Service studies.

8 BOARD MEMBER BASS: Thank you. You've
9 also touched on the -- the next point that I wanted to
10 explore and, that is, looking at the General Service
11 Large thirty (30) to a hundred (100) and the -- the
12 category there too of greater than a hundred (100),
13 with them being above the zone of reasonableness.

14 So they've likely gone through similar
15 sorts of things. We've -- we've heard of difficulties
16 that -- that some businesses have, commercial and
17 industrial. And at the same point, there may be
18 issues of trying to keep Manitoba competitive so that
19 we can attract more industries.

20 So, would the same sort of
21 considerations go into -- to that? Except that we've
22 left it so high, so would the consideration not be
23 that maybe we should be trying to bring that down and
24 not necessarily have those classes, in effect,
25 subsidizing the residential classes?

1 MS. SHANNON GREGORASHUK: Certainly, I
2 -- I think, you know, our -- our proposal to -- to
3 give them less than an average increase is -- is
4 intended to reflect that, you know, they are certainly
5 are outside that zone of reasonableness.

6 We -- we -- I don't -- I don't believe
7 we consider, you know, economic development
8 considerations as part of our -- our rate design.
9 That's certainly maybe something for energy policy. I
10 -- I don't know if that would be covered or not.

11 But certainly, not something we would -
12 - we -- we have looked at, but, again, it's -- it's
13 about balancing all of the things, you know,
14 paramount, cost/causation being paramount and then the
15 other objectives.

16 BOARD MEMBER BASS: So, when you talk
17 about balancing, sorry, if I interrupted you, but and
18 -- are -- are you thinking about the equity between
19 the classes? Is that a principle that you have in
20 mind, as you deal with this?

21 MS. MARNIE VAN HUSSEN: Certainly
22 equity and we talk about fairness and equity in the
23 concept of rate design. It's -- it's often referred
24 to as -- as covering your share of costs. So, I -- I
25 definitely do think that that's taken into

1 consideration. Where there's judgment is -- is just
2 how quickly do we -- do we move those customers.

3 So, I think our recognition is
4 absolutely that there is some movement that needs to
5 happen to bring customer classes closer to the zone of
6 reasonableness. It's just how quick does -- how
7 quickly does that happen and -- and how urgent is that
8 need and we've tried to -- to reflect on all of that
9 and -- and come up with a balanced approach.

10 BOARD MEMBER BASS: So, in terms of
11 considering the pace of change, you're, in effect,
12 hitting on the principle of gradualism, right?

13 MS. MARNIE VAN HUSSEN: Correct.

14 BOARD MEMBER BASS: Okay. So, if we
15 turn, now, to Ms. Schubert, tab 8, Figure 8.3. So,
16 we've seen this before and, as we look at the figures
17 from '21, we've got two (2) classes outside the zone
18 of reasonableness and, now, in '24, five (5) classes
19 outside the zone of reasonableness. It doesn't sound
20 like we're making progress.

21 MS. MARNIE VAN HUSSEN: I think we
22 have to be careful to remember that it's not just an
23 apples-to-apples comparison, where we look at PCOSS21
24 and, then, we implement differentiated rates and,
25 then, we look at the results of that.

1 This is -- is looking at two (2)
2 different studies and there was a considerable change
3 in the export revenue between those two (2) studies.
4 So -- so, that definitely has the impact of the
5 progress that we've made, in terms of rebalancing and
6 getting customers into the zone.

7 BOARD MEMBER BASS: Okay. And I'd be
8 happy to hear, as Ms. Fernandes had indicated, that,
9 in argument, the issue of the 10 years will be --
10 you'll get us an opinion -- Manitoba Hydro's opinion
11 on that.

12 But as I -- as I thought about the --
13 the 10 years and I -- and I look at the -- the
14 materials that we have, and we've got lots of
15 forecasts and projections that go out, sometimes, 20
16 years, why is it that the RRC path to get into the
17 zone of reasonableness during the 10-year period, we
18 don't have a forecast for that. Like why hasn't that
19 been scoped out, so that we can see how we can get to
20 the point that the Board had ordered, within the time-
21 frame that the Board had ordered? Microphone?

22 MS. MARNIE VAN HUSSEN: Sorry. You'd
23 think I'd have figured it out by now, but I haven't.

24 PUB/MH-1-41, Round 1, I believe -- let
25 me get there. That does calculate what the rate

1 differentials would be to have everyone in the zone
2 within 10 years. The difficulty is not everything is
3 static in those 10 years.

4 So, as we see between PCOSS21 and
5 PCOSS24, in PCOSS21 we had calculated it as if
6 everyone would be in the zone, all else equal, in 10
7 years.

8 And then PCOSS24 comes and we have more
9 customers that are now outside the zone due to changes
10 and -- and different load, new capital, new operating,
11 and things like that. So, it's not as -- as
12 prescriptive as that.

13 In terms of actually doing a PCOSS for
14 each of those 10 years, we just don't have the level
15 of granularity that we would need to do the detailed
16 study, going out beyond the first couple test years.
17 So, that's why we typically do it on the second test
18 year.

19 BOARD MEMBER BASS: I think I might
20 challenge you a bit on that because when I see the --
21 the 20-year rate forecast, there's all sorts of
22 variability that's worked into that.

23 Like, why couldn't the same thing be
24 done with respect to this and, then -- okay. Go
25 ahead.

1 MS. MARNIE VAN HUSSEN: Sorry, I was
2 just doing to -- are you saying to do a PCOSS that
3 looks 10 years out?

4 BOARD MEMBER BASS: Well, 10 years
5 back from when the first Order came. So, you've got
6 five (5) years, only, now, approximately.

7

8 (BRIEF PAUSE)

9

10 MS. MARNIE VAN HUSSEN: So, in the
11 past we have provided sort of a PCOSS scenario that
12 looked farther out. But because we don't have the
13 detail that we do for the test years, we have to make
14 an assumption on the -- the composition of the cost.

15 So, we generally assume that the
16 composition or the -- the different functions of the
17 cost will look similar to what they do today. So, it
18 -- it doesn't change that much.

19 What we can do and what we have done in
20 the past is when there's been major projects such as
21 Bipole or Keeyask coming in, we can say, well, we know
22 there's a big change in generation and transmission,
23 so we can reflect that, but all the other functions
24 sort of get scaled up.

25 Again, because we don't have that --

1 that detailed underlying budget to do the -- the
2 analysis underneath that we use for the PCOSS, so.

3 BOARD MEMBER BASS: Okay. You can
4 still do forecasts, itemizing what the assumptions are
5 and then it would be up to the -- the Board to make a
6 decision as to whether that's useful or not or whether
7 there's too many assumptions.

8 I just think that if we've got an end
9 point that we're going to, I -- I don't have the
10 feeling that we're necessarily making enough progress
11 towards it, but how do I gauge that, because I'm only
12 looking at half the -- the picture, just five (5)
13 years, not five (5) years afterwards.

14 And even what we've got here on the --
15 the slide in front of us, there's what, about five (5)
16 classes in the PCOSS24 that are outside. Like it --
17 it doesn't get us there.

18 So, do you understand what I'm getting
19 at?

20 MS. MARNIE VAN HUSSEN: I think if we
21 look -- if we look at the five (5) years
22 differentiation on the -- on the right-hand side,
23 everyone is in the zone of reasonableness. I'm not
24 sure if that was your question.

25 BOARD MEMBER BASS: Sorry, I was

1 looking at the second column, I-V. Oh, sorry, so
2 you're referring to the -- the very last column and
3 that shows that we're going to be --

4 MS. MARNIE VAN HUSSEN: Well, that
5 shows if -- if -- prescriptively if we calculated it
6 to be in the zone of reasonableness in five (5) years,
7 those would be the rate differentiation that would be
8 required. That's what that column shows.

9 You're correct, we haven't taken our
10 proposals out five (5) years. And part of that is
11 because we're recommending -- or proposing to have the
12 same rate increase in both test years. We aren't
13 necessarily recommending what that next rate increase
14 would be in the remaining years to get us to that ten
15 (10) year time frame.

16 So, that's -- you know, that's not
17 there. We're not suggesting in the -- the two (2)
18 right-hand columns do suggest that we would use -- you
19 know, if nothing else changes then we would use the
20 same differentiation over the next five (5) years.

21 What we're suggesting is we have two
22 (2) proposals in front of you and we look again in --
23 in three (3) years. It's also -- yeah, it's a moving
24 target. And so what we've said is I'm not sure that
25 we can continue to have a ten (10) year time frame and

1 say in '27/'28 everyone is going to be at a certain
2 point, because we can have a year like we had this
3 year where everyone looked like they were in the zone
4 and there's a big change and -- and people pop out --
5 or classes pop outside.

6 So, it -- it is a bit of a moving
7 target in that sense and it's difficult to say for
8 certainty that we'll have everyone in.

9 BOARD MEMBER BASS: Wouldn't it be
10 fair to say that, notwithstanding, that some people
11 are out, we -- Manitoba Hydro, we could still make the
12 decision to make it work, but we may not want to,
13 because it causes some classes too much pain.

14 MS. MARNIE VAN HUSSEN: I think that's
15 certainly fair. If you were to prescriptively move
16 everyone in, certain classes will have to pick up a --
17 a larger than average increase than what we're -- what
18 we've proposed this time around.

19 So, that's certainly within the purview
20 of the Board to -- to suggest a different balance or
21 direct a different balance, absolutely.

22 BOARD MEMBER BASS: Okay. Thank you.

23 THE CHAIRPERSON: Ms. Van Hussen, I
24 just want to pick up on the last point you had with M.
25 Hacault, which is on the -- on the issue of the GSL

1 category or -- or class or any other class where
2 you're looking at it and determining whether you're
3 going to make adjustments to it.

4 Can you briefly tell me what the
5 process within Manitoba Hydro would be when you look
6 at that?

7 MS. MARNIE VAN HUSSEN: ...sure that
8 we have a defined process to look at it to date.
9 Certainly, when we're looking at the General Service
10 Small and Medium subclasses, we took a look at billing
11 data to the extent that we have, and -- and it's a
12 little bit trickier there.

13 We don't have demand meter on all of
14 our smallest customers, so we're looking at a sample.
15 So, we try to take a look at our load research to see
16 what different customers are doing.

17 In the case of the GSL zero to 30, we
18 have interval metering for most of our customers, so
19 it'll give us an easier idea. There's also less
20 customers, so there's less -- less customer accounts
21 to kind of look at and just look at their load shape.

22 Do the use the system at the system at
23 the same time? Do you they -- are -- are they much
24 bigger? Do they have different load factors. Those
25 would be -- load factor is -- is -- and load shape

1 would be kind of the two (2) main drivers, I would
2 say, of suggesting that you are different than the
3 class average.

4 THE CHAIRPERSON: Okay. Do you ever
5 talk to them and see what their positions are and...?

6 MS. MARNIE VAN HUSSEN: Certainly, I
7 think, in this instance, we would. We've talked to...

8

9 (BRIEF PAUSE)

10

11 MS. MARNIE VAN HUSSEN: We -- we
12 haven't gone through, as Mr. Hacault mentioned, a
13 review of our -- our customer classes in a long time,
14 so I can't say that we've talked to customers in the
15 past to do that.

16 We certainly, for our GSL greater than
17 a hundred class, we have an area within the Company
18 that all of our energy service advisors and key count
19 advisors that work directly with these customers, so
20 certainly there would be some conversations with them
21 to try to understand the differences of these
22 customers and any feedback that they have.

23 THE CHAIRPERSON: I -- I suspect that
24 the conversations you have now, like, account managers
25 would be different than if you -- if you go to them

1 and say, you know, we're thinking about -- we're
2 analyzing this, and see what their views are as to
3 just to find out what their suggestions are on how
4 they think it should be analyzed, not that it, you
5 know, requires you to do that, but...

6 MS. MARNIE VAN HUSSEN: Certainly, I
7 think that's fair. And when we did the time-of-use
8 engagements, I met with the customers myself. And we
9 brought Ms. -- Ms. Brako's team and her team of energy
10 advisors, so it was -- it wasn't just one view or the
11 other, it was both.

12 So, we have met with customers in our
13 largest two (2) groups -- or mostly our greater than a
14 hundred group directly --

15 THE CHAIRPERSON: Yeah.

16 MS. MARNIE VAN HUSSEN: -- to get some
17 of that feedback from them, and not specifically to
18 having a new class, but just getting feedback on
19 different rate proposals.

20 THE CHAIRPERSON: I want to thank this
21 Panel. I want to thank you for all your work. I must
22 say my -- one (1) of my takeaways is I don't think
23 I'll ever look at lemon meringue pie the same way.
24 But I'd like to -- to thank you again, thank the
25 Interveners and all counsel.

1 And we're going to adjourn. Tomorrow
2 morning at nine o'clock. Sorry. Mr. Hombach...?

3 MR. SVEN HOMBACH: I believe Ms.
4 Fernandes has --

5 THE CHAIRPERSON: Oh.

6 MR. SVEN HOMBACH: -- a housekeeping
7 matter.

8 THE CHAIRPERSON: Oh, sorry. I'm
9 sorry. You -- did you have a re-direct, as well?

10 MS. ODETTE FERNANDES: No, we don't --

11 THE CHAIRPERSON: Okay.

12 MS. ODETTE FERNANDES: -- have any re-
13 direct.

14 THE CHAIRPERSON: Okay. Sorry, I
15 forgot.

16 MS. ODETTE FERNANDES: But I do have a
17 package of undertakings that --

18 THE CHAIRPERSON: Okay.

19 MS. ODETTE FERNANDES: -- that we
20 filed, please.

21 THE CHAIRPERSON: Sure.

22 MS. ODETTE FERNANDES: So, just for
23 purposes of the record --

24 THE CHAIRPERSON: Yeah.

25 MS. ODETTE FERNANDES: -- the

1 undertakings that have been responded to are 19, 20,
2 23, 32, 39, 41, 43, 44, 51, 52, and another
3 undertaking accepted at page 3,194. And then there's
4 also been an update to Undertaking number 7.

5 So, that will -- that package will be
6 marked as Manitoba Hydro Exhibit 52.

7

8 ---EXHIBIT NO. MH-52: Package re answers to
9 Undertakings 19, 20, 23,
10 32, 39, 41, 43, 44, 51,
11 52, and another
12 undertaking accepted at
13 page 3,194. And then an
14 update to Undertaking
15 number 7.

16

17 THE CHAIRPERSON: Thank you. I -- I
18 thought you were going to -- somebody was going to
19 call bingo, but anyways. Thank you, all. We'll --
20 we'll adjourn until nine o'clock tomorrow morning.

21 My understanding is, just sort of for
22 updates in case you don't know, we will be hearing
23 from Ms. Derksen tomorrow in direct and cross, and
24 then on Friday, I understand Mr. Bowman for direct and
25 cross. And next week there will be no sessions.

1 Thank you.

2

3

(PANEL STAND DOWN)

4

5 --- Upon adjourning at 2:44 p.m.

6

7

8 Certified Correct,

9

10

11

12

13 _____
Wendy Woodworth, Ms.

14

15

16

17

18

19

20

21

22

23

24

25