



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re :

MANITOBA HYDRO

2017/18 and 2018/19

GENERAL RATE APPLICATION

PUBLIC HEARING

Before Board Panel:

- Robert Gabor - Board Chairperson
- Marilyn Kapitany - Vice-Chairperson
- Larry Ring, QC - Board Member
- Shawn McCutcheon - Board Member
- Sharon McKay - Board Member
- Hugh Grant - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
December 19, 2017  
Pages 2239 to 2588

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1 --- Upon commencing at 9:00 a.m.

2

3 THE CHAIRPERSON: Good morning,  
4 everyone. Ms. Steinfeld, do you want to take us  
5 through today.

6 MS. DAYNA STEINFELD: Thank you, Mr.  
7 Chair. Today we will have direct evidence from  
8 Manitoba Hydro's third witness panel, the cost of  
9 service study and rate design panel. After their  
10 presentation, Board counsel will be cross-examining  
11 the panel for the balance of the day. We are  
12 scheduled to sit until 5:30 morning. Thank you.

13 THE CHAIRPERSON: Thank you. Good  
14 Morning, Ms. Fernandes.

15 MS. ODETTE FERNANDES: Good morning,  
16 Mr. Chairman.

17 THE CHAIRPERSON: Nice to see you.

18 MS. ODETTE FERNANDES: Madam Vice-  
19 Chair and Board members McCutcheon, Ring, McKay and  
20 Grant.

21 Just for the record, my name is Odette  
22 Fernandes and myself, along with Mr. Doug Bedford who  
23 is seated directly behind me, will be acting as legal  
24 counsel for this panel for this part of the hearing,  
25 and appearing before you today is the cost of service,

1 rate design and bill affordability panel.

2 I will do some brief introductions and  
3 then ask questions with respect to qualifications of  
4 each of the panel members and then we'll go right into  
5 the presentation.

6 So seated immediately to my right is  
7 Mr. Greg Barnlund. He appeared before you on the  
8 revenue requirement panel and he is the Director of  
9 Rates and Regulatory affairs. Beside him is Mr. Paul  
10 Chard, and he is the Director of Customer Care. To  
11 his right is Ms. Colleen Galbraith, who is the Bill  
12 Affordability Manager. And then we have Ms. Lois  
13 Morrison who testified -- provided testimony on the  
14 revenue requirement panel as well. And then at the  
15 end, we have Dr. Greg Mason, who is the senior  
16 consultant at Prairie Research Associates.

17 And then briefly in our back row.  
18 You're familiar with Ms. Ramage and Mr. McCallum. We  
19 also have Ms. Colleen Ehrlich, (phonetic) who is the  
20 Power Smart Programs department manager and then  
21 directly behind Mr. Chard is Mr. Michael Dust  
22 (phonetic), who is the cost of service supervisor.

23 Just for the record, Ms. Morrison's CV  
24 was filed as part of the revenue requirement panel  
25 under Exhibit 60. The CVs for the remainder of the

1 panel have been filed as Exhibit Number 77 and  
2 Manitoba Hydro provided its direct presentation  
3 yesterday afternoon and I understand that's been  
4 marked as Exhibit Number 88.

5

6 MANITOBA HYDRO PANEL 3 re COST OF SERVICE, RATE DESIGN  
7 AND BILL AFFORDABILITY:

8 PAUL CHARD, Sworn

9 COLLEEN GALBRAITH, Sworn

10 GREGORY MASON, Sworn

11 SANDY BAUERLEIN, Previously Sworn

12 LOIS MORRISON, Previously Sworn

13 GREG BARNLUND, Previously Sworn

14

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

16 MS. ODETTE FERNANDES: So we will get  
17 started here. Mr. Barnlund, although you provided  
18 testimony -- oh, do you want me -- okay, we can do  
19 that. Okay.

20

21 (BRIEF PAUSE)

22

23 MS. ODETTE FERNANDES: Okay, we'll  
24 just go through the brief qualifications and expertise  
25 of each of the panel members. Mr. Barnlund, can you



1 please start with your qualifications and your role in  
2 Manitoba Hydro's General Rate Application.

3 MR. GREG BARNLUND: Thank you, Ms.  
4 Fernandez. Good morning, Board Chairman, Board  
5 members, ladies and gentlemen in attendance. My name  
6 is Greg Barnlund. I'm the Director of Rates and  
7 Regulatory Affairs that Manitoba Hydro. I'm a  
8 certified engineering technologist and I graduated  
9 from Red River Community College in 1998 -- 1988,  
10 pardon me, with a diploma in mechanical engineering  
11 technology.

12 I began my career in the utility  
13 industry in 1989 joining ICG Utilities, the  
14 predecessor to Centra Gas Manitoba, which itself was  
15 acquired by Manitoba Hydro in 1999. I was appointed  
16 to the position of Director of Rates and Regulatory  
17 Affairs at Manitoba Hydro in June 2013. Prior to  
18 that, I held a number of positions throughout the  
19 organization with -- with regards to regulatory  
20 affairs, rates, cost of service, gas supply, business  
21 investment and customer policy, and industrial  
22 marketing.

23 My responsibilities include overseeing  
24 regulatory affairs between Manitoba Hydro and the  
25 Public Utilities Board; the preparation of regulatory

1 applications and filings, regulatory compliance; and  
2 overseeing the preparation of rates and cost of  
3 service studies for both electric and natural gas  
4 operations.

5 I first testified before the Public  
6 Utilities Board in 1996 at the Public Utilities Board  
7 review of cost of service and rate design for Centra  
8 gas. Since that time I've appeared on several  
9 occasions, including General Rate Applications, public  
10 hearings in the system expansion and service  
11 extension, hearings into the competitive market for  
12 natural gas in Manitoba, the NFAT proceeding, and most  
13 recently, the review of Manitoba Hydro's cost of  
14 service methodology in 2017.

15 In this hearing I'm providing evidence  
16 on rates, rate design, cost of service, bill  
17 affordability and regulatory matters with respect to  
18 this General Rate Application.

19 MS. ODETTE FERNANDES: Mr. Chard, can  
20 you please also explain your qualifications, your  
21 years of service at Hydro and your responsibilities  
22 with respect to this filing.

23 MR. PAUL CHARD: Yes. Good morning,  
24 Mr. Chairman and members of the Board, Intervenors,  
25 and all others present. My name is Paul Chard. I'm

1 the Director of Customer Care at Manitoba Hydro in the  
2 marketing and customer service operating group.

3 I'm a graduate of the public of the  
4 public -- of the faculty of public affairs at Carleton  
5 University in Ottawa and I hold a Master in Business  
6 Administration degree from the University of Manitoba.

7 I've been with Manitoba Hydro and  
8 Centra Gas for more than twenty-one (21) years working  
9 primarily in various facets of customer service and  
10 marketing. My current responsibilities include  
11 customer billing and credit and recovery activities.  
12 I have been involved in regulatory proceedings and  
13 processes on behalf of both Manitoba Hydro and Centra  
14 Gas, including providing testimony at the last  
15 Manitoba Hydro Electric General Rate Application in  
16 2015.

17 As part of the cost of service, rate  
18 design and bill affordability panel, I will be  
19 speaking about the work of the bill affordability  
20 collaborative process.

21 MS. ODETTE FERNANDES: Ms. Galbraith,  
22 can you go through your qualifications, please.

23 MS. COLLEEN GALBRAITH: Yes, good  
24 morning, Mr. Chairman, members of the Board,  
25 Intervenors and all others present. My name is

1 Colleen Galbraith and I hold the position of Manager  
2 of Bill Affordability of the marketing and customer  
3 service operating group.

4 I'm a graduate of the University of  
5 Manitoba Faculty of Arts and hold a Masters of  
6 Business Administration from the Asper School of  
7 Business.

8 I have been with Manitoba Hydro for  
9 over fourteen (14) years working in various supporting  
10 roles in our credit and recovery services area,  
11 customer service, Power Smart and bill affordability  
12 initiatives.

13 I have been involved with regulatory  
14 proceedings on behalf of both Manitoba Hydro and  
15 Centra Gas, including providing testimony at the last  
16 Manitoba Hydro General Rate Application in 2015.

17 As part of the cost of service, rate  
18 design and bill affordability panel, I will be  
19 providing evidence with respect to Manitoba Hydro's  
20 affordable energy program, Indigenous Power Smart  
21 program, neighbours helping neighbours and the bill  
22 affordability collaborative process. Thank you.

23 MS. ODETTE FERNANDES: Ms. Morrison  
24 has already provided her qualifications and  
25 experience, but can you just briefly explain to the

1 panel your role as part of this panel.

2 MS. LOIS MORRISON: Good morning, Mr.  
3 Chairman, members of the Board, Intervenors, and all  
4 of those present. In my testimony as part of the cost  
5 of service, rate design and build affordability panel,  
6 I'll be providing evidence with respect to Manitoba  
7 Hydro's current demand-side management programs and  
8 initiatives.

9 MS. ODETTE FERNANDES: And I will now  
10 go through some questions for Dr. Mason.

11 Dr. Mason, you were retained by  
12 Manitoba Hydro to conduct research to support the bill  
13 affordability work collaborative process; is that  
14 correct?

15 DR. GREGORY MASON: Okay. So  
16 technically, it was a Pra -- PRA Inc. or Prairie  
17 Research that was retained and I was senior consultant  
18 on that project.

19 MS. ODETTE FERNANDES: And you were  
20 involved in the preparation of the bill affordability  
21 report filed as part of this proceeding?

22 DR. GREGORY MASON: That's correct.

23 MS. ODETTE FERNANDES: And that  
24 report is filed as Appendix 10.5 to the General Rate  
25 Application?

1 DR. GREGORY MASON: That's correct.

2 MS. ODETTE FERNANDES: Okay. And can  
3 you describe briefly the purpose and primary focus of  
4 the report?

5 DR. GREGORY MASON: The report was  
6 supporting the collaborative process looking at the  
7 impact of various rate designs on energy poverty. And  
8 so, the report essentially went through a series of  
9 simulations and using the foundation of energy poverty  
10 as the basis for examining potential implications of  
11 various rate increases over the next decade or so.

12 MS. ODETTE FERNANDES: And, Dr. Mason,  
13 in terms of your education and professional  
14 designations, in your CV you have listed -- you have a  
15 PhD in Economics, Urban land economics and management  
16 science from the University of British Columbia,  
17 correct?

18 DR. GREGORY MASON: That's correct.

19 MS. ODETTE FERNANDES: And you also  
20 have a Bachelor's and Master of Arts majoring in  
21 economics from the University of British Columbia?

22 DR. GREGORY MASON: That's correct.

23 MS. ODETTE FERNANDES: All right. And  
24 I see you are also a credentialed evaluator. Can you  
25 please briefly describe what that is?

1 DR. GREGORY MASON: It's a credential  
2 that's offered by the Canadian Evaluation Society.  
3 It's essentially certification of the -- I guess my  
4 qualifications as a program evaluator.

5 MS. ODETTE FERNANDES: And you're a  
6 member of the Canadian Evaluation Society?

7 DR. GREGORY MASON: I am. I'm  
8 actually a fellow of the Canadian Evaluation Society.

9 MS. ODETTE FERNANDES: Okay and can  
10 you briefly touch on your other memberships.

11 DR. GREGORY MASON: Well, while I was  
12 practising at PRA I was a certified management  
13 consultant. Since I've left PRA and no longer have a  
14 management position there, I have given up that  
15 designation.

16 MS. ODETTE FERNANDES: And can you  
17 provide a brief summary of your professional  
18 experience?

19 DR. GREGORY MASON: Essentially,  
20 there's two (2) parts of it: One is the academic  
21 experience. I've been a member of the Faculty of  
22 Economics since 1974. During that period I directed  
23 the Institute for Social Economic Research between  
24 1981 and '85, University of Manitoba research between  
25 '86 and '88, and then I started PRA with a couple of

1 partners and was managing partner of PRA between 1988  
2 and 2015 when I no longer had an ownership stake in  
3 the company, but I'm still retained as a senior  
4 consultant by the company.

5 MS. ODETTE FERNANDES: And at the top  
6 of your CV here, I see areas of expertise. Can you  
7 briefly explain those areas?

8 DR. GREGORY MASON: Well, I think over  
9 the years I -- partly as a consultant, and partly  
10 because of being an academic for a sufficient period  
11 of time, I've touched on many topics, but I think if  
12 there's one (1) theme that runs through my career  
13 it's, essentially, policies dealing with poverty, and  
14 poverty reduction is an area I've spent a lot of my  
15 time and I continue to spend a lot of my academic time  
16 working on.

17 I'm also currently or just have ceased  
18 to be the -- an advisor to the basic income experiment  
19 in -- or basic income experimental data in Ontario. I  
20 still continue to serve as an informal adviser to that  
21 -- to that project.

22 MS. ODETTE FERNANDES: And, finally,  
23 can you briefly highlight any relevant project  
24 experience and publications.

25 DR. GREGORY MASON: Well, I think the



1 ongoing project that I've had for almost forty (40)  
2 years has been basically working and rehabilitating  
3 and working with Manitoba basic income experimental  
4 data. In the last year I just put that data backup  
5 and we're now starting to initiate a series of  
6 research studies. My most recent publication was on  
7 the Manitoba basic income experiment and looking at  
8 its potential.

9 I'm also working on -- on looking at  
10 the design and implementation of a basic income and  
11 looking at all range of the administrative and  
12 evaluation -- evaluation challenges in a basic income  
13 experiment. So that's where I'm really focusing a lot  
14 of my energies right now.

15 MS. ODETTE FERNANDES: Thank you, Dr.  
16 Mason. I will now turn the microphone over and the  
17 witnesses can go through their direct presentation  
18 subject to any questions you may have.

19 THE CHAIRPERSON: Thank you.

20

21 PRESENTATION BY MANITOBA HYDRO PANEL NO. 3:

22 MR. GREG BARNLUND: Good morning once  
23 again. If we can turn to slide 3, I'd like to briefly  
24 walk you through the agenda of today's direct evidence  
25 presentation but, first of all, I'd like to touch on

1 some of the achievements that have been accomplished  
2 since the completion of Manitoba Hydro's last General  
3 Rate Application in the spring of 2015.

4                   Much has happened since the issuance of  
5 Order 73/15 on July 24th, 2015. In Order 73/15 the  
6 PUB directed Manitoba Hydro to initiate a  
7 collaborative stakeholder engagement process to  
8 develop a bill affordability program that was  
9 harmonized with Manitoba Hydro's other program  
10 supporting low income ratepayers.

11                   The PUB noted its concerns that a  
12 series of 3.95 percent rate increases over a period of  
13 seventeen (17) years would have an effect on the  
14 affordability of electricity bills to lower income  
15 ratepayers. Manitoba Hydro initiated and led the  
16 stakeholder engagement process from initial meetings  
17 with stakeholders in September of 2015, to the  
18 completion and filing of a final report of the bill  
19 affordability working group in January of 2017.

20                   Mr. Chard, Ms. Galbraith and Mr. Mason  
21 will all be speaking to matters related to the work  
22 undertaken during that engagement and will also  
23 discuss the results and learnings obtained over the  
24 course of examining the issue of energy poverty in  
25 Manitoba.

1                   The other major undertaking in this  
2 timeframe was the Public Utilities Board review of  
3 Manitoba Hydro's cost of service methodology. It's  
4 fair to say that the issues of cost of service  
5 methodology have existed in Manitoba since the mid-  
6 2000's. Manitoba Hydro engaged industry experts in  
7 2011 to assess and review Manitoba Hydro's cost of  
8 service methodology. The consultant report and  
9 Manitoba Hydro's own report were filed in the '12/'13  
10 and '13/'14 General Rate Application but the PUB in  
11 Order 98/12 deferred the review of cost of service to  
12 a later date.

13                   In 2014, Manitoba Hydro reached out to  
14 intervenors to conduct a stakeholder engagement on  
15 cost of service matters which was undertaken in the  
16 fall and winter of 2014. With the benefit of feedback  
17 from intervenors through that engagement, Manitoba  
18 Hydro further revised aspects of its cost of service  
19 study and submitted it for review with the Public  
20 Utilities Board on December 4th, 2015.

21                   Consequently, a regulatory review  
22 process was undertaken in 2016 with the public hearing  
23 in September of that year, leading to the issuance of  
24 Order 164-16 on December 20th of 2016.

25                   Manitoba Hydro addressed the direction

1 provided in Order 164-16 and provided its compliance  
2 filing to the PUB for review on February 21st, 2017.  
3 Further adjustments to methodology were addressed in a  
4 subsequent preparation of the prospective cost of  
5 service study 18, which was filed with this General  
6 Rate Application.

7                   Manitoba Hydro's compliance with the  
8 direction provided to 164-16 is substantially complete  
9 and has been fully examined both its compliance filing  
10 and in this General Rate Application. In our view,  
11 now that the cost of service study has been resolved,  
12 it's time to turn our attention to the topic of rate  
13 design, both in this proceeding and moving forward.

14                   While we don't expect to resolve all  
15 issues of rate design in this proceeding, we believe  
16 that this topic area deserves a fulsome and informed  
17 discussion.

18                   If we could move to slide 5, please.  
19 Let me briefly walk the Panel through the overview of  
20 the ratesetting process. There are three (3)  
21 sequential steps followed in developing rates. The  
22 first step is to dir -- determine the overall cost of  
23 service or the revenue requirement. Once we have the  
24 overall cost picture for the Corporation, the revenue  
25 requirement is then allocated to each of the customer

1 classes by use of the cost of service study. The cost  
2 of service study apportions the revenue requirement to  
3 each class, based on the usage characteristics of each  
4 of the customer classes.

5           The term 'cost of service' denotes the  
6 way that a customer uses electricity, actually  
7 determines the cost that that customer imposes on the  
8 electrical system for their usage. Costs are imposed  
9 on the system by the number of customers being served;  
10 the amount of maximum or peak demand, which is their  
11 instantaneous usage they -- that they would impose on  
12 the system; and by the amount of energy that they  
13 consume over the course of a year.

14           On the basis of those variables, the  
15 revenue requirement is distributed between the  
16 customer classes. Then in rate design, we can  
17 calculate rates. And that calculation is based on the  
18 variables or the billing determinants for each  
19 customer class; the number of customers; contribution  
20 to peak demand; amount of energy consumed.

21           Rates are calculated to obtain the  
22 required level of revenue on a forecast basis and that  
23 assumes normal weather conditions.

24           I'm going to move to slide 7 here and  
25 we're going to talk about rate design goals and rate-

1 making objectives. It's the duty of this Utilities  
2 Board to review Manitoba Hydro's rate application and  
3 to come to a determination of just and reasonable  
4 rates. Cost of service is an important consideration  
5 in determining just and reasonable rates, but it is  
6 not the only consideration for this Board. This Board  
7 can take into consideration other compelling policy  
8 considerations in its deliberation.

9           It's useful to examine the rate design  
10 goals and the rate-making objectives we've got here  
11 and their related regulatory principles so that we can  
12 come to the most complete understanding of what these  
13 rates represent and whether they're just and  
14 reasonable or not.

15           I'm going to walk you through Manitoba  
16 Hydro's rate-making objectives shortly, but first, I'm  
17 going to refer to the observations of Professor  
18 Bonbright for -- for guidance. I do that with some  
19 trepidation, but I can say that, if anything, Mr. --  
20 Professor Bonbright is widely quoted when you open a  
21 rate design tab on a Utility rate application.  
22 Bonbright's rate-making objectives and the attributes  
23 of -- of the -- of sound rate-making are quoted over  
24 and over again. And they underpin the rate-making  
25 goals and objectives that Utilities use in the design

1 of their rates.

2                   So I'd just like to touch on these  
3 briefly here, if I could. The number 1 goal at --  
4 that Bonbright lists is the effectiveness of yield --  
5 yielding total revenue requirements. In other words,  
6 a rate design needs to be reliable in terms of being  
7 able to obtain the required level of revenues for the  
8 Utility from its customers.

9                   That also suggests that revenue --  
10 there should be revenue and cash flow stability from  
11 year to year and it shouldn't be subject to undue  
12 volatility and fluctuation, and that in itself is the  
13 stability of rates with minimal unexpected changes  
14 that are seriously adverse to customers.

15                   We had discussion on the first day of  
16 the hearing about fairness and equity, and I really  
17 want to spend some time talking about that because  
18 fairness and equity means something outside of the --  
19 the Utility's hearing room. It has a very specific  
20 and defined meaning when we speak of rate-making.  
21 Fairness is wri -- is discussed by Bonbright as being  
22 the fairness in apportioning cost of service amongst  
23 different customers, and it's important so as to avoid  
24 arbitrariness and capriciousness and to obtain equity  
25 in three (3) dimensions.

1                   So he speaks of equity in terms of  
2 equity being either horizontal equity, vertical equity  
3 or anonymous equity. And we tend to look mostly in  
4 terms of horizontal and vertical equity -- vertical  
5 equity. Horizontal equity means equals are treated  
6 equally.

7                   So if you have a residential customer  
8 in one (1) part of your system it's going to receive  
9 the same treatment as a residential customer in  
10 another part of your system.

11                   Vertically unequals are treated  
12 unequally; in other words, a -- a commercial customer,  
13 an industrial customer has different cost attributes  
14 than a residential customer, and therefore, they  
15 deserve and merit different treatment. It's not  
16 discriminatory to charge them a different rate, as  
17 long as it's representative of the cost of serving  
18 that customer.

19                   The third one, the anonymous equity is  
20 where you have, basically, competition in the -- in  
21 the marketplace. If you think of when the natural gas  
22 industry was -- opened up to commercial marketers in  
23 the 1990s, it means that customers are not  
24 uneconomically diverted from the incumbent by the  
25 entrant.



1           The remaining goals of Bonbright are on  
2 this page, page 8 -- 9, sorry. He speaks of the  
3 static efficiency of rate classes in discouraging  
4 wasteful use of service while promoting all justified  
5 types and amounts of use. So he's really talking  
6 about the optimal consumption of energy.

7           He also speaks of dynamic efficiency in  
8 promoting innovation and responding economically to  
9 changing demand and supply patterns and that's  
10 sometime seen when you have certain jurisdictions that  
11 have rates that are -- demand response rates where  
12 pricing is dynamic and changes hourly in response to  
13 conditions on the system.

14           An important goal of Bonbright's is the  
15 avoidance of undue discrimination in rate  
16 relationships; in other words, he refers to it as  
17 being subsidy free, with no inner customer burdens.  
18 That is a balance that is -- that has to be recognized  
19 in rate-making because there is really no such thing  
20 as a perfectly subsidy free rate.

21           A very important consideration is the  
22 file to considerations which is the simplicity, the  
23 certainty, convenience of payment, economy and  
24 collection, the understandability, the public  
25 acceptability and the feasibility of application of a

1 rate design.

2                   And lastly, it should be free from  
3 controversy in terms of its proper interpretation. So  
4 if we look at page 10, where we have Manitoba Hydro's  
5 rate design goals and objectives, you'll see that  
6 there's a very close correlation, a close relationship  
7 to the rate design goals that have been discussed by -  
8 - by Bonbright.

9                   You can see that the number 1 objective  
10 that we have listed here is recovery of revenue  
11 requirement. We're looking to have rates that provide  
12 the Corporation the opportunity to as close to fully  
13 recovering the revenue requirement as possible. So  
14 that's based on forecast average weather conditions  
15 and that -- that recovery will vary, obviously,  
16 between -- from year to year based on actual weather  
17 conditions due to the prominence of heating load on  
18 our system.

19                   The second item that we have on our  
20 list is fairness and equity. And we again echo  
21 Bonbright's words here where we say that rate design  
22 should provide for equitable treatment of customers,  
23 both within a customer class, so similar customers  
24 within a class receiving similar treatment, and  
25 between customer classes. As I spoke before,

1 dissimilar customers may legitimately be treated  
2 differently.

3                   An important consideration, as well, is  
4 -- is our goal number 3, rate stability and  
5 gradualism. So we speak of this and we're going to  
6 talk about that a little bit in more detail I'm sure  
7 once we get in to cross-examination, but there's  
8 really two (2) tools we have in terms of guiding us in  
9 terms of rate stability and gradualism when we're  
10 talking about changes in -- in rate-making due to  
11 changes in rate design or the balancing of revenues  
12 between customer classes as a result of the outcomes  
13 of cost of service study.

14                   So Manitoba Hydro has a guideline that  
15 -- that if adjustments are made for the movement of  
16 revenues as a result of adjusting revenue cost  
17 coverage ratios or adjusting for revenue-to-cost  
18 coverage ratios in the cost of service study, that --  
19 that there should be no greater than a 2 percent  
20 impact over and above the overall level of rate  
21 increase for the customer class.

22                   And we'll talk about that later because  
23 we want to make sure that we are understanding exactly  
24 how we're interpreting revenue cost coverage ratios  
25 out of the cost of service study, and whether there

1 should be any discrete adjustment made to revenues by  
2 customer class in this particular proceeding.

3           The other aspect of rate stability and  
4 gradualism relates to changes relevant to rate design  
5 and we have a second criteria for that. It's not  
6 listed on this page, but that there should be --  
7 sorry, that there should be no more than a 3 percent  
8 or \$3 a month impact to a residential customer or a 5  
9 percent or \$5 a month impact to a commercial customer  
10 on the basis of changing the rate design. So,  
11 changing the size of the basic charge or the demand  
12 charge or the energy charge or introducing a new type  
13 of rate design, that it should not additionally burden  
14 a customer by more than 3 percent.

15           So this is really a greater than 3  
16 percent or \$3 a month and so I think that you would  
17 reliably look at the percentage that we're speaking of  
18 here in terms of the impact to customers in making  
19 that type of assessment.

20           THE CHAIRPERSON:    Sorry, Mr. Barnlund,  
21 sorry to interrupt. When you're using the percentage  
22 figure and the dollar figure, is it the greater of  
23 those two (2)?

24           MR. GREG BARNLUND:    It is.

25           THE CHAIRPERSON:    And so it is the

1 greater of 3 percent or \$3 --

2 MR. GREG BARNLUND: Correct.

3 THE CHAIRPERSON: -- whichever one is  
4 greater?

5 MR. GREG BARNLUND: That's correct.  
6 That's correct, yeah.

7 As you can appreciate the larger usage  
8 customers \$5 a month is a very very small number but 5  
9 percent is really the -- the basis to the criteria.

10 THE CHAIRPERSON: Yes, thank you. I  
11 just wanted to make sure I wrote it down correctly.

12 MR. GREG BARNLUND: So I think one (1)  
13 other thing I want to discuss in terms of -- oh,  
14 sorry, I've got to deal with three (3) other rate  
15 design principles before I move on here, sorry.

16 Efficiency. Manitoba Hydro views the  
17 goal of efficiency, not from the perspective of -- of  
18 conservation for the sake of conservation, but more to  
19 ensure that there's optimal use of -- of Manitoba  
20 Hydro's resource. And so it's really setting the  
21 appropriate price signal that will properly  
22 communicate the value of energy to customers, and  
23 that's typically where a discussion of marginal cost  
24 comes in because rate design practitioners will look  
25 at marginal cost as being an additional way of

1 informing the level of setting rates; certainly for  
2 the last block of energy being consumed for customers.

3                   Competitiveness of rates, Manitoba  
4 Hydro has a goal that it -- that it -- it would like  
5 to remain competitive with respect to rates charged by  
6 other Canadian Utilities for all rate classes, and I  
7 think that it's appropriate to say that -- that this  
8 is not so much a rate design goal per se, as it is --  
9 it's a matter of Manitoba Hydro managing its costs and  
10 -- and utilizing low-cost hydraulic generation which  
11 has continually given us a benefit in terms of lower  
12 operating costs and lower utility costs for customers  
13 in Manitoba as opposed to customers that are served  
14 out of a thermal generation system.

15                   The last rate-making objective we have  
16 here is similar to the last two (2) that Bonbright  
17 had, and that's simplici -- simplicity and  
18 understandability. Very important that rates be very,  
19 very easy to understand by customers so that we're  
20 actually communicating the information that is  
21 important to them. It's also important that customers  
22 not be concerned or confused by what they're trying to  
23 read on their bill in terms of how rates are being  
24 applied.

25                   So we've already addressed this. We

1 can go to the next page, please. So before I get to  
2 the cost of service side, that there is one (1) last  
3 item in terms --

4 THE VICE-CHAIRPERSON: Sorry, could  
5 you go back to that page 11, please?

6 MR. GREG BARNLUND: Yes.

7 THE VICE-CHAIRPERSON: Could you give  
8 an example of the 'P' costs where you say no more than  
9 2 percent further impact for an average rate increase.  
10 And then, for example, the next one, rate design, no  
11 more than 3 percent further impact for residential.  
12 Could you just give an example of how that would work?

13 MR. GREG BARNLUND: Right. So if we  
14 were in a situation -- and let's look at where we are  
15 in this particular rate case, because we have some  
16 classes that are -- have revenue cost coverage, ratio  
17 that I'm sure some Intervenors will say are higher  
18 than what they ought to be, and there should be a  
19 revenue adjustment made.

20 So one has to look at the amount of  
21 revenue that you would be transferring away from a  
22 certain customer class but -- but requiring from  
23 another customer class in its place, because that's a  
24 zero-sum game. The Utility has to recover its full  
25 revenue requirement. So if you have a customer class

1 that is at a revenue cost ratio of one-o-eight (108)  
2 and you want to move them into one-o-five (105), the  
3 dollars that you're not going to take from them have  
4 to be recovered from another customer class.

5           And so that would create a rate impact  
6 to that other customer class, and that's where that 2  
7 percent you would want to use as your criteria, that  
8 you wouldn't move any more cost away from that one (1)  
9 customer class if it was going to inflict greater than  
10 a 2 percent increase incremental over and above the  
11 regular rate increase to the other customer class.

12           So there's that from that perspective.  
13 And then if we were -- if we were to introduce a rate  
14 design change at the same time, you'd have to measure  
15 the impact of the rate design change that occurs  
16 within the customer class, because when you change  
17 rate design, you're still going to recover the amount  
18 of revenue for that customer class, but you'll recover  
19 it differently from all the customers in that class.

20           Some customers under rate design change  
21 -- a residential customer, if you change the rate  
22 design, some will pay lower bills, but the others will  
23 pay higher bills, and at the end, you'll net out the  
24 full revenue required from the customer class, but you  
25 are going to have impact within the customer class.



1 So you would keep that to no more than 3 percent is  
2 what you would say on that regard.

3                   But these are guidelines, and these are  
4 not hard and fast rules for Manitoba Hydro to adhere  
5 to. It doesn't mean we have to move rates or we have  
6 to do something, but it -- it provides sort of the  
7 ceiling by which you would look at that and say, I  
8 don't -- I -- don't think it's wise to make that move  
9 because it would create a larger impact than what  
10 we've got in our guideline.

11                   So before we leave rate-making, I just  
12 briefly wanted to touch on uniform rates. And in this  
13 jurisdiction, we -- we basically set our rates on  
14 uniform -- or a postage stamp basis, whereby costs are  
15 pooled and rates are set on an average cost basis for  
16 each customer class. And what that means is that if  
17 you're a residential customer, you can be a  
18 residential customer situated in the City of Winnipeg,  
19 or in a rural urban centre like Brandon, or -- or  
20 Portage, or you could be in Leaf Rapids, or Lynn Lake,  
21 Thompson, or Churchill, and you're going to pay the  
22 exact same rate as a residential customer.

23                   The rate schedule has one (1) set of  
24 rates for that particular customer class. Clearly,  
25 there's a different cost to serve different customers.

1 And in fact, if you looked at it hypothetically,  
2 there's a different cost to serve every customer of  
3 the four hundred and seventy-five thousand (475,000)  
4 residential customers we have.

5           So utilities tend to gather customers  
6 together into classes and then average those costs out  
7 amongst all those customers. That has a -- a couple  
8 of features -- a couple of benefits to it. First of  
9 all, it -- it levelizes the cost between urban and  
10 rural customers, so that if anything, the rural  
11 customers are receiving a benefit from that in that  
12 their lower cost of -- or their -- excuse me, their  
13 higher cost of service is offset by the rev -- some of  
14 the revenues you're obtaining from -- from urb --  
15 urban customers who are lower cost to serve because  
16 they are situated much more closely together, and it's  
17 -- and it's less expensive to serve them.

18           The other aspect about unimor --  
19 uniform rates is that there's also a difference in  
20 terms of theoretically or typically, the cost of  
21 serving a customer depending on the vintage of the  
22 assets that are serving it. And as we know, we are  
23 replacing assets as they need to be replaced on the  
24 system. Those replacements are being constructed at a  
25 much higher cost than the embedded cost of the

1 existing facilities that are serving customers.

2                   Now, we don't set a rate, then, that --  
3 that raises the -- the charges to customers in Portage  
4 la Prairie because we built a new substation. No, we  
5 average those costs out across the system so that as -  
6 - as plant is replaced, those costs are basically  
7 averaged amongst all customers so it mitigates the  
8 impact to customers of -- of maintaining and -- and  
9 upgrading the system.

10                   Okay. So if we can move to the next  
11 slide, we'll talk about cost of service. And -- now  
12 if we could just -- yes, that's fine. Thank you.  
13 Now, in this particular proceeding, I think we're  
14 paying special attention to the outcomes of the cost  
15 of service study. As I'd mentioned in opening  
16 remarks, there's been a tremendous amount of work  
17 that's been invested in -- in analysing, and refining,  
18 and confirming the assumptions to be used in the cost  
19 of service study. And Manitoba Hydro is -- is -- I  
20 would say that we are very, very confident that the  
21 cost of service study is essentially fully compliant  
22 with the direction of the Board in 164/'16.

23                   There are a couple of other small  
24 directives that the we need to clean up upon, and  
25 we'll be discussing that likely when we get to cross-

1 examination, but for all intents and purposes, we  
2 think that the cost of service study is complete, it's  
3 rob -- robust, and it's reliable, and we can be  
4 looking at the outcomes of cost of service in terms  
5 revenue cost coverage ratios, and using that to inform  
6 our decisions in terms of how we're going forward with  
7 rate setting.

8                   So these revenue cost coverage ratios,  
9 they -- they provide you with an evaluation of the  
10 cost of serving that customer class against the  
11 revenues you're obtaining from it. Cost of service  
12 studies, they're a good approximation of cost  
13 responsibility, but they're not absolutely precise,  
14 and that's because we've got a lot of common costs  
15 that get dealt with in the cost of service study, and  
16 it's -- it's reasonably addressed in the cost of  
17 service study, but you can't say that every dollar it  
18 -- that it's precisely to the dollar. So as a result  
19 of that, regulators and utilities typically look at  
20 applying a zone of reasonableness in terms of looking  
21 at revenue to cost coverage ratios and try to assess  
22 whether there should be revenues adjusted between  
23 customer classes as a result of that.

24                   So if we could have the next slide,  
25 please. What we have here are the -- a table showing

1 the revenue cost coverage ratios on slide 14, which  
2 shows in the centre column, the revenue cost coverage  
3 outcomes of the prospective cost of service study 18  
4 we filed with this application, and that is cost of --  
5 sorry that is RCCs that are reported, where we  
6 typically add to net export revenue to class revenue  
7 and divide by the allocated costs for the class to  
8 come up with the revenue cost coverage ratio. And  
9 that's the approach that we have applied in Manitoba  
10 since the application of cost of service studies in  
11 the early 1990s.

12                   If I could have that slide back up  
13 again. Thank you. There's an alternative way to do  
14 it, and you change things in the numerator and  
15 denominator. In other words, you take net -- net  
16 export revenue and you deduct it from cost, and then  
17 you divide it by -- then you divide that into class  
18 revenues. And all it does is it provides you a  
19 different basis of the analysis, and it provides you a  
20 wider spread in terms of the RCC outcomes.

21                   But we're relying on the centre column  
22 on -- when Manitoba Hydro looks at this with respect  
23 to the application of revenue cost coverages and zone  
24 of reasonableness. Typically ninety-five (95) to one-  
25 o-five (105) has been considered the zone of

1 reasonableness here in Manitoba. We, in this  
2 application, had made mention and indication in our  
3 initial filing that there may be consideration of  
4 accepting as wider ranges ninety (90) to one-ten  
5 (110), and part of that is in response to the fact  
6 that we've had a significant change in cost of service  
7 methodology which results in a significant change in  
8 RCC outcomes compared to the previous cost of service  
9 study, and there ought to be some contemplation of the  
10 -- the speed or the rapidity in which you were going  
11 to adjust class revenues as a result of adopting a  
12 significant change in cost of service study  
13 methodology. That ultimately is the Board's decision,  
14 though. That rests with the Board.

15                   So if we look at the centre column  
16 here, we'll see that our revenue cost coverage ratios  
17 range from a residential at ninety-four point eight  
18 (94.8) up to general service small non-demand at one-  
19 twelve point five (112.5). And so what that informs  
20 us, or what that tells us is that for every dollar of  
21 cost that the residential customer sees, their rates  
22 are producing ninety-four (94) -- or ninety-four cents  
23 (\$0.94), almost ninety-five cents (\$0.95).

24                   For the general service small non-  
25 demand customer, for every dollar of cost, that

1 customers actually providing a dollar twelve and a  
2 half cents, and the other customer classes lie in  
3 between those two (2) customer classes.

4           And so if there's a decision to be made  
5 in terms of moving the amount of revenues -- and I  
6 think we can have the next slide, please. So if we  
7 make a decision in terms of adjusting revenues between  
8 customer classes to be able to bring customer classes  
9 within a -- a perceived zone of reasonableness of  
10 ninety-five (95) to one-o-five (105), assuming no  
11 other cost or revenue changes. So if you had the  
12 exact same revenue requirement for five (5) or ten  
13 (10) years, these are the adjustments that you would  
14 need to make on slide 15 to be able to bring those  
15 customer classes within the zone of reasonableness.

16           And so if you were to do this in one  
17 (1) year, the column on the left-hand side of the  
18 chart shows that -- that you would end up with rate  
19 reductions that would be provided to the general  
20 service small non-demand class, the general service  
21 large thirty (30) to a hundred class, and the general  
22 service large over a hundred class, but those  
23 recoveries would then be -- or those revenues would  
24 need to be recovered. Those revenues would have to be  
25 recovered, then, from the residential customer class.

1                   And while other customer classes --  
2 those other three (3) customer classes would see a --  
3 a rate reduction, the residential rates would have to  
4 increase in addition to the overall level of increase  
5 -- general increase -- three point six cents -- sorry,  
6 3.6 percent on top of that. So if you have a 7.9  
7 percent increase, you would be adding three point six  
8 (3.6) to that, so you'd be at 11 -- 11 percent  
9 increase for the residential class if you were to make  
10 that adjustment in -- in one (1) year.

11                   Typically, if there are adjustments to  
12 be made, those are considered to -- to be phased in  
13 over a period of time, and so on this particular slide  
14 15, we're showing the transition of a need to occur  
15 over a five (5) year period or a ten (10) year period.  
16 And as you can see, the -- over the longer period of  
17 time, you're basically adjusting more gradually, so  
18 there is more of a smoothing that occurs from year to  
19 year. You're not taking a rapid adjustment.

20                   But the important thing is that this  
21 decision be made discreetly before we get to rate  
22 design. If there is a -- if there is going to be an  
23 adjustment made to class revenues, that needs to be  
24 clearly defined and then directed that we re-cut  
25 rates, or that we -- that we calculate rates by



1 obtaining those revenues from other customer classes.  
2 So that way, we are kept whole in terms of revenue,  
3 and that's the way it should be.

4                   Can I bring up the next slide, please.

5 One (1) other matter to keep in mind and bear in  
6 consideration here is that as we've talked about,  
7 we've got some very, very large assets that will be  
8 coming into service in the coming years. Certainly.  
9 Bipole III is the first expected large asset to be  
10 coming into service here next year, followed  
11 thereafter by Keeyask. But if we look at the impact  
12 of bringing these large assets into service, simply  
13 the -- the nature of the costs and the nature of the  
14 facilities we're talking about have an impact on  
15 revenue cost coverage ratios, and that's because these  
16 facilities are generation related facilities. The  
17 Bipoles are considered -- considered part of  
18 generation function.

19                   And when we look at the large --  
20 general service large customers, they are basically  
21 bearing cost for transmission and generation, and so  
22 they would see a large reflection of -- of this in the  
23 terms of their revenue cost coverage ratios. What we  
24 have in this table is a comparison of the prospective  
25 cost of service study 18 as we've filed, with a model

1 that we have estimated revenue cost coverage in 2020  
2 with Bipole III in service, and there's a lot of  
3 limitations to that model, but it's -- it's done to  
4 represent directionally where you would see revenue  
5 cost coverage ratios moving once you have a \$5 billion  
6 asset coming into service.

7           So you'll see that -- that on the basis  
8 of Bipole III coming in alone, there would be an  
9 increase in the revenue cost coverage for  
10 residential. You would also see an increase to  
11 general service small non-demand. They would go from  
12 one-twelve (112) to approximately one-fifteen (115).  
13 General service demand would be neutral. And then  
14 you're seeing decreases in general service medium, and  
15 then the general service large customers see their  
16 revenue cost coverage ratios fairly dramatically  
17 decreased as a result of these assets coming into  
18 service.

19           Area and roadway lighting sees a large  
20 increase, and that's something that will have to be  
21 addressed when we get to that point, because of -- in  
22 terms of the nature of how we're allocating costs  
23 right now, area and roadway lighting would see a  
24 fairly large increase in their revenue cost coverage  
25 ratio when we get to filing that rate case.

1                   So I think the message we have here is  
2 that, you know, in considering making adjustments to  
3 revenues, class revenues, as a result of revenue cost  
4 coverage changes, it's -- it's well to keep in mind  
5 the -- the natural change that's going to occur once  
6 Bipole III comes into service with the care that we  
7 don't overcorrect, make an adjustment only to have  
8 revenue cost ratios then being driven so -- so far by  
9 the in-service of Bipole III that we have a -- a  
10 further correction to make after that.

11                   Next slide, please. This is just  
12 simply a -- a representation of the flow of revenue  
13 requirement through functionalization, classification,  
14 and allocation, and I -- and I will leave it at that.  
15 I'm not going to go into detail on that.

16                   Next slide, please. Now, I'm going to  
17 touch briefly -- these are the slides on rates, bill  
18 impacts that was presented in the opening overview  
19 panel presentation, and really, it's only, I think, to  
20 inform, you know, when we're -- we're talking largely  
21 about bill affordability here today. And I just want  
22 to use these slides to indicate that regardless with  
23 an increase, we still see a -- a utility bill, an  
24 electric bill in Manitoba for a residential customer  
25 that -- that is still within, I think, the ordinals of

1 where we are currently today compared to other  
2 utilities, but which isn't to say that we're obviously  
3 oblivious to the plight of certain customers in that  
4 regard. We're going to talk about that with our bill  
5 affordability witnesses.

6 Bill affordability is an issue right  
7 across the country. So if you're in other  
8 jurisdictions, if you're in the Maritimes, you're in  
9 Saskatchewan or wherever, bill affordability is going  
10 to be a concern there. Ontario has taken measures to  
11 address affordability by some very dramatic  
12 legislation, the Fair Hydro Act that came in to effect  
13 this year, and over a twenty (20) year period, the  
14 taxpayer is taking -- or on assuming a cost or a  
15 responsibility for some \$20 billion worth of subsidies  
16 being provided to customers of the electrical system.

17 So -- so it's fair to say that  
18 affordability of bills is a concern everywhere. In  
19 Manitoba, we are still favourably situated in terms of  
20 our customer residential bills, even with a 7.9  
21 percent rate increase.

22 Next slide, please. And this is simply  
23 the representation of -- of bills for the industrial  
24 customers.

25 Could I have the next slide, please.

1 I'm going to turn this over now to Mr. Chard, Ms.  
2 Galbraith, and Ms. Morrison.

3 THE CHAIRPERSON: Sorry, Mr. Barnlund,  
4 I'm just wondering -- Kristen, can you go to page  
5 19. Do you have -- this reflects rates. Do you have  
6 a similar chart which would reflect what the rate  
7 increases, the most recent rate increases would be in  
8 each of these jurisdictions?

9 MR. GREG BARNLUND: We can obtain  
10 that. We -- we do track that information.

11 THE CHAIRPERSON: If -- if you could--

12 MR. GREG BARNLUND: Yes.

13 THE CHAIRPERSON: -- obtain it, I'd be  
14 interested to see it in --

15 MR. GREG BARNLUND: Certainly.

16 THE CHAIRPERSON: -- comparison to the  
17 rates. Thank you.

18 MR. GREG BARNLUND: Yes.

19 THE CHAIRPERSON: Yes, it is an  
20 undertaking --

21 MR. GREG BARNLUND: Yeah.

22 THE CHAIRPERSON: -- that Manitoba  
23 Hydro pro -- provide a -- a list of rate increases for  
24 different jurisdictions in Canada.

25

1 --- UNDERTAKING NO. 14: Manitoba Hydro to provide  
2 a list of rate increases  
3 for different  
4 jurisdictions in Canada

5  
6 BOARD MEMBER GRANT: Can I ask -- if  
7 you -- could I to take you back to slide 16. This is  
8 a warm up for this cost of service stuff. Refresh my  
9 memory, area and road -- area and roadway lighting  
10 goes from 100 hundred and 118 percent with Bipole III.  
11 Now, my recollection is -- it took me a long time to  
12 realize Bipole III is a generation asset?

13 MR. GREG BARNLUND: Yes.

14 BOARD MEMBER GRANT: Can you just  
15 maybe walk me through why there'd be such a dramatic  
16 increase? Is -- is there a quick...

17 MR. GREG BARNLUND: Part of it is  
18 related to the changes in how we're handling DSM, and  
19 so there is -- there is a number of changes that we  
20 made in -- in the cost of service methodology, and  
21 it's -- it's not just any one (1) of these things.  
22 There's a number of changes that -- that have affected  
23 area and roadway lighting.

24 And so that's really -- it -- it's hard  
25 to decompose it further than that, but just to safe --

1 to say that there were other changes that have  
2 occurred, and then once you have a large asset like  
3 that coming into place, it's affected, then, because  
4 they were receiving other benefits before from some of  
5 the previous -- the area and roadway lighting class  
6 was receiving benefits from some of the previous  
7 treatment in cost of service.

8 BOARD MEMBER MCKAY: Just a question  
9 on that same slide 16. You have GSL, zero to 30 kV.  
10 So if you were at 30 kV, what -- which one would you  
11 fall under, GSL thirty (30) to one hundred (100) or  
12 GSL zero to thirty (30)?

13

14 (BRIEF PAUSE)

15

16 MR. GREG BARNLUND: So the distinction  
17 here is that -- that's -- we have -- our system is  
18 either going to be served at 25 kV or 33 kV, so thirty  
19 (30) is the -- is the -- is in between. So if you're  
20 served at -- at 25 kV, then you're going to be on the  
21 zero to thirty (30) rate schedule. If you're served  
22 at 33 kV, then you're going to be on the thirty (30)  
23 to one hundred (100) rate schedule. So we don't  
24 actually have customers that are right at 30 kV.

25 BOARD MEMBER MCKAY: Okay, so there is

1 none between that spread is what you're saying?

2 MR. GREG BARNLUND: That's right. So  
3 technically, our system is set -- is designed and  
4 operated at either 25 kV or 33 kV for that particular  
5 type of -- of configuration.

6 BOARD MEMBER MCKAY: I would have put  
7 the chart differently, but that's just me. Okay.

8 MR. GREG BARNLUND: Fair enough.  
9 Thank you.

10 MR. PAUL CHARD: If I can have slide  
11 22. So Manitoba Hydro undertakes a number of  
12 initiatives to assist customers in managing their  
13 bills. Many of these programs are long-standing, and  
14 although we will note as we go through them, they do  
15 evolve, and we are constantly going through  
16 enhancements.

17 Slide 23. One (1) of our longest  
18 standing programs for customers is the Equal Payment  
19 Plan. It's available for customers to smoo -- to help  
20 smooth their bills through cold winters and -- and  
21 warm summers. It works by dividing the customer's  
22 estimated or forecast annual bill into equal monthly  
23 payments, and it's used by more than a quarter of our  
24 customers to help manage their bills.

25 An enhancement to the Equal Payment



1 Plan that will be introduced in 2018 is the Energy  
2 Affordability Installment Plan. This programs come  
3 about as a result of the recommendations of the bill  
4 affordability collaborative process. The program will  
5 take a customer's arrears balance and spread it out  
6 over a longer period. Those repayment amounts are  
7 then integrated with an equal pay -- equal payment  
8 plan amount into a single payment for the customer to  
9 manage.

10 Another bill management tool that we  
11 offer customers is customized due dates. So if a  
12 customer's bill is due at a time of the month that  
13 they normally don't receive income, we can adjust  
14 their due date so that those two (2) things align  
15 better to make it more manageable for them to make  
16 their payments, and that way they don't incur late  
17 payment charges, that sort of thing.

18 Next slide, please. Manitoba Hydro  
19 also works with First Nations communities with -- in  
20 an ongoing monthly process to share information that  
21 ensures that appropriate social assistance payments  
22 are applied to the bills of qualifying First Nations  
23 residential customers.

24 Slide 25. For customers who find  
25 themselves behind in making payments to Manitoba

1 Hydro, we offer customized and flexible payment  
2 arrangements. Credit representatives have the  
3 authority to reverse and stop late payment charges for  
4 customers who are working to make their accounts  
5 current. This is done to prevent a customer from  
6 falling further behind on their bills and to help  
7 incent customers to keep payment arrangements that  
8 have been negotiated.

9 THE VICE-CHAIRPERSON: Mr. Chard, can  
10 I just ask a question back on 23?

11 MR. PAUL CHARD: Twenty-three (23).

12 THE VICE-CHAIRPERSON: That new  
13 program for 2018, the Energy Affordability Installment  
14 Plan --

15 MR. PAUL CHARD: Yes.

16 THE VICE-CHAIRPERSON: Did that come  
17 out of the bill affordability process?

18 MR. PAUL CHARD: Yes.

19 THE VICE-CHAIRPERSON: And one (1) of  
20 the things that bill affordability, in my  
21 recollection, was designed to do was to reduce the  
22 cost of credit collections. Can you -- are you going  
23 to speak to that somewhere in here, and if not, could  
24 you?

25 MR. PAUL CHARD: I -- well, I think we

1 will through the -- through the process, and I -- and  
2 in terms of this program, we are entering into it --  
3 we're essentially on a trial basis. So we will be  
4 tracking and trying to identify whether that makes  
5 improvements for customers.

6 THE VICE-CHAIRPERSON: And is that one  
7 (1) of the goals of the program is to reduce the cost  
8 of credit collections?

9 MR. PAUL CHARD: No. I -- it -- that  
10 program I think was in response to what we heard from  
11 consumer advocates during that process. There was  
12 frustration that customers who were struggling were  
13 not allowed to take part in the Equal Payment Plan,  
14 because if they were in arrears and they got to a  
15 certain point in arrears, they got kicked off of the  
16 program.

17 That will still occur, because we're  
18 not helping a customer if we're just allowing them to  
19 get further behind. But the -- the issue was that  
20 when a customer was in arrears, they weren't allowed  
21 to go on the Equal Payment Plan. This actually takes  
22 those arrears amounts, spreads them out over a longer  
23 period of time, integrates them into a single payment,  
24 and we're hoping that it's going to help customers  
25 stay to that predictable monthly payment.

1                   BOARD MEMBER MCKAY:    Okay.  But in  
2 terms of the cost of collections as a business issue  
3 for Manitoba Hydro, that's not built into anything  
4 that you're speaking of here?

5                   MR. PAUL CHARD:    Not related to this -  
6 - to this program.  I -- I think there's -- there  
7 would be the hope that there might be some marginal  
8 benefit, but I don't think that the benefit of that  
9 program will be -- it'll be difficult to manage -- or  
10 to measure.

11                   BOARD MEMBER MCKAY:    I have another  
12 one.

13                   MR. PAUL CHARD:    So back on slide 25,  
14 I think -- sorry.

15                   THE CHAIRPERSON:    Sorry, Mr. Chard.  
16 Ms. McKay...?

17                   MR. PAUL CHARD:    Okay.

18                   BOARD MEMBER MCKAY:    Just on slide 24,  
19 since the information is part of a very public process  
20 here, I think this slide could -- needs some  
21 clarification.  "First Nations social process," I  
22 think you're trying to say social assistance process?

23                   MR. PAUL CHARD:    Yes.

24                   BOARD MEMBER MCKAY:    And your second  
25 bullet, the reader could make the assumption that all

1 the clients are on social assistance, so I think that  
2 should say, Ensures social assistance payments are  
3 applied to -- to customer bills for eligible  
4 customers.

5                   And your last one, I would suggest for  
6 those in arrears to be added to that sentence, okay,  
7 because it's making the assumption that first of all,  
8 everybody's on social assistance, and everybody's in  
9 arrears, so let's be clear.

10                   MR. PAUL CHARD:   Okay, and -- and I --  
11 I take your point on the second bullet, and -- and  
12 when I spoke, I did mention that it was to qualifying  
13 customers, but let me clarify the third bullet. This  
14 is a process of -- it's an administrative process that  
15 runs between Manitoba Hydro and the First Nations. If  
16 the process runs perfectly as it's designed, payments  
17 are not applied in time to -- they're not applied by  
18 the due date on the customers' bill. It's -- it's  
19 just something that we've -- we've built a process  
20 that's as good as we've been able to make it.

21                   And we need to be working to improve  
22 it, but as it stands now, if it works the payments  
23 from social assistance don't get applied until after  
24 the customers' due date, which means that every month  
25 those amounts are appearing as arrears on those

1 customers' bills. And in all of our stats related to  
2 First Nations arrears those amounts that are being  
3 paid by the social assistance administrators in the  
4 communities, the timing is such that they actually  
5 reside -- the arrears appear on customer bills. And  
6 that's if the process works perfectly.

7                   So in some cases, you know, through the  
8 process of the information exchange it can take two  
9 (2) months, it can take three (3) months before those  
10 -- that information gets processed and the payments  
11 get applied. And every time that there's a delay like  
12 that there's an appearance that the arrears on  
13 customers' bills are greater than they in fact are.

14                   Am I clear?

15                   BOARD MEMBER MCKAY: Yeah, you're  
16 clear. I just want to be clear, too, that it's for  
17 customers that are being -- that their bills are being  
18 paid for by a social assistance program. So that --  
19 that was my only point on that.

20                   MR. PAUL CHARD: So back to slide 25.  
21 I guess the last point that I just wanted to make on  
22 the slide, and to emphasize, is that Manitoba Hydro  
23 views disconnection as a last resort to account  
24 resolution, and does not dis -- disconnect customers  
25 who have active payment arrangements with us. And

1 with that I'm going to turn over to Ms. Galbraith, who  
2 is going to talk about crisis intervention and the  
3 Affordable Energy Program.

4 MS. COLLEEN GALBRAITH: Thank you, Mr.  
5 Chard. So Manitoba Hydro offers a crisis intervention  
6 program through its Neighbours Helping Neighbours  
7 Program. So this is where a one (1) time financial  
8 grant is provided to those facing a financial crisis.  
9 And to date we've offered approximately eight thousand  
10 (8,000) financial grants. So this is a partnership  
11 with Salvation Army and it's been around since 2004.  
12 Now, Manitoba Hydro covers all of Salvation Army's  
13 administrative charges.

14 Manitoba Hydro also matches all  
15 customer donations dollar for dollar. So the maximum  
16 grant that an individual can receive is four hundred  
17 dollars (\$400). It was previously three hundred  
18 (300). The Salvation Army, who administers the  
19 program, also offers grant recipients community  
20 referrals which provide additional support services  
21 such as counselling, budgeting skills, job training or  
22 food assistance. So individuals can receive more than  
23 one (1) referral and they are designed, of course,  
24 according to their unique needs.

25 Now, these referrals offer a longer-

1 term impact to those facing arrears issues. Manitoba  
2 Hydro also has a vulnerable person intervention, where  
3 we have a specialist in our credit recovery services  
4 department who works with customers who are in crisis,  
5 not necessarily related to just their energy bill. So  
6 this specialist connects them with additional  
7 community support where they can get additional  
8 assistance. An example of that would be somebody  
9 struggling with mental health issues or helping  
10 somebody with home care.

11                   Next slide, please. So the Neighbours  
12 Helping Neighbours Program, to give you an idea, since  
13 inception customers have donated under half a million  
14 dollars. When I mentioned earlier that Manitoba Hydro  
15 matches dollar for dollar, you'll see that Manitoba  
16 Hydro's funding of donations has actually been in the  
17 tune of \$2.2 million. So what is happening is there's  
18 not enough customers donating to meet the needs of the  
19 program, so Manitoba Hydro matches that and provides  
20 that shortfall.

21                   I mentioned that Manitoba Hydro covers  
22 Salvation Army's administrative expenses. You'll see  
23 that it's a little over a million dollars. And again,  
24 this is since 2004. So 88 percent of all of the  
25 expenses of Neighbours Helping Neighbours Program are



1 covered by Manitoba Hydro. Manitoba Hydro does not  
2 track its own administrative charges in overseeing the  
3 Neighbours Helping Neighbours Program.

4 Now, when --

5 THE VICE CHAIRPERSON: Ms. Galbraith --

6 MS. COLLEEN GALBRAITH: Yeah.

7 THE VICE CHAIRPERSON: -- can you just  
8 clarify, why does Manitoba Hydro not track those admin  
9 costs?

10 MS. COLLEEN GALBRAITH: It's not  
11 something that we thought we would be able to itemize  
12 per se. It's not -- it's something that we certainly  
13 could look into, particularly as we look at more and  
14 more programs that are being developed where there are  
15 additional administrative charges. I believe  
16 somewhere on record, subject to check, that sometimes  
17 administration charges can run up -- upwards of around  
18 of 10 percent, but quite honestly I couldn't comment  
19 specifically what our costs are for overseeing this.

20 THE CHAIRPERSON: Sorry, Ms.  
21 Galbraith.

22 MS. COLLEEN GALBRAITH: Yeah.

23 THE CHAIRPERSON: So the numbers on  
24 page 27 are totals since 2004.

25 Is that correct?

1 MS. COLLEEN GALBRAITH: That is  
2 correct.

3 THE CHAIRPERSON: Thank you.

4 MS. COLLEEN GALBRAITH: Now, when  
5 clients receive the financial grant, Manitoba Hydro  
6 does a client assessment one (1) year and two (2)  
7 years after receiving the grant. At one (1) year  
8 after receiving a grant, we see that 79 percent of  
9 clients owe less money or have lower arrears or no  
10 arrears at all. And two (2) years later 83 percent  
11 have a lower arrears balance or account balance or no  
12 arrears at all.

13 Next slide, please. So Manitoba Hydro  
14 takes significant efforts in integrating their  
15 programs to ensure that individuals who are struggling  
16 with their energy bills can maximize the energy  
17 assistance or assistances available. So the majority  
18 of referrals that are made of our customers to the  
19 Neighbours Helping Neighbours Program come from our  
20 own credit and recovery services department.

21 We put in a formal tracking system for  
22 to check in March of 2016, and you'll see that seven  
23 hundred and one (701) referrals were provided. Now,  
24 to further this assistance, internally our credit and  
25 recovery services pro -- department, sorry, and

1 customer contact centre also refer those struggling  
2 with their energy bills to the Affordable Energy  
3 Program, and that is Manitoba Hydro's lower income  
4 demand-side management initiative. And you see the  
5 number of applications mailed.

6           There is also a mandatory joint  
7 application for Neighbours Helping Neighbours clients  
8 combined with the Affordable Energy Program, and that  
9 was put in place in March of 2017. So you may  
10 remember from the last hearing where we spoke about  
11 that receive in order to receive a Neighbours Helping  
12 Neighbours grant, it was mandatory that they had to  
13 apply to the Affordable Energy Program, the idea being  
14 we can offer financial assistance, but perhaps we can  
15 also offer energy efficiency upgrades. We actually  
16 went one (1) step further this time around and just  
17 combined the applications.

18           Next slide, please. So I mentioned  
19 that the application to the AEP -- Affordable Energy  
20 Program, sorry, became mandatory. Now, the challenge,  
21 the majority of those receiving Neighbours Helping  
22 Neighbours are tenants. It's approximately 60  
23 percent. So when dealing with a homeowner, it's very  
24 easy to have them sign up and apply to the Affordable  
25 Energy Program to modify energy efficiency upgrades in

1 their own home.

2 Well, now we're dealing with landlord-  
3 tenant situations. So what Manitoba Hydro does is we  
4 follow up with landlords to encourage them to put  
5 through their revenue properties through the  
6 Affordable Energy Program, which benefits the tenants.  
7 I mentioned the joint application, and again we  
8 continue to follow up with landlords.

9 Now, with some of these integrated  
10 efforts that we've done we've actually noticed an  
11 increase in the number of customers participating in  
12 both the Neighbours Helping Neighbours Program and  
13 Affordable Energy. And I believe it went from 14  
14 percent to 28 percent.

15 Next slide, please. So the Affordable  
16 Energy Program Energy was launched in December of  
17 2007. It targets both homeowners and tenants. We  
18 target lower income customers using Statistics Canada  
19 lower income cutoff measure. We add an additional 25  
20 percent, and we remove the smaller community sizes to  
21 thus increase those that would be eligible,  
22 particularly in smaller rural communities. So as you  
23 can see by this diagram, the Affordable Energy  
24 Program targets customers in this hard-to-reach market  
25 with a variety of tailored offerings, various groups,

1 and channels.

2                   Next slide, please. Now, for  
3 qualifying lower income customers, they are provided a  
4 free in-home energy efficiency review with free energy  
5 saving items such as light-emitting diodes, or LEDs,  
6 showerheads, faucet aerators, pipe wrap, window kits,  
7 and draft stoppers. Qualifying homes will also  
8 receive free insulation which includes installation --  
9 so this is no cost to the customer -- in the attics,  
10 walls, basement or crawl space.

11                   There is also conversions for customers  
12 who eat -- hear, sorry, with propane, oil, or coal, to  
13 a natural gas furnace if in a gas territory, or an  
14 electric furnace if gas is not available. The Furnace  
15 Replacement Program for Centra Gas Manitoba also  
16 provides a high-efficiency natural gas furnace when  
17 converting from a standard inefficient, for cost of  
18 only nine dollars and fifty cents (\$9.50) a month over  
19 five (5) years. That's an interest-free loan, and the  
20 total cost is five hundred and seventy dollars (\$570).  
21 Or, if a customer has an old standard inefficient  
22 natural gas boiler and they upgrade, they are provided  
23 with a three thousand dollar (\$3,000) rebate.

24                   Slide, please. So to the end of  
25 October that you can see that Manitoba Hydro has

1 assisted over twenty-one thousand (21,000) lower  
2 income customers with energy efficiency upgrades. So  
3 they've all received the basic energy efficiency  
4 measures. Now, in a home a customer may require  
5 insulation upgrades, but not the furnace upgrade. So  
6 some of the -- you can't add these numbers together is  
7 essentially what I'm trying to say. A customer may  
8 receive insulation and/or furnace or both, or a  
9 boiler.

10 Slide, please. So through our  
11 additional targeted efforts to reach this hard-to-  
12 reach market we undertake additional partnerships. So  
13 some examples include the Selkirk Community Renewal  
14 Corporation in Portage la Prairie with the Dakota  
15 Ojibway Tribal Council; in Dauphin with the Manitoba  
16 Metis Federation. And we use these resources as  
17 energy advocates where they go around and help promote  
18 the program and literally door knock.

19 We also do targeted direct mailers to  
20 electric customers with high consumption. We've also  
21 created an indigenous heat recovery ventilation video,  
22 initially created in English, and it was subsequently  
23 translated into Ojibway, Cree, and Dene. And this is  
24 distributed to the band housing managers on reserve  
25 for their information and to share throughout the

1 community. It's also available on our website.

2           We've also created an energy savings  
3 tip booklet, and then subsequently customized it to be  
4 in indigenous communities. This is provided to our  
5 customers at trade shows, but on reserve for those  
6 that are participating in the Affordable Energy  
7 Program. And it's got basic energy saving measures,  
8 just little ideas: close your blinds when, you know,  
9 it's a north facing window, so things like that.

10           We also created a video. And this is  
11 an overview of the Affordable Energy Program, where it  
12 helps give the idea of sort of what a customer can  
13 expect. How long we might be in their home for and  
14 how we can help throughout the process. This is  
15 available on our website. And we continue to use our  
16 auto-dialer call campaigns to target customers who are  
17 struggling and in arrears, as they may qualify for the  
18 Lower Income Program or Affordable Energy Program.

19           Slide, please. Now, the indigenous  
20 Power Smart Program was launched in the summer of  
21 2008. This was customized to meet the unique needs in  
22 indigenous communities. Through direct engagement,  
23 the indigenous energy advisor works with the band  
24 housing manager. And this is the best person we found  
25 to work with, as they have the intimate knowledge of

1 the housing stock in the communities, as well as the  
2 liaison with any federal government housing programs.  
3 Now, there is no cost to the indigenous community to  
4 participate. Local residents install all of the  
5 materials. We provide training and funding for this  
6 to occur. Now, the pace at which a community  
7 participates is up to each individual community.

8                   Slide, please. Now, when I mentioned  
9 that this was launched back in 2008, initially we  
10 target those homes that would require insulation  
11 upgrades. So all sixty-three (63) First Nation  
12 communities have been contacted for participation. I  
13 can tell you that forty (40) communities have  
14 completed all eligible insulation upgrades.

15                   Now, how we come up with our market.  
16 We use a residential energy use survey combined with  
17 discussions with each individual band housing  
18 managers. So say, for example, in a particular  
19 community we felt that there were maybe a hundred  
20 homes eligible for insulation. We complete them in  
21 phases and as we complete each phase the number  
22 decreases.

23                   Now, the band housing manager is the  
24 one (1) who identifies homes for us to review. If a  
25 band felt that there were additional homes to complete



1 we check, and if they're eligible for the upgrades  
2 we'll complete them. So it is just an estimate of the  
3 market available size. Now, while we are providing  
4 insulation upgrades we are also providing the free  
5 basic energy efficiency measures that I noted earlier,  
6 things like LEDs, showerheads, and faucet aerators.

7           So up to December 2014, fourteen  
8 hundred and fifty-seven (1,457) homes received those  
9 basic measures. And there's a little pie chart there  
10 for you to let you know, based on our estimated  
11 insulation market, we're 86 percent of the way  
12 completed. And again, it's an estimation. If we find  
13 additional homes to insulate, we will complete them.

14           Slide, please. So when I mentioned  
15 earlier that we initially started out with insulation  
16 and those basic measures, we thought, Well, there's a  
17 mass market program that Manitoba Hydro offers, the  
18 Water and Energy Saver Program where free basic energy  
19 saving measures are eligible for anybody to  
20 participate and receive them. We thought, Let's take  
21 a look at all of the First Nation communities and see  
22 what the uptake has been in that regard. It was very  
23 low.

24           So what we decided to do is proactively  
25 launch what we're calling direct install initiative.

1 So that was launched in December of 2014. And again,  
2 it's providing those free basic energy saving measures  
3 to every single residential dwelling on all sixty-  
4 three (63) First Nation communities. We're paying  
5 local labour to install these materials.

6 So through the direct install  
7 initiative three thousand five hundred and seventy-  
8 four (3,574) homes have been retrofitted. We've  
9 contacted all sixty-three (63) First Nation  
10 communities, and I can tell you that twelve (12)  
11 communities have been completed thus far. So the  
12 estimated market, and you'll have to bear --

13 THE VICE CHAIRPERSON: Sorry, Ms.  
14 Galbraith.

15 MS. COLLEEN GALBRAITH: Oh, yes?

16 THE VICE CHAIRPERSON: Is there a way  
17 that you compare the before and after to see what  
18 difference these measures -- whether it's insulation  
19 or these other measures make to the bills of the  
20 people in these communities?

21 MS. COLLEEN GALBRAITH: So, yes. We  
22 have estimated savings and we do look at what an  
23 impact has been on an individual. We've undertaken  
24 some preliminary analysis in bill savings. The  
25 challenge becomes, of course, some customers are

1 moving. The occupancy levels can increase. So those  
2 savings are still being refined as we continue to look  
3 at them.

4                   Now, the estimated market for  
5 residential dwellings on reserve, you're looking at a  
6 little over sixteen thousand (16,000) dwellings. Now,  
7 I mentioned earlier in my slides that fourteen hundred  
8 and fifty-seven (1,457) had received those basic  
9 measures, and then through the direct install the  
10 thirty-five-seventy-four (3,574) for a total of a  
11 little over five thousand (5,000). So we're a third  
12 of the way complete.

13                   Slide, please. Now, I thought it might  
14 be helpful to provide a summary for the Manitoba  
15 Keewatinowi Okimakanak communities, or MKO as they're  
16 referred to. So with regards to insulation efforts  
17 one thousand three hundred and twenty (1,320) homes  
18 have received insulation upgrades, of an estimated one  
19 thousand four hundred and sixty-eight (1,468). So  
20 we're looking at about a 90 percent completion rate.

21                   Twenty (20) communities have had their  
22 insulation upgrades completed. And again, it is the  
23 band housing manager who identifies the homes for the  
24 program. And when the band feels that there are none  
25 left, we consider the community complete. Six (6)

1 communities currently have insulation underway, for a  
2 total of one hundred and forty-eight (148) homes. And  
3 one (1) community did not need any insulation, as they  
4 had newer homes.

5                   Now, with regards to the direct install  
6 efforts or those receiving the basic energy efficiency  
7 measures, one thousand seven hundred and ninety  
8 (1,790) have completed their measures, of an estimated  
9 seven (7) houses -- pardon me, seven thousand three  
10 hundred and seventy-five (7,375). So about 25  
11 percent. Three (3) communities have received all of  
12 their basic energy efficiency upgrades. We currently  
13 have twenty-four (24) communities with measures  
14 underway. And again the pace is determined by each  
15 community.

16                   Slide, please. I'll turn things over  
17 to Ms. Morrison.

18                   MS. LOIS MORRISON: Ms. Galbraith has  
19 exp -- has spoken to the extensive efforts targeting  
20 lower income residential customers.

21                   THE CHAIRPERSON: Ms. -- Ms. Morrison  
22 --

23                   MS. LOIS MORRISON: Oh, sorry.

24                   THE CHAIRPERSON: Before you start we  
25 have a question.

1                   BOARD MEMBER GRANT:    Can I just go  
2 back and ask about the Neighbours Helping Neighbours  
3 Program.

4                   MS. COLLEEN GALBRAITH:    Absolutely.

5                   BOARD MEMBER GRANT:    So I was looking  
6 at this slide 27.  Is this a good program?  Have you  
7 evaluated it?  Just on the face of it the  
8 administrative costs are -- for Salvation Army are  
9 over a million dollars and you don't report your own  
10 administrative costs.  So you're spending over a  
11 million dollars to distribute 2.6 million.

12                   Are there any standard by which to  
13 measure that?

14                   MS. COLLEEN GALBRAITH:    I would not --  
15 I cannot comment to say that there are standards out  
16 there, but I can tell you that our program is quite  
17 unique across Canada.  So we've had BC Hydro, the City  
18 of Winnipeg, and as well as Sask Power admire our  
19 program and come to us for consultations as they've  
20 designed their own.

21                   I'm not sure if you're familiar, but  
22 recently BC Hydro has introduced a crisis intervention  
23 fund.  So the question often arises for administration  
24 charges and that's something we are monitoring.  I  
25 think that right now there's currently a lot of

1 programs that we're looking at -- at re-evaluating as  
2 part of the whole bill affordability collaborative  
3 process and the outcomes of that. So it's something  
4 we're aware of.

5 BOARD MEMBER GRANT: So you've got  
6 some intuition about if it's a good program or not?

7 MS. COLLEEN GALBRAITH: I think --

8 BOARD MEMBER GRANT: If it's  
9 effective, I guess, is what I'm asking.

10 Is it an effective program?

11 MS. COLLEEN GALBRAITH: I think that  
12 we feel that it is effective, particularly when we  
13 look at those that have received the grants, that 79  
14 percent at one (1) year later are having less arrears,  
15 are better off. And then at two (2) years with 83  
16 percent plan less.

17 And Mr. Chard testified that -- so when  
18 somebody is in arrears it's -- the Neighbours Helping  
19 Neighbours Program is really meant to give them that  
20 one (1) time financial grant. It's done by that -- us  
21 working with the individuals on a go forward basis  
22 through payment arrangements or them receiving those  
23 counselling support referrals from the Salvation Army.

24 BOARD MEMBER GRANT: And so the  
25 delivery model is Salvation Army, which is a unique

1 partner. Is that an effective delivery model?

2 Because presumably you could deliver that same benefit  
3 in different ways.

4 MS. COLLEEN GALBRAITH: There are  
5 ways, and one (1) of the reasons that we did partner  
6 with the Salvation Army is because they do have those  
7 additional supports where Manitoba Hydro does not.  
8 So, for example, in assisting them with back to work  
9 programs or budgeting services. So Manitoba Hydro  
10 really does not have that expertise in-house, so that  
11 was one (1) of the reasons that we sought out the  
12 Salvation Army. And, actually, one (1) of the reasons  
13 why the City of Winnipeg is also using the Salvation  
14 Army to administer their Help to Others, or H2O  
15 Program.

16 BOARD MEMBER GRANT: Thank you.

17 MS. COLLEEN GALBRAITH: M-hm.

18 THE CHAIRPERSON: Ms. Morrison...?

19 MS. LOIS MORRISON: Slide 37 -- sorry,  
20 slide 38, please. So as Ms. Galbraith has spoken to  
21 the extensive efforts targeting lower income  
22 residential customers and residential customers in  
23 indigenous communities, I'd like to take a brief  
24 moment to highlight that the Affordable Energy Program  
25 is one (1) of many offerings.

1                   Manitoba Hydro provides a wide variety  
2 of initiatives targeting all customer sectors:  
3 residential, commercial, and industrial, utilizing a  
4 variety of approaches including education, research  
5 and demonstration, capacity building, incentives, and  
6 financing as part of our overall efforts to help -- to  
7 assist customers in managing their energy bills. In  
8 fact, last year our portfolio of programs was again  
9 awarded the Utility of the Year by Natural Resources  
10 Canada for our commitment to energy efficiency and the  
11 promotion of Energy Star -- the Energy Star brand.

12                   Slide 39, please. Ms. Galbraith also  
13 explained in detail the customer approach for  
14 indigenous communities offered under the Affordable  
15 Energy Program. In addition to these targeted  
16 efforts, Manitoba Hydro also pursues other customized  
17 initiatives to increase participation by our customers  
18 in First Nation communities. I would like to  
19 highlight just a few of these.

20                   One (1) initiative is our Community  
21 Geothermal Program. Under this program, working with  
22 the assistance of Aki Energy, a nonprofit indigenous  
23 social enterprise funded by Manitoba Hydro, we work  
24 with First Nation communities to install geothermal  
25 heat pump systems in residential homes. As of July



1 2017 we've seen three hundred and forty (340) homes  
2 upgraded since the program began in April of 2013.

3           Manitoba Hydro provides technical  
4 guidance and financing through its PAYS Program to  
5 cover the up-front cost of the installations. For  
6 homes where the energy savings do not offset the  
7 financing costs of the geothermal systems Manitoba  
8 Hydro will provide additional financing -- sorry --  
9 additional financial support. The communities invest  
10 in training local members to install the systems, with  
11 forty-five (45) band members being trained and nine  
12 (9) accredited as installers.

13           Another offering is community energy  
14 profiles. At the community's request, Manitoba Hydro  
15 will provide a report outlining the historical energy  
16 use trends by residential customers in their  
17 communities, and for the individual band-owned  
18 buildings in the community. We've also piloted an  
19 expansion to an existing offering within our -- within  
20 two (2) First Nation communities, that being our Power  
21 Smart Shops Program.

22           Here we are installing low cost energy  
23 efficient measures in nonresidential buildings in the  
24 communities and offering free deeper energy -- sorry -  
25 - free deeper lighting retrofits performed by the

1 local electrician working with our third-party  
2 delivery agent. We continue to be in discussions with  
3 communities and pursue these opportunities as they  
4 arise.

5 MS. COLLEEN GALBRAITH: Next slide,  
6 please. So I'm going to start off our conversation  
7 and discussions on the bill affordability stakeholder  
8 engagement and working group. Slide, please. So this  
9 really began in July of 2015 when the Board Order  
10 73/15 was issued, to January 2017 when Manitoba Hydro  
11 filed on behalf of the working group the bill  
12 affordability report.

13 Now, the participation of the working  
14 group members is noted in the report, which is  
15 Appendix 10.5, and it had various representation of  
16 stakeholders and lower-income stakeholders. Now,  
17 within that report is also the attendance record of  
18 all of those individuals, which is pa -- found on page  
19 189 of 242. Now, I'd like to start by saying that  
20 this truly was a collaborative effort. All of the  
21 decisions made were based on consensus.

22 Now, the working group felt that the  
23 process would have been further enhanced through  
24 participation or presentation by the Assembly of  
25 Manitoba Chiefs, who was invited but declined to

1 participate; with Indigenous and Northern Affairs  
2 Canada, who initially agreed but declined subsequently  
3 citing jurisdictional issues along with a presentation  
4 from the Public Law Interest Centre, as we understood  
5 it was taking a similar activity on energy  
6 affordability.

7                   Now, I'd like to take a minute and make  
8 special mention of Mr. Dave Mouland, who is a member  
9 of the working group representing Winnipeg Harvest, a  
10 long time advocate for the poor, and he's presented to  
11 this Board before during the NFAT proceedings. He  
12 sadly passed away in March of 2017. But I thought it  
13 was appropriate to recognize his efforts, his tireless  
14 with efforts to date and his contributions during this  
15 report.

16                   Slide, please. So the collaborative  
17 process was a significant effort on the part of  
18 Manitoba Hydro and its participating stakeholders. To  
19 give you some context, there were fourteen (14)  
20 working group meetings which largely comprised a full  
21 day. And there were twenty (20) subcommittee  
22 meetings, so that's both of the research and  
23 engagement subcommittee in approximately a sixteen  
24 (16) month period.

25                   We hired a third-party facilitator

1 which began in April of 2016. So that is really when  
2 the first formal working group meeting began. So  
3 you're really looking at a nine (9) month period with  
4 over thirty (30) meetings. The cost of this process  
5 under half a million dollars. However, what we all  
6 took away from this is there was a creation of  
7 significant value in informing the discussion of  
8 energy poverty and sharing information in a  
9 constructive, without prejudice environment.

10 Slide, please. I'd now like to turn  
11 things over to Mr. Mason. Dr. Mason, sorry.

12 THE CHAIRPERSON: Sorry. Before we  
13 begin I think -- I've gone ahead and I've seen this is  
14 quite a length presentation. I -- I think this would  
15 be a good time to take a break, so we'll break until  
16 10:45. Thank you.

17

18 --- Upon recessing at 10:27 a.m.

19 --- Upon resuming at 10:44 a.m.

20

21 THE CHAIRPERSON: I just want to note  
22 for the record that Mr. Gange and Mr. Shefman are good  
23 enough to join us today. And Mr. Shefman brought  
24 cookies and Mr. Gange didn't.

25 And I know that compliment will be

1 returned at some future time. We're running a little  
2 late so we're going to have Mr. Mason proceed. We may  
3 have a shorter lunch today than normal. I would  
4 indicate that the panel will be issuing its decision  
5 on the MGF matter after lunch.

6                   So, Mr. Mason, if you would like to  
7 proceed.

8                   DR. GREGORY MASON: Thank you very  
9 much. I value lunch so I'll try and proceed quickly.

10                   Can we have the next please. Move  
11 along one (1) more slide please. It think it's  
12 important to first affirm and -- and talk about how  
13 PRA supported the collaborative process. And so while  
14 technically we're under contract to Manitoba Hydro,  
15 our terms of reference was very much to work in a  
16 collaborative manner and support the collaboration of  
17 the various groups involved in working with energy  
18 poverty. And so you can see here these are basically  
19 the procedures that we used and how we went through  
20 and the various steps in our methodology.

21                   So let's move to the next slide. One  
22 (1) of the things that occupied the group a  
23 significant time was the definition of "energy  
24 poverty." In our report there's a fairly substantial  
25 literature review looking at all the various ways in

1 which academics and others have looked at energy  
2 poverty.

3                   This is the -- I guess, the consensus  
4 definition that was defined by the group and we also  
5 presented in our report, a range of different ways of  
6 going about it and measuring energy poverty. The two  
7 (2) most important, in our view, were the simple ratio  
8 of income approach. And so you can see the definition  
9 there. And the -- I just caution, that the 6 and 10  
10 percent are completely arbitrary levels. And these  
11 are just levels of pretax income that's consumed by  
12 energy poverty. So using 6 and 10 percent is  
13 something that seems to have kind of emerged in the  
14 literature as defining a household which is energy  
15 poor.

16                   And I think it's important to  
17 understand that there is -- these are kind of  
18 objectives measures in one sense. A house can  
19 perceive itself -- a household can perceive itself as  
20 being in poverty and there are subjective elements of  
21 the experience of poverty as well.

22                   The second way is the low income cut-  
23 off approach. It's based upon Statistics Canada's low  
24 income or LICO definition. And the LICO is a  
25 statistical definition. Stats Canada typically does

1 not like it referred to as a measure of poverty, but  
2 they just -- they have used it. A lot of people use  
3 it. It is, in fact, kind of the -- the go-to model  
4 for looking at poverty.

5 I think it's also important to look at  
6 the ways -- what's called LICO25, which is something  
7 that Manitoba Hydro and the various members of the  
8 group have used and it's simply an income level that's  
9 25 percent higher than the current LICO and that's  
10 called LICO125.

11 And so these are all statistical  
12 definitions of poverty. And it's simply related to a  
13 specific standard within an income distribution, so,  
14 the range of incomes, you choose a point and you say,  
15 things -- anyone below this point is, in fact, poor;  
16 anyone above this point is, in fact, not poor and that  
17 point floats based upon the current incomes. So, it's  
18 not an absolute measure by any -- any standard. So as  
19 -- over time, the LICO will increase as incomes in --  
20 in the country increase.

21 So if we go to the next slide. I'll  
22 talk a bit about -- using the kind of Manitoba's  
23 residential energy use survey, we sort of started with  
24 that as a reference point. And in that survey, 12  
25 percent of accounts were in arrears during 2015. I

1 think -- sorry, I skipped the first point.

2                   That energy use survey found that 14.3  
3 percent allocate -- of the respondents, allocate more  
4 than 6 percent of their income to energy costs and 4.2  
5 percent have energy burdens more than 10 percent. The  
6 other thing, of course, that survey found is that  
7 resident -- residents in First Nations face  
8 significant pay -- payment challenges. And I guess  
9 they account for -- many customers are in arrears and  
10 they also account for about 22 percent of all Manitoba  
11 Hydro disconnects. So I'll -- I'll talk a little more  
12 about the First Nations element of the work we did.

13                   Next slide please.

14                   THE CHAIRPERSON:    Sorry, Mr. Mason,  
15 can I just interrupt for a second. I read the report  
16 before and, I mean, I've read a lot of reports in my  
17 lifetime but -- sorry, studies in my lifetime but this  
18 6 percent and 10 percent, I mean, it gives you  
19 completely different numbers.

20                   DR. GREGORY MASON:    It does.

21                   THE CHAIRPERSON:    And I'm just  
22 wondering, are we moving within the community -- and I  
23 don't mean our community but the academic community  
24 where we're going to come up with an accepted member?

25                   DR. GREGORY MASON:    No.



1 THE CHAIRPERSON: Because it seems  
2 that you can create policies that satisfy one but miss  
3 the other target completely.

4 DR. GREGORY MASON: In defence of the  
5 literature, I would say people view 6 and 10 percent  
6 largely to bracket to, sort of what I call, insi --  
7 interior extremes. So it's trying to -- captures it.

8 I'm -- I'm not a great fan of absolute  
9 measures, such as 6 and 10 percent and as you can see  
10 as we go through the study, you'll see instances of  
11 where that does become a bit of a problem and it's a -  
12 - it's a -- it's a wide range. It gives you the wide  
13 range of answers but there is a fair amount of debate  
14 within the academic literature on whether energy  
15 poverty means something realistically, or whether it  
16 is in fact a realistic idea.

17 And so there's debate over the concept  
18 of energy poverty and the way we treat energy poverty,  
19 we treat it differently than we do, for example,  
20 housing affordability. So Stats Can -- sorry, CMHC  
21 defines housing affordability, and someone who's a  
22 kind of on the other side or the negative side of  
23 housing affordability is anyone who is paying more  
24 than 30 percent of their gross income devoted to  
25 housing; whether it's ownership or whether it's rent,

1 and that's all housing-related expenditures.

2                   So just the whole area of poverty has  
3 had a tremendous difficulty in grappling, in coming up  
4 with absolute measures. And this continues to be an  
5 ongoing debate. It's a debate within Stats Canada.  
6 It's a debate with the academic literature. How do we  
7 measure poverty? Do we measure it relatively using  
8 something like a LICO or do we measure it absolutely  
9 using something such as a standard of minimum basket  
10 of goods.

11                   So when you go to the -- so we say,  
12 right wing of the spectrum, we'd look at the Fraser  
13 Institute. They will go for minimum survival standard  
14 and they'll come up with a very low estimate of the  
15 number of Canadians in poverty. If you go to a LICO  
16 125 or you go to a LICO type measure, you come up with  
17 12 to 14 percent of Canadian households in poverty.  
18 So even in the general poverty literature, there is a  
19 very active debate on how we should be measuring  
20 poverty. And that debate has been raging for forty  
21 (40) years, and it doesn't seem to have abated or  
22 resolved in any way.

23                   THE CHAIRPERSON: Thank you very much.

24                   DR. GREGORY MASON: So how we did our  
25 -- our study is that we created our own customer

1 survey. And one (1) of the reasons we did is that the  
2 -- we wanted to go after some additional questions,  
3 and most importantly, we wanted to find a way of  
4 trying to get income into the mix and so include  
5 income as a variable.

6           So the way this was done is we mailed  
7 almost eight thousand (8,000) invitation letters to  
8 randomly selected Manitoba Hydro customers. We  
9 attempted to estimate customers in -- in arrears, we  
10 over sampled, under the assumption that customers who  
11 are experiencing arrears would, in fact, be low income  
12 and so that was a kind of working assumption; that  
13 there was a correlation between that.

14           I'll get to that point in just a  
15 moment. The surveys were conducted by phone and we,  
16 ultimately, were able to interview a little over  
17 eleven hundred (1100) customers. There were seven  
18 hundred and eighty-six (786) customers in the general  
19 sample and three hundred and fifty (350) in the  
20 arrears sample. Almost all customers agreed to have  
21 their survey responses lent to the Manitoba Hydro  
22 database, which means we could build a very good  
23 database of survey responses, and then have a good  
24 history of what their payment had been with Manitoba  
25 Hydro and, essentially, what their usage had been with

1 Manitoba Hydro.

2                   One (1) of the important limitations it  
3 appears that energy poverty and arrears are not  
4 correlated. So, we found that the factors driving  
5 arrears were simply not related to the factors driving  
6 poverty, which was totally counterintuitive. We were  
7 attempting to build a larger sample of low income  
8 people who experience pov -- energy poverty by  
9 oversampling the arrears, it didn't work and largely  
10 because those two (2) ideas are not actually that  
11 correlated.

12                   Many of the arrears have nothing to do  
13 with low income, they have to do with nonpayment and  
14 that does not appear to be related that strongly to  
15 income. And another limitation that's very important  
16 is that this was a representative sample of Manitoba  
17 customers and, therefore, we tend to under represent  
18 individuals in the north, especially in remote non  
19 urban and northern communities. So the number of  
20 First Nations persons who do not live in Winnipeg is a  
21 very small group, and so we're going to constantly  
22 say, we really can't talk about that group in any  
23 detail because we simply don't have a sufficient  
24 sample.

25                   And that was a choice we made in, you

1 know, in consultation with the group in terms of how  
2 we would proceed with our sampling. So this aspect of  
3 the research was very much debated within the  
4 collaborative process and this was a decision that was  
5 made at the time.

6 Next slide, please. Sorry.

7 BOARD MEMBER MCKAY: Clarify a -- a  
8 point there. So you're saying out of the three  
9 hundred and fifteen (315) customers that were in  
10 arrears, I'm presuming?

11 DR. GREGORY MASON: Yes.

12 BOARD MEMBER MCKAY: Most of those  
13 respondents were not from First Nation communities?

14 DR. GREGORY MASON: Oh, no, that's  
15 absolutely true, yes. Yes, by definition, yeah.

16 BOARD MEMBER GRANT: I'll just pile on  
17 here. I -- I remember when we discussed this when the  
18 report came out the concern was that if you're using  
19 Hydro customers, then you may not be getting at that  
20 group of tenants that -- that are -- their Hydro costs  
21 are sort of embedded in their --

22 DR. GREGORY MASON: Yes.

23 BOARD MEMBER GRANT: This that -- do  
24 you have any intuition about if there's a bias that  
25 that introduces or you just can't drill down to that

1 subset?

2 DR. GREGORY MASON: We can't drill  
3 down to the subset. The only option would have been  
4 to actually go to the general population. Then we  
5 would have had to find those people in the database.  
6 And so the decision was made, let's stick with the  
7 people who are in the database now who are our  
8 customers as being the best of -- not a very good set  
9 of options.

10 Whenever you get into sampling  
11 populations you're into making a whole range of  
12 compromised decisions. And this was a compromised  
13 decision that was made.

14 BOARD MEMBER GRANT: Okay, thanks.

15 DR. GREGORY MASON: So can I have the  
16 next slide, please. The important thing here and just  
17 as the third point, the 10 percent of the respondents  
18 were energy poor at the 6 percent level, compared with  
19 14.3 percent in the Hydro study, and 3 percent. So  
20 our survey came up with a smaller incidents of energy  
21 poverty in the general samples.

22 I think it's fairly important to note  
23 that the energy poverty -- when you look at the entire  
24 customer base is not as large as might be expected  
25 from what are generally thought to be kind of the

1 incidence of low income generally. So that was an  
2 interesting finding.

3                   Within the arrears subsample 14 no  
4 energy -- 14 percent were energy poor at the 6 percent  
5 level and 5 percent were energy poor at the 10  
6 percent. So that shows you that there is a very weak  
7 correlation between arrears and income and energy  
8 poverty.

9                   So next slide, please. So this is just  
10 key attributes of the sample and just to kind of read  
11 across, it just shows the total sample. It shows the  
12 number of the sample who were poor payers. It shows  
13 the proportion of people who actually provided there  
14 income/allowed linking; that's provided income/allowed  
15 linking. So that's two (2) things together.

16                   We typically find that, you know,  
17 there's a certain number of people who will not  
18 actually reveal their income or declined to do that.  
19 And so the highlight here is the numbers of customers  
20 that pay more than 10 percent of their inco -- income  
21 towards energy is low.

22                   And so can see the legend here talking  
23 about the energy poor at various levels of -- and  
24 energy poverty is 10 percent of their income or 6  
25 percent of their income is devoted to energy. So

1 there's various subsets of the sample here on this  
2 slide that helps, I think, people understand the  
3 nature of the sample we're dealing with.

4                   Next slide, please. And this shows the  
5 overlap between poor payers and energy poverty. So it  
6 shows us a very small number within the sample.

7                   Next slide. And then this just talks  
8 about the arrears subsample and, again, it's the same  
9 idea as the previous slide, just looking at subgroups  
10 within those people who were over sampled, who were  
11 part of the arrears subsample. Again, the very  
12 extreme right, you can see that there's a relatively  
13 small -- that small overlap that exists between  
14 arrears and energy poor.

15                   Next slide. And I guess one (1) of the  
16 things we wanted to highlight is energy poverty is not  
17 a prime cause of arrears. So again, that's just for -  
18 - sorry.

19                   BOARD MEMBER MCKAY: Just for this  
20 group --

21                   DR. GREGORY MASON: Yeah, well this is  
22 -- this is the -- I mean, again, you know, this is a -  
23 - for the responding group. All the research done in  
24 this report is referenced to the respondent group in  
25 the survey and so you have to take all the



1 qualifications who we might be missing through  
2 sampling error and through, I guess, targeting errors.  
3 So, there's a number of errors that occur in any  
4 sample survey.

5                   Next slide. And just this kind of  
6 summarizes the various responses to energy cost we  
7 actually asked people what they did in terms of  
8 managing arrears. And so, they basically -- 10  
9 percent said they could not afford to pay the bill;  
10 about 17 percent said they had to reduce spending on  
11 necessities; and 23 percent compared to 9 percent of  
12 the sample had to reduce the temperature in their  
13 home.

14                   So, we were just doing some qualitative  
15 checks on what people did to manage their energy bill.  
16 There's a -- in the report there's a lot more  
17 information on -- on this -- this kind of response.  
18 We felt it was fairly important to get an  
19 understanding of how -- what strategies people  
20 typically used to manage energy costs.

21                   Next slide, please. And this is a  
22 fairly important slide. It basically shows the  
23 relationship between -- and this is just electric con  
24 -- consumption not natural gas. So electricity  
25 consumption versus income and the correlation is

1 extremely low. And as you can see, there's a  
2 tremendous variation at all low -- at -- at the kind  
3 of the -- sort of the income levels and the  
4 consumption in kilowatt hours. So this -- the  
5 horizontal axis is extreme to account for one (1) or  
6 two (2) very high -- well, several very high incomes.

7           But the correlation in the under  
8 hundred thousand income, you can see there's an  
9 enormous variation in energy consumption that people  
10 had. This is not reported on the survey. This is  
11 taken from the Hydro database and that highlights a  
12 very important aspect of -- some of the work we did is  
13 that there is a tremendous variation probably reduced  
14 by variations in the quality of the home and also  
15 lifestyle choices. Basically how many large-screen  
16 TVs are running in your home and a variety of other  
17 consumption activities that are high energy use.

18           So that's the -- that's an important  
19 chart because it shows that the relationship between  
20 consumption and income is very low, and then that  
21 begins to sort of highlight what the options are in  
22 terms of mitigating the impact of energy and what  
23 strategies there might be available to mitigate that.

24           THE VICE-CHAIRPERSON: Dr. Mason, was  
25 this segmented at all for electric heaters versus non-

1 electric --

2 DR. GREGORY MASON: This is just  
3 electric heat.

4 THE VICE-CHAIRPERSON: Just electric.

5 DR. GREGORY MASON: This is just  
6 electric heat, yes.

7 Next slide, please. So what we used is  
8 we developed a fairly substantial Excel spreadsheet to  
9 model the impact with the proposed rates. A number of  
10 things were included in that spreadsheet, I guess we  
11 looked forward -- I guess maybe that's not the best  
12 choice of words. We looked ahead to the imposition of  
13 a carbon tax. We basically used inflation rates that  
14 were common to the past. I think those are probably  
15 fairly -- going to be fairly stable. And we made  
16 assumptions about the growth of income.

17 The model allows us and we did a lot of  
18 variation in these assumptions to see what the impact  
19 would be of a rate increase under various other  
20 external assumptions. And I think the important  
21 takeaway is that under plausible assumptions about  
22 inflation, income growth, increased energy levels will  
23 adversely affect the energy poverty experienced by  
24 some Manitobans.

25 So the study does reveal that some

1 people as a result of the proposed increase will  
2 experience additional hardship as a result, and that  
3 they'll be -- they'll be faced with some additional --  
4 additional challenges.

5                   So the next two (2) slides I think  
6 basically highlight the nature of those challenges.

7                   THE CHAIRPERSON:    Sorry, Dr. Mason?

8                   DR. GREGORY MASON:    Yeah.

9                   THE CHAIRPERSON:    In terms of the  
10 imposition of a carbon tax, did you for the purposes  
11 of this study come up with a number?

12                   DR. GREGORY MASON:    We came up with  
13 what the federal government was proposing at a time --

14                   THE CHAIRPERSON:    Yes.

15                   DR. GREGORY MASON:    -- not -- not the  
16 current number but it was the one (1) that was  
17 proposed at the time.

18                   And so this basically shows that the  
19 proposed increase and we've looked at a number of  
20 different scenarios, we worked those areas out, I  
21 guess, with the collaborative group and, of course,  
22 with the input of Hydro. And so it shows you the  
23 kinds of impacts we can expect to see in terms of  
24 those households who would, in fact, you know, at the  
25 LIC0125 would be basically pushed into paying more

1 than 6 percent of their LICO125 income in -- in terms  
2 of energy costs.

3                   And you can see there are some  
4 substantial impacts. The next one, does the 10  
5 percent number I believe. There are also some impacts  
6 but, you know, obviously, there's fewer and I would  
7 caution that we are now starting to work on a small  
8 sample size. So, there are sample-sized challenges  
9 with this particular simulation.

10                   And the next slide. And so I'm just  
11 going just highlight very quickly. These are just  
12 taken straight out of the report so people can go  
13 right to the report and referenced them. It shows  
14 some opp -- some of the opportunities and some of the  
15 ways in which one could mitigate this. So we modelled  
16 a straight rate discount at three (3) rate levels, a  
17 fixed charge waiver and so, as I said, the details are  
18 in the report and a percentage of income payment plan.  
19 Of course, a percentage of income payment plan just  
20 simply makes the energy impact go away. So that's why  
21 you see the zeros there.

22                   And so this is, again, just simply  
23 talking about the impact. You can see that the actual  
24 numbers at 10 percent are relatively small. Numbers  
25 at 6 percent are -- are a little larger, but they are

1 relatively still a small samp -- proportion of the  
2 total sample.

3 I don't want to dismiss at all the  
4 experience that people in this group would face in  
5 terms of an energy poverty challenge as a result of  
6 the rate increase.

7 So the next slide. This is not --  
8 we're going to be cautious here. This is not work  
9 that was actually specifically commissioned by the  
10 collaborative group but Manitoba Hydro asked me to  
11 offer some thoughts about how one could logistically  
12 and administratively do that, since I spend so much  
13 time thinking about how to administer social  
14 assistance and income assistance programs.

15 So they're broadly speaking three (3)  
16 approaches that people use in what I call poverty  
17 mitigation. One (1) is to invite the customers to  
18 apply for rate assistance. Like, you know, I'm having  
19 trouble and then they would submit their income tax  
20 return and then be awarded the rate relief based upon  
21 their income tax return, which seems like a very  
22 sensible thing.

23 The challenge here is that this results  
24 in a very low uptake. So, the history of social  
25 assistance and income assistance programs is a

1 surprising number of people who are eligible do not  
2 apply. And a tremendous amount of work has to go in  
3 to encouraging people to apply. And the other thing  
4 that occurs is that people have to reapply every year  
5 because they have to refresh their income tax form.

6           One could use social assistance as an  
7 eligibility test, but this misses the working poor,  
8 which comprise 60 percent of the target group who  
9 legitimately would be part of a rate relief program.

10           And then the other one (1) that -- idea  
11 that comes up is to use the income tax rules directly,  
12 but Canada Revenue Agency is very, very, very careful  
13 in how they allow the income tax rules to be used.  
14 You can't simply link to the income -- income tax  
15 database. It will never allow its records to be used  
16 to determine eligibility directly unless the program  
17 is embedded within the tax reform and that usually  
18 requires an agreement between the federal and  
19 provincial government. So I can -- later on if people  
20 want to go through this I can go through this in more  
21 detail.

22           Tax rules do not record and are not --  
23 work at the economic family level and so a lot of  
24 times a tax record is for the tax filer. It does not  
25 reflect the experience of the household, that's a

1 significant challenge and many low income persons do  
2 not file income tax returns. So it's not a universal,  
3 shall we say, sieve for detecting people who are on  
4 low income.

5                   Next slide. There are some bill  
6 affordability options and some cautions there with  
7 respect to First Nations. Obviously, one can manage  
8 the social process -- and I'm using the word 'social  
9 process' of the exact process being used to manage  
10 disconnects, retrofit housing and manage rates. This  
11 obviously -- and I think has been described before --  
12 requires very close cooperation with band councils and  
13 Indigenous Services Canada.

14                   Retrofitting is a good option but this  
15 always requires that houses have sufficient structural  
16 integrity in First Nations and, ultimately, that is  
17 the responsibility of the federal government, and  
18 CMHC. So, you can retrofit a house but it's got to be  
19 in good basic condition in order for that retrofit to  
20 make economic sense.

21                   You could actually have an application  
22 process, might be grafted on. This would require  
23 Bands offering Manitoba Hydro eligible house  
24 externally audited and would include households that  
25 have members who are employed. So, the issue here is



1 that within most First Nations there is a kind of  
2 distribution of people who are on social assistance,  
3 people who are earning, people who are in various --  
4 various way -- can of various distribution of income.

5           And one could use a status card to  
6 indicate eligibility for special rate reconsideration.  
7 This includes other Aboriginal purses -- persons and  
8 includes status cardholders who live off reserve and  
9 who have a relatively high income.

10           So one of the points I'm trying to make  
11 here, and it is very important and I'll summarize this  
12 in the last slide, running an income assistance  
13 program -- if you could move ahead -- running an  
14 income assistance program is extremely complicated and  
15 it's high cost and it requires a whole range of  
16 expertise that is typically not embedded within Hydro.  
17 It's typically embedded within the income assistance  
18 programs of the province, which have better access to  
19 information. So, the whole caution that I want to  
20 encourage, the Board needs to be careful in directing  
21 Manitoba Hydro to apply rate relief based upon an  
22 income test.

23           The argument here is that Manitoba  
24 Hydro does not have nor is it likely to obtain  
25 critical information that will allow it to target rate

1 support programs accurately. Manitoba Hydro is not  
2 currently equipped and is unlikely to run income  
3 tested program effectively.

4           The other thing that's very important  
5 is the eligible population constantly fluctuates.  
6 Many people imagine that people on social assistance  
7 as a static population. It isn't. It fluctuates.  
8 Since welfare reform individuals on social assistance  
9 have been allowed to earn income and which means that  
10 regularly about 20 to 25 percent either come off the  
11 rolls entirely or fluctuate across a threshold, back  
12 and forward across a threshold of eligibility and that  
13 always becomes the challenge in administering an  
14 income assistance program.

15           Tracking eligibility, trac -- tracking  
16 changes in the household, and even something as  
17 mundane is that if in January your income goes down,  
18 you will not be eligible and able to demonstrate need  
19 until the following April when you file your tax  
20 return. So that can be fourteen (14) months of where  
21 you have need but is not caught up.

22           The other thing is that you could have  
23 an income increase -- you've received the rate relief,  
24 have the income increase and enjoy that for fourteen  
25 (14) months, and then later have a clawback through

1 the overpayment program. It's a formatively  
2 difficult system to manage properly. So be very  
3 careful in getting Hydro to do that because social  
4 assistance in the province has the infrastructure to  
5 do that and they have challenges in maintaining  
6 eligibility.

7 I think the other thing too is that  
8 it's important not to try -- duplicate other programs  
9 that are in place, and I think specifically of the  
10 rent assist program which has started to expand a fair  
11 bit and does include provision for utility increases  
12 and is really designed to help primarily renters  
13 manage rent -- their rent and so the rent assist  
14 program is an existing program. And whenever you  
15 introduce a new income tested program, you have to  
16 make sure that you are not inadvertently stacking it  
17 on top of other programs and that becomes another  
18 design issue.

19 So here's just some thr -- kind of  
20 final three (3) slides of thoughts and cautions in how  
21 to do that. Again, the major take-away, yes, some  
22 people will in fact be adversely by the -- affected by  
23 the proposed increase. It's how that increase is  
24 managed and who manages that increase that becomes the  
25 critical issue. Thank you.

1 MR. GREG BARNLUND: Thank you, Mr.  
2 Mason. If I could indulge the Board in about the next  
3 minute or two, I can, can you wrap up this  
4 presentation.

5 If we could turn to slide 67 please.  
6 We can skip past that one -- sixty seven (67). Sixty  
7 six (66) is just Professor Bonbright's caution in  
8 terms of the usefulness of -- of rate and rate design  
9 in terms of addressing issues of ability to pay.

10 So, that echoes what Mr. Mason is  
11 saying here in terms of the complexity of the issue.  
12 Our desire here is to make sure that all parties are  
13 aware of how we can go -- best go forward using the  
14 instrument of rate design in the most appropriate way,  
15 but having the right expectations in terms of what we  
16 can accomplish or can't accomplish with it.

17 So, there are a number of policy  
18 decisions to be resolved and -- and the policy  
19 decisions that was not the -- the working group was  
20 not determining the outcome of these policy decisions  
21 or determining what these policy decisions should  
22 actually be. But here we are.

23 Who should pay for low-income  
24 assistance? That's -- that's a critical -- critical  
25 question we have to face here. Is it be -- going to

1 be paid by residential ratepayers? Is it going to be  
2 paid by all ratepayers? Or is it going to be paid by  
3 taxpayers through government? We don't have the  
4 answers to that question at this point in time.

5 Which recipients should be targeted?  
6 And Mr. Mason showed the difference between varying  
7 the thresholds between 10 percent and 6 percent, and  
8 you have a different catchment rate in terms of  
9 eligible customers in that respect.

10 How can programming be designed that  
11 complements but doesn't conflict with government  
12 assisted programs?

13 Furthermore, there has to probably more  
14 consultation, both with customers and -- and then  
15 better understanding in consultation with First  
16 Nations and Indigenous people in terms of the  
17 particular needs and the particular characteristics of  
18 this issue. And that -- and if we could flip to the  
19 last slide then please.

20 Again, when we -- when we speak of the  
21 matters here in terms of lower income assistance, It's  
22 a matter of determining who is going to pay for that.  
23 And that's a policy decision that has yet to be  
24 resolved. Thank you very much.

25 MR. CHAIRPERSON: Thank you, Mr.

1 Barnlund. Ms. Steinfeld...?

2

3 CROSS-EXAMINATION BY MS. DAYNA STEINFELD:

4 MS. DAYNA STEINFELD: Thank you, Mr.  
5 Chair, and thank you to the Members of the witness  
6 panel. I'll start by echoing something that Mr.  
7 Peters said at the outset just to remind the Members  
8 of the Panel that our questions are not intended to  
9 elicit confidential information, and if you think that  
10 in order to respond to a question, you need to refer  
11 to confidential information, I would encourage you to  
12 speak your counsel before responding.

13 I expect that most of my questions,  
14 certainly this morning and -- and into the afternoon  
15 will be directed at Mr. Barnlund. But if somebody  
16 else has the answer, then it's fine to ignore me  
17 directing at Mr. Barnlund and -- and provide the  
18 answer. We'll get to all of you eventually I suspect.

19 Mr. Barnlund, I'd -- I'd like to start  
20 with issues of the revenue-to-cost coverage and -- and  
21 zone of reasonableness. And -- and you explained this  
22 morning that the results of the Cost of Service Study  
23 indicate the degree to which the costs allocated to a  
24 customer class are -- are being recovered through the  
25 revenues collected from the class and we use a ratio

1 that we call the revenue-to-cost coverage ratio to  
2 describe that.

3 Is that correct?

4 MR. GREG BARNLUND: Yes, that's  
5 correct.

6 MS. DAYNA STEINFELD: And -- and we'll  
7 get to some of the details of this later, and -- and  
8 you touched on it in your presentation. But in simple  
9 terms the revenue-to-cost coverage ratio is -- is  
10 calculated by dividing the revenues collected from a  
11 class by the allocated costs of that class.

12 Is that correct?

13 MR. GREG BARNLUND: That's correct.  
14 And the revenues responsible for the -- for the class  
15 would also include the allocation of debt export  
16 revenue, as well as the domestic sales revenue.

17 MS. DAYNA STEINFELD: And -- and we'll  
18 get to that in some more detail later. But I have  
19 your point. And -- and just to illustrate what this  
20 ratio means.

21 Do I understand that if -- if the  
22 revenue-to-cost coverage ratio were -- were one point  
23 o (1.0) or 100 percent, which we might call unity,  
24 that would mean, at least in theory, that a class -- a  
25 class's revenues were exactly covering its allocated

1 costs?

2 MR. GREG BARNLUND: Yes. That's fair  
3 to say.

4 MS. DAYNA STEINFELD: And again at --  
5 at least theoretically if -- if the revenue-to-cost  
6 coverage ratio for a class was 90 percent, that this  
7 would mean that the class was underpaying its costs by  
8 -- by 10 percent?

9 MR. GREG BARNLUND: You could think --  
10 you could say that, yes.

11 MS, DAYNA STEINFELD: And the inverse  
12 would also be true if we talked about a -- a revenue-  
13 to-cost coverage ratio of 110 percent, we would  
14 understand that that class was overpaying its costs by  
15 10 percent?

16 MR. GREG BARNLUND: That's correct.

17 MS, DAYNA STEINFELD: So Manitoba  
18 Hydro would accept that, at least in principle, one  
19 (1) use of the cost of service study would be to use  
20 those revenue-to-cost coverage ratios to indicate  
21 where customer class rates should be adjusted to  
22 address any of those kinds of under or overpayment  
23 issues?

24 MR. GREG BARNLUND: I think that's a  
25 fair statement, yes.



1 MS. DAYNA STEINFELD: And you  
2 explained this a bit this morning, but just to -- to  
3 make sure that the -- the panel has the point that if  
4 that result were taken, the result would be -- or  
5 sorry if that approach were taken, the result would be  
6 what we would call differentiated rates.

7 Is that fair?

8 MR. GREG BARNLUND: Yes, that's  
9 correct.

10 MS. DAYNA STEINFELD: But I -- I think  
11 we all understand you to be saying that because the  
12 cost of service study has a degree of -- of  
13 imprecision within it or it's not exact in the way  
14 that we might expect it to be just looking at it, we  
15 use a zone of reasonableness when we evaluate the --  
16 or look at the revenue-to-cost coverage ratio.

17 Is that fair?

18 MR. GREG BARNLUND: Yes, that's the  
19 generally accepted approach.

20 MS. DAYNA STEINFELD: And is it your  
21 understanding that since, approximately 1996, this  
22 Board has accepted a zone of reasonableness of 95 to  
23 105 percent?

24 MR. GREG BARNLUND: That's correct.

25 MS. DAYNA STEINFELD: So that mean

1 that where a class's revenue-to-cost coverage ratio  
2 fell within ninety five (95) to a hundred and five  
3 (105), we might say that that class is covering its  
4 costs appropriately through its revenues?

5 MR. GREG BARNLUND: Yes, that's  
6 correct.

7 MS. DAYNA STEINFELD: And in your  
8 evidence today, am I correct in understanding that  
9 you're suggesting that Manitoba Hydro is -- is now  
10 asking this Board to consider a broader zone of  
11 reasonableness?

12 MR. GREG BARNLUND: We have -- we have  
13 indicated that in our initial application that we  
14 filed, yes. We were suggesting that -- that it may be  
15 worth considering to expand the zone of reasonableness  
16 from ninety five (95) to one o five (105) up to ninety  
17 (90) to one ten (110).

18 MS. DAYNA STEINFELD: And why don't  
19 we, Mr. Barnlund, just to take a look at it, I think  
20 if we turn to PUB Exhibit 42-5, which is volume 5 of  
21 Board Counsels' Book of Documents. And I suspect this  
22 is where we will be spending most of our time today.

23 If we turn to page 41, I believe. This  
24 is a -- a response to an Information Request, but we  
25 see here, this is where Manitoba Hydro is telling the

1 Board that it should consider a 90 percent to 110  
2 percent zone of reasonableness?

3 MR. GREG BARNLUND: Yes, we've  
4 suggested that -- that it may be reasonable to accept  
5 a widening of the zone.

6 MS. DAYNA STEINFELD: And what's the  
7 magic of 90 to 110 percent, Mr. Barnlund?

8 MR. GREG BARNLUND: Well, it was  
9 really based on looking retrospectively at revenue-to-  
10 cost coverage ratios that existed over the period of  
11 time from approximately 1995 till -- to current and, I  
12 believe, in our initial filing we had a table which  
13 showed that chronology in terms of the range of  
14 revenue-to-cost coverage ratios over that period of  
15 time.

16 And it's -- if you look at expanding  
17 the zone from ninety five (95)/one-o-five (105) to  
18 ninety/one ten (90/110), you'd find that you've got,  
19 you know, a reasonable capture of the actual revenue-  
20 to-cost coverage outcomes of those cost of service  
21 studies that were in existent at those (sic) time.

22 MS,=. DAYNA STEINFELD: And to help  
23 you out with your answer there, Mr. Barnlund, I think  
24 you were referring to figure 8.15, which is at page 34  
25 of volume 5?

1 MR. GREG BARNLUND: Yes, that's  
2 correct.

3 MS. DAYNA STEINFELD: So this is what  
4 you were just referring to. This was the chart where  
5 Hydro looked back in time and -- and looked at the RCC  
6 or the revenue-to-cost coverage ratios that came out  
7 of those General Rate Applications in those years?

8 MR. GREG BARNLUND: Yes, that's  
9 correct.

10 MS. DAYNA STEINFELD: And, Mr.  
11 Barnlund, subject to check, do -- do I understand that  
12 this figure includes the area and roadway lighting  
13 class?

14 MR. GREG BARNLUND: It would include  
15 all classes.

16 MS. DAYNA STEINFELD: So would we  
17 expect that some of these outliers are -- at the top  
18 end, might be the area and roadway lighting class?

19 MR. GREG BARNLUND: It's conceivable.  
20 I'd have to go back and look in more detail. But  
21 there was a period of time when we were not applying  
22 an increase to area and roadway lighting through a  
23 couple of rate changes in the 2000s. Essentially, the  
24 revenues were being recovered from other classes. We  
25 did not apply the rate change -- or rate increase to

1 area and roadway lighting which had the effect of  
2 allowing their RCC to settle back into the zone of  
3 reasonableness over time.

4 MS. DAYNA STEINFELD: Okay. Thank you  
5 for that, Mr. Barnlund. And you spoke this morning  
6 that in 2016, the Board conducted a -- a cost of  
7 service methodology review, and -- and you were  
8 involved in that process. That's right?

9 MR. GREG BARNLUND: Yes.

10 MS. DAYNA STEINFELD: And that process  
11 resulted in Order 164 of '16?

12 MR. GREG BARNLUND: It did.

13 MS. DAYNA STEINFELD: In this figure  
14 8.15 that we're looking at, which of these years  
15 follow the 164 of '16 methodology in terms of the cost  
16 of service study?

17 MR. GREG BARNLUND: So if we look at  
18 the left-hand side of the chart, we would see  
19 prospective cost of service study 18 and prospective  
20 cost of service study 14, that says 164/'16. Those  
21 two (2) studies would have been reflective of the  
22 direction given in 164/'16 for amendments to the cost  
23 of service methodology.

24 MS. DAYNA STEINFELD: Okay. Thank you  
25 for that. And which of these years, prior to the ones

1 that you've just mentioned, involved cost of service  
2 studies that were approved by this Board?

3 MR. GREG BARNLUND: I'll wait for Ms.  
4 Fernandes to hit the microphone.

5 MS. ODETTE FERNANDES: I just -- I  
6 think we need to be careful with respect to the use of  
7 the term "approved by this Board." I think we've  
8 argued in the past that the cost of service study is a  
9 tool, and the Board has agreed that the cost of  
10 service study is a tool which can be used. So it's  
11 something that we file that if the board wishes to  
12 utilize in terms of setting rates, it can do so, but  
13 it is not required to do so.

14 MR. GREG BARNLUND: So if I could add  
15 to that, perhaps, this Board has approved the rates in  
16 those rate applications where we have filed cost of  
17 service studies. They have not specifically approved  
18 the cost of service study. They've approved the rates  
19 that were requested at that point in time.

20 So, implicitly speaking, we would -- we  
21 would suggest or we would state that if the rates  
22 themselves are approved as just and reasonable,  
23 therefore there must be a -- at least an implicit  
24 acceptance of the cost of service study that  
25 accompanied that.

1

2 CONTINUED BY MS. DAYNA STEINFELD:

3

MS. DAYNA STEINFELD: And Mr.

4

Barnlund, I'll be mindful of the -- the proper

5

admonition by Ms. Fernandes there, and I'm going to

6

state that same question differently.

7

Which of these years involved a cost of

8

service study methodology that was approved by the

9

Board? Am I correct in thinking that it would have

10

been 2008, and then the 164 of '16 that you've already

11

mentioned?

12

MR. GREG BARNLUND: If you could just

13

give me a second.

14

15

(BRIEF PAUSE)

16

17

MR. GREG BARNLUND: I'm advised that

18

with respect to your question, I think that we would

19

note the PCOSS06 117/'06 and PCOSS08 116/'08 as

20

fitting that criteria.

21

MS. DAYNA STEINFELD: And just -- just

22

so I have the point, Mr. Barnlund, what you've just

23

explained with your answers to those several questions

24

is that Manitoba Hydro files its cost of service study

25

with its general rate application, and that forms part

1 of what the Board considers in -- in terms of its  
2 setting rates, but there have only been a few  
3 occasions that are shown on this chart where the Board  
4 had specifically reviewed and approved the methodology  
5 that's used by Manitoba Hydro in preparing that study.

6 Is -- is that fair?

7 MR. GREG BARNLUND: Well, again, I'm  
8 going to slightly split a hair with you. I think that  
9 generally speaking, yes. However, as Ms. Fernandes  
10 said, that the Utilities Board did not explicitly  
11 approve the cost of service methodology in those  
12 cases, and I would also note that there was a couple  
13 of general rate applications of recent time, probably  
14 2012/2015 where we did not file a cost of service  
15 study, because the work was -- was pending the overall  
16 review of cost of service itself.

17 MS. DAYNA STEINFELD: If we, Mr.  
18 Barnlund, looked back at these years and applied the  
19 164 of '16 methodology to them, am I correct in  
20 thinking that these revenue to cost coverage ratios  
21 would then change?

22 MR. GREG BARNLUND: Yes, they would.

23 MS. DAYNA STEINFELD: We don't know  
24 how they would change, though, to -- to be fair, but  
25 we -- we agree that they would change in some fashion?



1                   MR. GREG BARNLUND:    I think that you  
2 can -- it's safe to say that there was a significant  
3 change from the PCOSS14 amended that we filed with the  
4 cost of service review with what was ultimately  
5 directed by this Board. We have not gone back and, of  
6 course, looked at any of the previous cost studies to  
7 sort of replicate that, but I think it's safe to  
8 assume that there would be different outcomes for each  
9 of those cost studies if we were to apply the 164/'16  
10 assumptions and methodology.

11                   MS. DAYNA STEINFELD:    Thank you for  
12 that. And Mr. Barnlund, is Manitoba Hydro of the view  
13 that progress should be aimed towards moving the  
14 classes towards unity, or alternatively, perhaps, at  
15 least within the zone of reasonableness?

16                   MR. GREG BARNLUND:    It's consistently  
17 been stated as being, from Manitoba Hydro's  
18 perspective, a long-term goal, and being a long-term  
19 goal, it means that it's -- it's desirable to move  
20 classes in that direction. It's ultimately desirable  
21 to move classes closer to unity, but that has to be  
22 balanced against the practical considerations of the  
23 impact of doing so.

24                                   And so while we have, as I say,  
25 consistently stated that that's a long-term goal, that

1 -- that the advancement of that needs to be looked at  
2 on a case-by-case basis, depending on the general rate  
3 application at the time.

4 MS. DAYNA STEINFELD: So am I -- am I  
5 taking that answer to understand that when -- when we  
6 talk about long-term goals, and we're looking at an  
7 indicative rate plan that has six (6) years, the 7.9  
8 percent increases followed by a four point five-four  
9 (4.54). We're not talking about moving the classes  
10 towards unity until some seven (7) or eight (8) years  
11 out? Is -- is that -- is that correct?

12 MR. GREG BARNLUND: Well, I think  
13 unity is -- is sort of the holy grail, here. I mean,  
14 that's what you would aspire to do, but realistically,  
15 I think that you have to really consider what is  
16 gained once you have customer classes within a zone of  
17 reasonableness, what further benefit are you obtaining  
18 for various customer classes versus the trade-offs of  
19 the increased paying the certain class -- customer  
20 classes would be facing to move more classes to unity?

21 And -- and let me just add too that  
22 while unity is a theoretical -- like, it's a holy  
23 grail, we set rates at unity on the natural gas side  
24 of the business, and it's not without its  
25 complications, because every time we change a dollar

1 worth of cost, or add a customer to the system, or  
2 change a unit of consumption, we essentially change  
3 all of our rates. And so you're -- you're violating  
4 some stability principles in terms of rate setting  
5 when you have the level and volatility that's  
6 associated with setting rates at unity every time that  
7 you file a rate application.

8 MS. DAYNA STEINFELD: Thank you. for  
9 that answer, and you've helped answer a question I  
10 hadn't asked yet about how Centra does it, so thanks  
11 for that as well.

12 If I could turn to the book of  
13 documents, page 44, and Mr. Barnlund, you can confirm,  
14 but I -- I believe this is a chart that we saw on your  
15 slides as well.

16 Can you just explain whether -- we  
17 don't see the initial revenue to cost coverage column  
18 in this chart, but would that initial column, if it  
19 was here, include the impact of a 7.9 percent rate  
20 increase?

21 MR. GREG BARNLUND: Just let me check  
22 on that for a moment, please.

23

24 (BRIEF PAUSE)

25

1                   MR. GREG BARNLUND:    I think that's  
2 something we'd have to get back to you on. We've run  
3 a number of scenarios. Typically, the way we used to  
4 run the cost of service study was you didn't put the  
5 increase in. We've been asked to do it with the  
6 increase added in, and we've answered a number of  
7 information requests in that regard. I don't see the  
8 specific reference in this. We'd have to check on  
9 that.

10                   MS. DAYNA STEINFELD:   Thank you. And  
11 -- and just to assist, maybe we can just turn to page  
12 47 here. I believe this is essentially the same  
13 chart, but including that 7.9 percent layered in, so  
14 you can do that, subject to check. I don't need an  
15 undertaking. You can confirm later today.

16                   MR. GREG BARNLUND:    That's fine.  
17 Thank you.

18                   So if we could spend a few moments  
19 talking about these charts, and -- and maybe I'll go  
20 back to page 46 here. And I understand, Mr. Barnlund,  
21 that this is a chart that shows the estimated annual  
22 changes in class revenues required to achieve unity,  
23 or -- or a hundred percent over different periods of  
24 time. And then if we go back to page 47, this is the  
25 -- the same kind of project, but using the zone of

1 reasonably instead of unity. Is -- is that  
2 correct?

3 MR. GREG BARNLUND: That's right. So  
4 each of these slides represents -- the first one is  
5 targeting unity, and the second one is targeting  
6 getting rates -- getting classes within a zone of  
7 reasonableness.

8 MS. DAYNA STEINFELD: And if we can  
9 stay on -- on this chart, the zone of reasonableness  
10 chart, this shows that move to class rates -- to move  
11 them within the zone of reasonableness while  
12 maintaining overall revenue neutrality. Is -- is that  
13 correct?

14 MR. GREG BARNLUND: Yes, that's  
15 correct.

16 MS. DAYNA STEINFELD: And can you just  
17 explain from the panel -- for the panel what is the --  
18 what is Manitoba Hydro trying to show with that  
19 concept of maintaining overall revenue neutrality in  
20 this chart?

21 MR. GREG BARNLUND: Well, I think  
22 that's pretty much the primary and fundamental rate-  
23 making goal and objective that Manitoba Hydro wants to  
24 have respected, is that -- that we're entitled the  
25 opportunity to earn our entire revenue requirement

1 back when we set rates. And so if we're going to be  
2 adjusting revenues to move certain customer classes,  
3 those revenues have been borne by other customers and  
4 other customer classes. And so that's the -- the  
5 underlying assumption we have with respect -- with  
6 respect to this. So these are done on what we call as  
7 a revenue neutral basis.

8 MS. DAYNA STEINFELD: So basically,  
9 what you're -- what you're saying is that the  
10 Corporation has to stay whole at the end of the day.  
11 So if you're moving one (1) class down towards the  
12 zone of reasonableness, or you're decreasing the rates  
13 so that they move within that zone, another class has  
14 to pick up the slack and -- and pay the equivalent  
15 difference to keep the Corporation whole?

16 MR. GREG BARNLUND: Yes, that's  
17 correct. And so if you take a dollar away from one  
18 (1) customer class, that dollar has to be paid by some  
19 other customer class.

20 MS. DAYNA STEINFELD: And what you  
21 explained in your evidence this morning already is  
22 that with the revenue to cost coverage ratios the way  
23 they are coming out of PCOSS18, we would see if we  
24 were going to move classes within the zone of  
25 reasonableness, rate decreases for, I believe you'll

1 correct me, general service small non-demand, general  
2 service large 30 to 100 kV, and general service  
3 greater than 100 kV. Is that correct?

4 MR. GREG BARNLUND: Yes, that's  
5 correct.

6 MS. DAYNA STEINFELD: And the  
7 residential class would have to have a rate increase  
8 in order to make up for those decreases?

9 MR. GREG BARNLUND: So we've applied  
10 that revenue recovery to the residential class because  
11 the -- that class has the lowest RCC in this analysis.  
12 It's a subjective discussion as to how you're going to  
13 recover -- how broadly you're going to recover that  
14 money. I mean, we've got some classes that are  
15 approximately 98 or 98.7 percent cost coverage ratio.  
16 You're not seeing any adjustment there. Conceivably,  
17 you could increase them to unity, and they would pay  
18 slightly higher rates, and that would assist spreading  
19 the burden between the residential customers and to  
20 other customer classes in doing so.

21 So bear in mind that this analysis was  
22 -- was done on a -- with a fairly simplifying  
23 assumption to it.

24 MS. DAYNA STEINFELD: And thank you  
25 for that. But if we -- if we just stick with the --

1 with the chart here, if we look at the annual  
2 differentiation in one (1) year, am I correct in  
3 understanding that the 3.4 percent increase to the  
4 residential class would be on top of the 7.9 percent  
5 increase that the Corporation is seeking?

6 MR. GREG BARNLUND: Yes, that's  
7 correct. So -- so these numbers that you're seeing  
8 here are incremental change to the -- the basic 7.9  
9 percent revenue increase we'd be seeking from all  
10 customer classes.

11 MS. DAYNA STEINFELD: Thank you, Mr.  
12 Barnlund. Let's -- let's move on to something you  
13 raised earlier in response to one (1) of my questions,  
14 the -- the calculation of the revenue to cost coverage  
15 ratio.

16 And -- and just to back it up a little  
17 bit to some concepts that we discussed in the cost of  
18 service study review, my understanding -- and I -- I  
19 was fairly new at that point in time, so feel free to  
20 correct me -- is that the domestic customers are  
21 responsible ultimately for recovering all of Manitoba  
22 Hydro's revenue requirement.

23 MR. GREG BARNLUND: Yes, they are.

24 MS. DAYNA STEINFELD: But in addition  
25 to the revenues that are collected from the domestic



1 classes, Manitoba Hydro also has an export business,  
2 and there are revenues that flow to the Corporation as  
3 -- as a result of those exports?

4 MR. GREG BARNLUND: By virtue of the  
5 way you have to design a hydraulic system, you are  
6 going to have surplus energy available for sale, and  
7 the proceeds of that surplus energy that's sold in the  
8 market can then be used to reduce or to subsidize the  
9 revenues required from the residential domestic  
10 customers -- or sorry, from the domestic customers. I  
11 shouldn't just say residential.

12 MS. DAYNA STEINFELD: And so to follow  
13 up on that, in the cost of service study and -- and  
14 the Board's Order 164 of '16, export revenues are used  
15 to essentially benefit the domestic customers by  
16 lowering the amount of costs required to be paid by  
17 those customers?

18 MR. GREG BARNLUND: Yes, that's  
19 correct.

20 MS. DAYNA STEINFELD: Let's turn to  
21 Volume V, page 56, please.

22

23 (BRIEF PAUSE)

24

25 MS. DAYNA STEINFELD: And just

1 scrolling down to the response -- that's perfect,  
2 thank you.

3                   This you've already explained, but just  
4 to make sure I have it, that Manitoba Hydro, when they  
5 calculate the revenue to cost coverage ratio, what  
6 happens is the export revenue is taken as an addition  
7 to the domestic classes' revenue, arriving at what you  
8 might call a total revenue number?

9                   MR. GREG BARNLUND:    That's correct.

10                   MS. DAYNA STEINFELD:   So that would be  
11 the -- the numerator, essentially, in the revenue to  
12 cost coverage ratio?

13                   MR. GREG BARNLUND:    You have that  
14 correct.

15                   MS. DAYNA STEINFELD:    And then that  
16 total revenue, in Manitoba Hydro's approach, is  
17 divided by the allocated costs for that customer  
18 class?

19                   MR. GREG BARNLUND:    Yes, that's  
20 correct.

21                   MS. DAYNA STEINFELD:    And you  
22 discussed this in your evidence, so I think you'll  
23 agree with me that at -- at least in principle,  
24 there's an alt -- alternative way of -- of doing this,  
25 and that would be to use export revenue as a way to

1 reduce the costs or -- or reduce the denominator?

2 MR. GREG BARNLUND: Yes. I mean, it's  
3 just algebra. So you can subtract from cost, and then  
4 divide that into domestic revenues. However, if  
5 you're to do that, you are developing an RCC on a  
6 different basis of calculation than you have been for  
7 the last twenty (20) years.

8 So if we're looking at that  
9 representing a revenue cost ratio you would evaluate  
10 against the zone of reasonableness, I would suggest  
11 that you've introduced apples amongst the oranges in  
12 doing.

13 MS. DAYNA STEINFELD: Okay. Let --  
14 let's unpack that a little bit, and I'm going to come  
15 back to page 57, but we can -- we can put it up for  
16 now, because it's -- it's just an illustration of  
17 those two (2) different methods. And you showed this  
18 in your evidence.

19 But you'd agree with me, Mr. Barnlund,  
20 that in 164 of '16, this Board spent some time  
21 thinking about the question of -- of export revenues  
22 and -- and how those should be treated in the cost of  
23 service study?

24 MR. GREG BARNLUND: Certainly, it was  
25 a very central discussion a very central discussion, a

1 very central topic with respect to the treatment of  
2 cost of service.

3 MS. DAYNA STEINFELD: And that order  
4 stressed the link between export revenues and the  
5 costs that are incurred to get those revenues?

6 MR. GREG BARNLUND: Well, I think  
7 going further, what it said is that it looked at pure  
8 cost causation and recognized that generation and --  
9 and transmission assets, or predominantly generation  
10 HVDC assets are -- are the assets that are providing  
11 the ability to export surplus, and therefore, that any  
12 recovery -- or any return of export revenue or net  
13 export revenue to customer classes should be done on  
14 the basis of their allocated generation and  
15 transmission costs.

16 MS. DAYNA STEINFELD: And would it be  
17 fair for me to say that it was also part of the Needs  
18 for and Alternatives to business case that the  
19 building of new generation and transmission assets  
20 would give rise to export revenues that would then  
21 lower the cost of those assets?

22 MR. GREG BARNLUND: I have to be  
23 careful, here, because the Needs for and Alternatives  
24 to did not specifically address Bipole III to the  
25 extent that it addressed Keeyask and the 750

1 interconnection with the US. But generally speaking,  
2 I mean, that was part of the analysis are part of the  
3 part of the analysis -- or part of the -- part of the  
4 analysis that was undertaken with respect to the Needs  
5 for and Alternatives study.

6 MS. DAYNA STEINFELD: 164 of '16 did  
7 consider Bipole III as -- as an asset within Manitoba  
8 Hydro's system. That's -- that's correct?

9 MR. GREG BARNLUND: Correct.

10 MS. DAYNA STEINFELD: And am I right  
11 in recalling that Bipole III is -- is linked to the  
12 idea of using those generation and transmission assets  
13 to obtain export revenues?

14 MR. GREG BARNLUND: Bipole III is  
15 essentially the conduit that literally locates the  
16 Nelson River system into either Dorsey or Riel. From  
17 those points, then, there needs to be interconnections  
18 to the US to be able to facilitate both the sale of  
19 energy and the return of energy from the States to our  
20 market.

21 MS. DAYNA STEINFELD: So if -- if  
22 there's this linkage between export revenues and --  
23 and the costs of the assets that give rise to those  
24 revenues, wouldn't this Board be correct in taking  
25 from that that export revenues should be used to lower

1 the cost to serve the customer class?

2 MR. GREG BARNLUND: And I think it  
3 does that now to the effect that you are adding those  
4 revenues together in the numerator to create that --  
5 to represent that, right?

6 So as, again, these two (2) methods of  
7 determining RCC, they're just algebra. So you can --  
8 you can do it either way, but I think that if you --  
9 if you vary what you've been doing in terms the  
10 calculation of RCCs compared to what you've done for  
11 the last twenty (20) years, you certainly lose a frame  
12 of reference in terms of how you've been understanding  
13 revenue to cost coverage ratios, because what happens  
14 when you do algebra in the alternative manner is that  
15 you -- you exacerbate the RCC impact at the fringes.

16 So in other words, at close to unity,  
17 it doesn't make that much difference in terms of the  
18 math, but when you get above ninety-five (95) -- or  
19 sorry, below ninety-five (95) and above one-o-five  
20 (105), then you're seeing it -- it start to magnify  
21 the problem.

22 So -- so, you know, it is a way to do  
23 it. However, you lose -- like I say, you lose your  
24 frame of reference in terms of how we've been  
25 evaluating revenue to cost coverages and the

1 meaningful movement of customer -- of revenues, if you  
2 were going to make that adjustment, if we start  
3 deviating from the method we've used for the last  
4 twenty (20) years and this Board has accepted in terms  
5 of the calculation of the RCC.

6 MS. DAYNA STEINFELD: So if I take  
7 that answer, Mr. Barnlund, would it be fair for me to  
8 understand that Manitoba Hydro does not accept the  
9 alternative method that's -- that's shown on page 57  
10 here because it would give rise to a greater need for  
11 differentiated rates?

12 MR. GREG BARNLUND: Well, I think that  
13 we would -- we would prefer not to deviate from the  
14 method that we've used for twenty (20) years. I mean,  
15 it provides a wider outcome, you know, in terms of the  
16 revenue to cost coverage ratios, but it -- it sort of  
17 disconnects, you know, your understanding of this from  
18 what -- how we've been calculating those ratios for  
19 the last twenty (20) years.

20 MS. DAYNA STEINFELD: And just to  
21 briefly turn to another issue that you discussed in  
22 your evidence, which is Bipole III coming into  
23 service, I'm going to take some time to unpack a  
24 little bit what you said to make sure that I  
25 understand it. But if we look at the general service

1 large customer class, the majority of that class's  
2 costs are -- are generation and transmission. Is --  
3 is that fair?

4 MR. GREG BARNLUND: Yes. There is  
5 some small amount of customer-related costs that are  
6 assessed to them, but they are not served under the  
7 distribution system, so they would see no cost  
8 responsibility for any distribution costs.

9 MS. DAYNA STEINFELD: And you  
10 explained this morning that Bipole III, perhaps not  
11 intuitively when you look at it, is functionalized as  
12 generation?

13 MR. GREG BARNLUND: Correct, because  
14 it -- it serves to, you know, simulate or relocate the  
15 generation to the market, and so it's a single-  
16 purpose, single-direction asset, and is considered  
17 linked, or considered to be generation.

18 MS. DAYNA STEINFELD: And when Bipole  
19 III comes into service, you explained this morning  
20 that's going to add more costs to Manitoba Hydro's  
21 system?

22 MR. GREG BARNLUND: Correct. So there  
23 is some \$330 million of increased carrying costs, O&M  
24 costs that will be reflected in our financial  
25 statements when that happens, yes.



1 MS. DAYNA STEINFELD: And so the  
2 algebra at that point in time is -- is going to result  
3 in a different answer, the -- the revenue to cost  
4 coverage ratios will change when Bipole III comes in  
5 as a result of the added costs?

6 MR. GREG BARNLUND: Right. So that is  
7 the case, and it's because of the significant size of  
8 the asset that's coming into service. As -- as we  
9 know we're adding assets to the system, replacing  
10 assets to the system on a routine and regular basis,  
11 but when we look at the asset that size coming into  
12 service, then it -- it does create a -- an -- an  
13 immediate impact in terms of changing revenue to cost  
14 coverage ratios, yes.

15 MS. DAYNA STEINFELD: So let's take a  
16 look at that and -- and if we go to page 47 of Volume  
17 5, scroll down to the bottom chart. Thank you,  
18 Kristen.

19 So my understanding, Mr. Barnlund, is  
20 that the primary impact on the revenue-to-cost  
21 coverage ratios of Bipole III coming into service will  
22 be to bring the general service large customer class  
23 closer to unity. Is that -- is that correct?

24 MR. GREG BARNLUND: So let's maybe  
25 just take a moment, because Mr. Dust helped me out

1 here at the break in terms of what we're seeing here  
2 in terms this analysis. So it's important to  
3 understand the basis of the analysis. And Professor  
4 Grant, I think, this is useful here, too.

5                   So for -- for this particular analysis,  
6 when we look at Bipole coming into service, we have,  
7 as I say, several hundred million dollars worth of  
8 costs that are having to be dealt with through the  
9 cost of service study. If we don't add revenues to  
10 it, then all cost -- all revenue to cost ratios drop,  
11 because you're basically in a loss position.

12                   So this simulation also increases  
13 revenues by the same amount that we're increasing  
14 costs. And so you've got, let's say notionally, a 30  
15 percent across-the-board rate increase that is  
16 actually reflected in the analysis, or in these tables  
17 here.

18                   And I'm just going to go back to  
19 Professor Grant's question about area and roadway  
20 lighting, because in addition to other effects between  
21 -- within the cost of service study, this is also  
22 largely driven by the fact that if we assume that  
23 we're increasing rates by 30 percent, area and roadway  
24 lighting basically does not attract a lot of  
25 generation and transmission costs. They're probably

1 in the 12 to 15 percent range.

2                   So as a result of that, you've  
3 increased revenue -- you've simulated an increase -- a  
4 large increase in revenues. They're not attracting as  
5 large an increase in cost, therefore, you're seeing  
6 that revenue to cost coverage ratio jump up or distort  
7 in that regard.

8                   So, in actual fact, something different  
9 will happen, but that's -- that's a -- a reasonable  
10 basis for just looking at what's happening with RCCs  
11 across the spectrum here.

12                   MS. DAYNA STEINFELD:    And thank you  
13 for that clarification. So directionally, though,  
14 because the general service large classes have a  
15 larger proportion of generation costs allocated to  
16 them relative to their revenues, we see the impact of  
17 Bipole III coming into service to be to -- to bring  
18 them down closer to the zone of reasonableness, or --  
19 or even closer to unity?

20                   MR. GREG BARNLUND:    That's correct.  
21 That's correct.

22                   MS. DAYNA STEINFELD:    And would I be  
23 right in thinking that directionally, Keeyask coming  
24 into service will do the same thing, just farther out  
25 from when Bipole III comes in?

1                   MR. GREG BARNLUND:    I think so,  
2 because it's going to be a generation asset coming  
3 into service, and so you would see a, you know, a --  
4 directionally, a similar effect.

5                   MS. DAYNA STEINFELD:    In principle, is  
6 it fair -- if -- if we're looking beyond the test  
7 years for Manitoba Hydro's revenue requirement, should  
8 the Board also look beyond those years to evaluate the  
9 revenue to cost coverage ratios?

10                  MR. GREG BARNLUND:    Would -- we would  
11 only provide this just to give some directional  
12 indication to the Board of some possible outcomes in  
13 the future that might exist.  So I think the Board  
14 needs to, you know, have that somewhat in mind in  
15 terms of looking at -- looking at any possible  
16 adjustment to revenue to cost ratios.  But, you know,  
17 again, it's a -- it's a notional or directional  
18 analysis, and we -- and it is not -- it is certainly  
19 not perfect.

20                  MS. DAYNA STEINFELD:    And if I  
21 understood your evidence this morning, you were  
22 cautioning the Board that we shouldn't make too much  
23 of an adjustment to revenue to cost coverage ratios  
24 now, because there will be some natural readjustment  
25 that happens when Bipole III comes into service.

1                   Is that a fair restatement of your  
2 evidence?

3                   MR. GREG BARNLUND:    I think perhaps to  
4 even clarify, it might be the case that if -- if the  
5 Board deems that it is appropriate to make some  
6 adjustments, that those adjustments be modest, just  
7 bearing in mind that -- that directionally, there will  
8 be some changes that will be brought upon the system  
9 with the inclusion of Bipole into service.

10                  MS. DAYNA STEINFELD:   Thank you for  
11 that, Mr. Barnlund.  Kristen, if -- if we could turn  
12 to PUB Exhibit 42-5-1.

13

14   (BRIEF PAUSE)

15

16                  MS. DAYNA STEINFELD:   This is a -- a  
17 PUB advisor document that is sourced from Appendix  
18 9.3, and -- and just putting some of those numbers  
19 into the same table that Manitoba Hydro was provided  
20 in advance of your evidence, are -- are you familiar  
21 with this document, Mr. Barnlund?

22                  MR. GREG BARNLUND:    Yes.  I had an  
23 opportunity to look at those numbers and cross-  
24 reference it with our rate case, and -- and they are  
25 accurate.

1 MS. DAYNA STEINFELD: So largely for  
2 my own benefit, because I haven't been doing this for  
3 as long as you have, Mr. Barnlund, I just want to walk  
4 through the rate structure. There's no shame in  
5 experience.

6 MR. GREG BARNLUND: I wasn't sure how  
7 to take that.

8 THE CHAIRPERSON: Mr. -- Ms.  
9 Steinfeld, I see Mr. Peters leaning back, looking  
10 quite red.

11

12 CONTINUED BY MS. DAYNA STEINFELD:

13 MS. DAYNA STEINFELD: We'll leave Mr.  
14 Peters out of it for now.

15 But I think it would be helpful for me  
16 to walk through the rate structure here a little bit,  
17 just so we understand what we're -- we're talking  
18 about as we move into this evidence.

19 And if we look at the first dock or  
20 row, here, the -- the Board should understand that the  
21 -- the residential customer class pays a -- a basic  
22 monthly charge, and we see here that that's eight  
23 dollars and eight cents (\$8.08). Is that correct?

24 MR. GREG BARNLUND: Yes, that's  
25 correct.

1 MS. DAYNA STEINFELD: And is it right  
2 that this is a -- a fixed charge that is applied to  
3 each customer -- residential customer's bill each  
4 month?

5 MR. GREG BARNLUND: Yes, and I think  
6 that there is a qualifier there as well, too. If --  
7 if a residential customer has a larger than a 200 amp  
8 service, they pay essentially sixteen dollars and  
9 sixteen cents (\$16.16) a month. So they would pay  
10 double the basic monthly charge.

11 MS. DAYNA STEINFELD: Thank you for  
12 that. And -- and then we have -- kind of kept this at  
13 a simple level for illustrative purposes, but I -- I  
14 appreciate the clarification. The intention with that  
15 charge is to cover some of the fixed costs that are  
16 incurred to serve the customer? So an example might  
17 be metering, or -- or administrative costs. Is -- is  
18 that fair?

19 MR. GREG BARNLUND: Yeah. So there  
20 are customer or on-site related costs that are  
21 associated with providing service to customer, and  
22 that recovery is a portion of the embedded cost that  
23 we would associate with either customer or on-site-  
24 related cost category.

25 MS. DAYNA STEINFELD: And the

1 residential class, if we move over a column, also pays  
2 an energy charge. And am I right in understanding  
3 that that applies to each unit of energy consumed?

4 MR. GREG BARNLUND: Correct. So  
5 that's applied to every kilowatt hour of energy that's  
6 metered.

7 MS. DAYNA STEINFELD: So while every  
8 residential customer, save for the qualification  
9 you've provided, will see the eight dollars and the  
10 eight cents (\$8.08) for the fixed monthly charge, each  
11 residential customer is going to have a different  
12 energy charge based on how much they consumed in that  
13 billing period?

14 MR. GREG BARNLUND: That's correct.

15 MS. DAYNA STEINFELD: And if we move  
16 down a row to the general service small non-demand, I  
17 understand that with this class, peak demand is set --  
18 is below a set threshold. So it's non-demand; it  
19 doesn't attract a demand charge. Is -- is that right?

20 MR. GREG BARNLUND: That's right. So  
21 it has a connected load less than 50 kilowatts, or kit  
22 -- 50 kVA, so it would not be having any demand  
23 measured.

24 MS. DAYNA STEINFELD: And would a fair  
25 example of something in that class be maybe a small



1 strip mall, or -- or something of that nature?

2 MR. GREG BARNLUND: It could be, or if  
3 you look at -- we may have pumphouses, or, you know,  
4 remote stations, lift stations and stuff like that  
5 that may be a -- a general service small customer.

6 MS. DAYNA STEINFELD: And so again,  
7 similar to the residential class, but with different  
8 number -- numbers, we see a basic charge as well as an  
9 energy charge?

10 MR. GREG BARNLUND: Yes, and the  
11 energy charge has got three (3) different blocks to  
12 it. So it's not just a single energy charge, but it  
13 is a -- a declining block rate.

14 MS. DAYNA STEINFELD: And if we move  
15 on to the other commercial classes, we see that these  
16 classes pay a demand charge. That's correct?

17 MR. GREG BARNLUND: That -- that's  
18 correct, yes.

19 MS. DAYNA STEINFELD: And that charge  
20 is based upon the electric capacity, or consumed and  
21 billed on the basis of the billing demand. Is that  
22 fair?

23 MR. GREG BARNLUND: So we measure  
24 demand with meters on those particular customers. For  
25 a general service small demand customer, they have

1 access to the first 50 kVA of demand at no cost. If  
2 they're recording demand above 50 kVA, then their  
3 demand charge would be applied to the units above 50  
4 kVA.

5 MS. DAYNA STEINFELD: And in -- in  
6 simple terms, the demand charge is used to recover the  
7 impacts of customer demand on building the sys --  
8 building the system capacity to serve that demand when  
9 necessary?

10 MR. GREG BARNLUND: Those are our  
11 capacity-related costs, yes.

12 MS. DAYNA STEINFELD: And so if we  
13 follow the columns aco -- across, we see with those  
14 commercial classes that the general service medium has  
15 the basic charge -- the energy charge and the demand  
16 charge, but the general service large has just the  
17 energy charge and the demand charge?

18 MR. GREG BARNLUND: That's correct.  
19 So if you look at the general service small and medium  
20 customers, you'll see that those rates, except for the  
21 basic charges, have been harmonized. And there was an  
22 issue some ten (10) or so years ago when there was a -  
23 - a -- the situation with our rate design was that  
24 when you went from a general service medium, you did  
25 some energy conservation, you dropped to a general

1 service small demand, your bill may actually go up  
2 because of the way -- the weighting of demand versus  
3 energy. So essentially, we have harmonized our rate  
4 design between the general service classes to have the  
5 same demand charge, the same energy block charges so  
6 that we've alleviated that particular problem from  
7 happening.

8 MS. DAYNA STEINFELD: Thank you for  
9 that. And -- and just to finish this off, while we  
10 don't see a -- a basic charge for the general service  
11 large customers, am I right in understanding that the  
12 fixed charge -- fixed charges for those class would be  
13 incorporated into the demand charge?

14 MR. GREG BARNLUND: Well, the demand  
15 charge would recover any customer related costs or --  
16 or -- yeah, customer related costs that would be  
17 allocating to that class.

18 MS. DAYNA STEINFELD: Thank you, Mr.  
19 Barnlund. And I think I have -- I've got the rate  
20 structure down, but if I screw up as we go on you'll  
21 let me know. You walked us through this morning the -  
22 - the basic principle that in the ratesetting process,  
23 Manitoba Hydro's aim is -- is first to have the Board  
24 approve its revenue requirement. That -- that would  
25 be the first step.

1 MR. GREG BARNLUND: Yes, that's  
2 correct.

3 MS. DAYNA STEINFELD: And once that  
4 revenue requirement is approved by the Board then the  
5 issue for the Corporation is ensuring that that  
6 revenue requirement is covered by domestic rates.

7 MR. GREG BARNLUND: That's correct.

8 MS. DAYNA STEINFELD: And so is it  
9 fair to say that it -- it doesn't matter to Manitoba  
10 Hydro who covers the costs of the revenue requirement  
11 as -- as long as it's covered?

12 MR. GREG BARNLUND: I wouldn't  
13 necessarily go that far, but I would say that our  
14 primary consideration is to ensure that we have a  
15 very, very good ability to recover our full revenue  
16 requirement.

17 MS. DAYNA STEINFELD: And you helped  
18 us out in your evidence with walking through the  
19 generally accepted principles that -- that come from  
20 Dr. Bonbright?

21 MR. GREG BARNLUND: Yes.

22 MS. DAYNA STEINFELD: And I think you  
23 said in your evidence, and you'll correct me if I got  
24 the word wrong, but those are in fact the -- the  
25 generally accepted principles of ratemaking?

1 MR. GREG BARNLUND: They are. They  
2 are widely accepted across the utility and regulatory  
3 business.

4 MS. DAYNA STEINFELD: And if we can  
5 turn to the book of documents, volume 5 at page 67,  
6 and just scroll down to 9.1. And we saw this in -- in  
7 your slides as well. These are Manitoba Hydro's  
8 ratemaking objectives; correct?

9 MR. GREG BARNLUND: Yes, that's  
10 correct.

11 MS. DAYNA STEINFELD: And if we look  
12 down to number 5, we see what you talked about  
13 earlier, which is competitiveness of rates.

14 Is competitiveness a Bonbright  
15 principle, Mr. Barnlund?

16 MR. GREG BARNLUND: No, it is not.

17 MS. DAYNA STEINFELD: Can you explain  
18 to the Board why Manitoba Hydro considers it important  
19 to include it in its own general ratemaking  
20 objectives?

21 MR. GREG BARNLUND: Well, I -- I  
22 believe that this goes back many, many years in terms  
23 of where Manitoba Hydro viewed itself with respect to  
24 its desire to maintain rates, you know, on a  
25 competitive or reasonable basis when compared with

1 other jurisdictions. And if you look back over -- you  
2 can probably look back to 2004, or around that period  
3 of time, and you'll see competitiveness of rates as  
4 being this listed as one (1) of Manitoba Hydro's  
5 ratemaking objectives, yes.

6 MS. DAYNA STEINFELD: And you also  
7 mentioned in your evidence, listed within some other  
8 Bonbright principles is the -- the concept of public  
9 acceptability.

10 Is that incorporated in the Manitoba  
11 Hydro ratemaking objectives we see on this page?

12 MR. GREG BARNLUND: I would say so to  
13 the extent that we would -- we would refer to that  
14 under simplicity and understandability.

15 MS. DAYNA STEINFELD: So from Manitoba  
16 Hydro's perspective there isn't any other aspect to  
17 public acceptability beyond making sure that the rates  
18 are -- are -- can be understood and -- and are -- and  
19 are simple.

20 MR. GREG BARNLUND: I would suggest  
21 that Bonbright's discussion of public acceptability  
22 was not referring to the level of overall increase,  
23 but with respect to the structure of the rate itself.

24 MS. DAYNA STEINFELD: Thank you for  
25 that. And number 2 here is fairness and equity. And

1 -- and you explain in your evidence that Manitoba  
2 Hydro's view at least is that this really deals with  
3 treating like-to-like and dissimilars differently.

4 Is -- is that fair?

5 MR. GREG BARNLUND: Well, more so than  
6 Manitoba Hydro, I believe it echoes this Utilities  
7 Board's perspective on that. A util -- it echoes the  
8 perspective of other Regulators, other utilities, and  
9 certainly that's Bonbright's perspective with regards  
10 to it.

11 MS. DAYNA STEINFELD: If we go back to  
12 the cost of service study and methodology review  
13 process, do you recall that there was a discussion of  
14 -- of fairness in Manitoba Hydro's evidence in that  
15 process as well?

16 MR. GREG BARNLUND: Yes, I do.

17 MS. DAYNA STEINFELD: And was that  
18 fairness a -- a different concept from treating like-  
19 to-like and -- and dissimilars differently?

20 MR. GREG BARNLUND: I think that --  
21 that, again, that that discussion of fairness was --  
22 was more addressing the -- the possibility of -- of  
23 coming up with a outcome of a cost of service study  
24 that would dramatically result in lower rates for  
25 certain classes, lower than marginal cost or lower

1 than -- than -- you know, significantly lower than --  
2 than what you ought to think they - they should be.

3 MS. DAYNA STEINFELD: And -- and to be  
4 fair, Mr. Barnlund, I believe it was Ms. Doerksen who  
5 testified in that proceeding, but I also recall that  
6 there was discussion about Manitoba Hydro's views that  
7 there had been an unfair sharing of export revenues  
8 previously, and that that was the basis for having an  
9 export class.

10 Do you recall that discussion from the  
11 proceeding?

12 MR. GREG BARNLUND: I think if we look  
13 back past beyo -- past that proceeding I think that  
14 was the perspective of Manitoba Hydro in the mid  
15 2000's, and certainly in 2008 with the issuance of the  
16 Order 160 in '08, which directed changes to cost of  
17 service at that point in time, that Manitoba Hydro, I  
18 think, took some exception to that, yes.

19 MS. DAYNA STEINFELD: And in Order  
20 164/'16 this Board said that principles like fairness  
21 should -- should not come in at the cost of service  
22 study stage, that that should be principally based on  
23 cost causation and, in fairness, should be considered  
24 at the ratemaking stage?

25 Do you recall that as being the Board's



1 --

2 MR. GREG BARNLUND: This Board was  
3 very clear in its -- in its depiction of that, yes.

4 MS. DAYNA STEINFELD: In -- in this  
5 proceeding, Mr. Barnlund, Manitoba Hydro's president  
6 acknowledged that it is factual that low income and --  
7 and remote First Nations customers are more sensitive  
8 to rate increases.

9 Do you recall that evidence?

10 MR. GREG BARNLUND: I recall that,  
11 yes.

12 MS. DAYNA STEINFELD: Is it consistent  
13 with the principle of fairness in ratemaking to ask  
14 those who cannot afford current rates to pay more now  
15 to lower the burden of future ratepayers?

16 MR. GREG BARNLUND: Well, that is not  
17 the concept that Bonbright would espouse. You're  
18 talking about an ability to pay principle. And  
19 Bonbright had some observations on the ability to pay.  
20 His recommendations in his work, I think, lay the  
21 foundation solidly at cost of service as being the  
22 primary objective of ratesetting, and the primary  
23 consideration in terms of how are you going to define  
24 just and reasonable rates.

25 And from there then he goes further to

1 define fairness and equity as fairness in the  
2 apportionment of cost without resulting in  
3 arbitrariness or capriciousness. And equity being the  
4 treatment of equals equally and unequals unequally.  
5 And so that's how I would take that with respect to  
6 ratesetting.

7 MS. DAYNA STEINFELD: And if Manitoba  
8 Hydro in -- in the process of the cost of service  
9 study discussed fairness in a broader means than that  
10 with respect to export revenues, and the Board ordered  
11 that that should be considered at the ratemaking  
12 stage, would it be appropriate for this Board to then  
13 broaden the Bonbright principle of fairness to bring  
14 in other policy considerations?

15 MR. GREG BARNLUND: Well, let's --  
16 let's look at that carefully. I think that we don't  
17 want to be reinterpreting Bonbright. I think that  
18 this Board does have latitude to bring other  
19 compelling policy considerations into effect. So --  
20 so I think that -- that the Board has the ability to  
21 do that in its mandate as legislated.

22 So I prefer not to be watering down or  
23 reinterpreting Professor -- the dear, late Professor  
24 Bonbright. I will rather let his words stand for what  
25 they mean. But again, this panel has the ability to

1 take certain things -- matters into consideration  
2 beyond cost of service and beyond what we would say is  
3 being fairness and equity with respect to ratemaking  
4 definition.

5 MS. DAYNA STEINFELD: Okay. Fair  
6 enough, Mr. Barnlund. So I'm understand you to say,  
7 Let's -- let's take the cost of service study as is.  
8 Let's take Bonbright's principles and leave them as  
9 is. But the Board has the ability and the  
10 jurisdiction to also bring in other policy  
11 considerations when it looks at ratemaking.

12 MR. GREG BARNLUND: I certainly think  
13 that's an appropriate thing to do, yes.

14 MS. DAYNA STEINFELD: Okay. Thank  
15 you. If we look at number 3 here, rate stability and  
16 gradualism, how does the 7.9 percent rate increase  
17 that's proposed by Manitoba Hydro fit within this  
18 principle?

19 MR. GREG BARNLUND: Well, it -- it  
20 does fit and I'm just -- if you can just give me a  
21 second here, I need to look something up, so.

22 MS. DAYNA STEINFELD: Sure. I can al  
23 -- it's your slide 11, I believe. If that's helpful  
24 we can put that up as well.

25 MR. GREG BARNLUND: Well, I want to go

1 to Order 73/'15 actually.

2 MS. DAYNA STEINFELD: Oh, okay.

3 That's a surprise to me. Let's do that.

4 MR. GREG BARNLUND: Aha. Okay.

5

6 (BRIEF PAUSE)

7

8 MR. GREG BARNLUND: So I'm looking at

9 Order 73/'15, and I'm on page 7. I'm wondering if we  
10 can bring that up.

11

12 (BRIEF PAUSE)

13

14 MR. GREG BARNLUND: So let's look at  
15 the revenue requirement impact in millions here with  
16 respect to Bipole, potentially Keeyask, and the  
17 MMTP/PGNTL line coming into -- coming into effect  
18 here. And this is a Board analysis that was in their  
19 findings. And -- and so what we're seeing here is  
20 really looking at the impact that our financial  
21 statements or our -- our operating statement would see  
22 with the inclusion of these assets coming into  
23 service.

24 So this is an unmitigated impact. If  
25 you are in a rate-based rate of return environment,

1 and you are paying rates, these are the rate increases  
2 you would be seeing. 2019, it's a 20 percent  
3 increase. 2020, a 34 percent increase. 2021 is a 54  
4 percent increase. 2022 is a 65 percent increase.  
5 That's an unmitigated impact.

6                   So what Manitoba Hydro has done is  
7 essentially smoothed that considering gradualism and  
8 smoothed that by limiting a year's increase -- the  
9 increase in a test year to 7.9 percent, and then  
10 extending that increase over a period of time to be  
11 able to recover our financial resources to the extent  
12 that we need to have adequate reserves. So from the  
13 perspective of gradualism, I believe that the 7.9  
14 percent rate increases and the rate trajectory that we  
15 have proposed in this rate application is respective  
16 of that.

17                   BOARD MEMBER GRANT: Could I just --  
18 that assumes no load growth whatsoever or I might have  
19 -- if you're -- if you're suggesting that by 2020 you  
20 need a 65 percent increase in rates, it assumes  
21 there's no load growth over that period.

22                   MR. GREG BARNLUND: I'd have to take a  
23 look at the appendix that's listed there, the -- the  
24 exhibit that's listed. But it's safe to say that this  
25 is -- if there is load growth it is modest, that would

1 be in here. I mean, there -- conceivably could be  
2 load growth in here, but what you're seeing here is  
3 the magnitude of the impact to the operating statement  
4 of bringing these large assets into service.

5 If you were in Ontario, if you were in  
6 another jurisdiction where you're on a rate-based rate  
7 of return environment, if you weren't under a -- under  
8 a performance-based regulation this is what you would  
9 see.

10 BOARD MEMBER GRANT: No, I -- I take  
11 your point in terms of the magnitude. It's just that  
12 the -- a 65 percent increase in revenue requirement  
13 doesn't necessarily translate into a 65 percent  
14 increase in rates.

15 MR. GREG BARNLUND: True, but again,  
16 it is a significant number, right?

17

18 CONTINUED BY MS. DAYNA STEINFELD:

19 MS. DAYNA STEINFELD: So if I can  
20 summarize that point, Mr. Barnlund, the rate increase  
21 that's being sought fits within the principly --  
22 principle of stability and gradualism because it's  
23 Manitoba Hydro employing rate smoothing to avoid a big  
24 spike when a new asset comes into service.

25 MR. GREG BARNLUND: That's correct. I

1 mean, we -- we are setting a rate trajectory, then,  
2 that smooths the impact of those assets coming into  
3 service. And -- and I would suggest, too, that this  
4 is a rather -- again, it's a dated exhibit. This  
5 comes from -- from 73/'15 and is relevant to earlier  
6 financial forecasts.

7                   And I'm -- I'm just mindful of the  
8 continued deterioration we've talked about in this  
9 particular application with regards to IFF16, IFF16  
10 Updated in terms of the -- the decline in our -- in  
11 our load growth in the province.

12                   MS. DAYNA STEINFELD:     Thank you.  
13 Kristen, if we could just go back to page 67 of volume  
14 5. You discussed in your evidence, Mr. Barnlund, that  
15 the 2 percent principle for rate stability and  
16 gradualism for a differentiation between classes or an  
17 interclass differentiation, my understanding that this  
18 is an internal Manitoba Hydro principle.

19                   Is that correct?

20                   MR. GREG BARNLUND:     That's correct.  
21 It's a guideline that Manitoba Hydro has been -- has -  
22 - has had for a number of years now.

23                   MS. DAYNA STEINFELD:     And has it been  
24 approved by the Board or accepted by this Board?

25                   MR. GREG BARNLUND:     Well, I don't

1 believe that it has ever been -- that it has ever been  
2 brought before this Board for -- for approval. I  
3 think the same question was asked of Mr. Weins in  
4 2004. He answered the same way, so.

5 MS. DAYNA STEINFELD: Well, I -- I  
6 wasn't here in 2004. So I apologize for asking that  
7 question again, but would it be fair for this Board to  
8 depart from that principle? Or within its ability --  
9 I'm going to rephrase that question.

10 Is it within this Board's ability to  
11 depart from that 2 percent principle?

12 MR. GREG BARNLUND: This Board can  
13 certainly make its own mind up. It is not bound by  
14 our -- by Manitoba Hydro's objectives and guidelines.

15 MS. DAYNA STEINFELD: And if we just  
16 flip ahead to page 69, I think we see here the other  
17 guideline that you discussed. If we could just scroll  
18 down a little bit to the -- the bigger block. And so  
19 in addition to that interclass or between class  
20 guideline, you also have an intraclass guideline in  
21 terms of impacts within each class.

22 Is that correct?

23 MR. GREG BARNLUND: That's correct,  
24 yes.

25 MS. DAYNA STEINFELD: And this is



1 where we see that if there was a -- a rate design  
2 change that resulted to -- resulted in impacts within  
3 the class that Manitoba Hydro's guideline is -- that  
4 that impact should not exceed the greater of three  
5 dollars (\$3) per month or 3 percentage points for the  
6 residential customers and five dollars (\$5) and 5  
7 percentage points for the general service customer.

8 That's correct?

9 MR. GREG BARNLUND: That's correct,  
10 yes.

11 MS. DAYNA STEINFELD: And similarly  
12 this is a Manitoba Hydro guideline?

13 MR. GREG BARNLUND: Yes, it is.

14 MS. DAYNA STEINFELD: And I also  
15 understand that this -- this guideline has not been  
16 accepted by this Board?

17 MR. GREG BARNLUND: I'll answer the  
18 same way I answered the last time.

19 MS. DAYNA STEINFELD: And so that  
20 would be no?

21 MR. GREG BARNLUND: No.

22 MS. DAYNA STEINFELD: Thank you. And  
23 is Manitoba Hydro's intention that if rate design  
24 changes were proposed in the future that it would  
25 follow these guidelines?

1 MR. GREG BARNLUND: I can't predict,  
2 you know, with certainty what the future holds. But I  
3 would suggest that given that these guidelines have  
4 been in place for the better part of probably fifteen  
5 (15) years or more that it's likely that we would  
6 adhere to these guidelines, yes.

7 MS. DAYNA STEINFELD: But similarly,  
8 with this particular intraclass guideline, the Board  
9 has the ability to depart from it?

10 MR. GREG BARNLUND: That's correct,  
11 yes.

12 MS. DAYNA STEINFELD: Mr. Chair, if I  
13 could have the indulgence of the panel. I think I  
14 have another ten (10) to -- to fifteen (15) minutes in  
15 this area, and -- and would suggest we could take our  
16 lunch break?

17 THE CHAIRPERSON: Certainly.

18 MS. DAYNA STEINFELD: Thank you.

19

20 CONTINUED BY MS. DAYNA STEINFELD:

21 MS. DAYNA STEINFELD: If we could go  
22 back to page 67, and just continuing in your  
23 principles. We see at number 4 that one (1) of  
24 Manitoba Hydro's rate-making principles is efficiency.  
25 And -- and I understand that's a notion of economic

1 efficiency.

2 Is that correct?

3 MR. GREG BARNLUND: That's correct.

4 MS. DAYNA STEINFELD: And so what we  
5 see here is that Manitoba Hydro views this as the need  
6 to provide appropriate price signals regarding the  
7 value of energy and to promote this efficient and  
8 economic use of energy.

9 That's what it says there?

10 MR. GREG BARNLUND: That's correct. It  
11 would be to try and obtain the optimal use of the  
12 resource, yes.

13 MS. DAYNA STEINFELD: And what we see  
14 here, and -- and what you said in your evidence  
15 earlier, is that this notion can bring in, when we're  
16 determining the appropriate price signal, marginal  
17 cost considerations.

18 MR. GREG BARNLUND: Yes, that's  
19 correct.

20 MS. DAYNA STEINFELD: Mr. Barnlund,  
21 does Manitoba Hydro's current rate design reflect  
22 marginal cost?

23 MR. GREG BARNLUND: I think it maybe  
24 depends on how you calculate marginal cost, if you  
25 would. And there are -- I think there are a number of

1 ways in which you can calculate marginal cost. But I  
2 would say that we don't deliberately set rates  
3 currently with an eye to marginal cost, but we would -  
4 - we would have some indication in terms of the  
5 relationship between embedded cost and marginal cost.  
6 But we are not -- certainly in this application we are  
7 not making any potential or any rate changes  
8 specifically to make any adjustment in consideration  
9 of marginal cost.

10 MS. DAYNA STEINFELD: Sometimes, Mr.  
11 Barnlund, we say "marginal value" and sometimes we say  
12 "marginal cost."

13 Should the Board understand that we can  
14 use those terms interchangeably?

15 MR. GREG BARNLUND: I think we can in  
16 this case.

17 MS. DAYNA STEINFELD: If we turn to  
18 page 75 and just scroll down to the response. Thank  
19 you, Kristen. Mr. Peters already discussed with Ms.  
20 Morrison the fact that Manitoba Hydro uses marginal  
21 cost to evaluate the effectiveness of its demand-side  
22 management programs.

23 Is it also the case that Manitoba Hydro  
24 acknowledges that levelized marginal values can be  
25 useful in rate design?

1 MR. GREG BARNLUND: Yes, I think we  
2 would say that it's -- it's a reasonable reference  
3 point to consider.

4 MS. DAYNA STEINFELD: But Manitoba  
5 Hydro is not currently considering it in this  
6 application?

7 MR. GREG BARNLUND: We are not -- we  
8 are not making any deliberate adjustments to rates in  
9 this application purely for the -- for the purpose of  
10 adjusting to marginal cost.

11 MS. DAYNA STEINFELD: And just so I'm  
12 clear on -- on how this would all get used, but you  
13 mentioned in your evidence that -- that one (1) way to  
14 use that marginal cost would be to set tail block  
15 rates in the rate design.

16 Is that correct?

17 MR. GREG BARNLUND: That's correct.

18 MS. DAYNA STEINFELD: And that tail  
19 block rate would -- or tail block cost would align the  
20 rate with how much it costs to produce the next unit  
21 of energy.

22 Is -- is that correct?

23 MR. GREG BARNLUND: That's correct,  
24 yes.

25 MS. DAYNA STEINFELD: If we turn to

1 page 79 of volume 5 and just scroll down to the figure  
2 8.14. We received, I believe, yesterday an update to  
3 the chart that's actually at page 78, which deals with  
4 marginal cost or marginal value. I understand that  
5 figure 8.14 is -- is based on 2015 numbers.

6 Is it possible to this chart as well  
7 now?

8 MR. GREG BARNLUND: Could you just  
9 give me one (1) moment, please?

10

11 (BRIEF PAUSE)

12

13 MR. GREG BARNLUND: We'd have to  
14 probably check at the break and get back to you on  
15 that I think.

16 MS. DAYNA STEINFELD: Could we do it  
17 as an undertaking?

18 MS. ODETTE FERNANDES: Maybe I'll take  
19 that under advisement and then we'll come back after  
20 the lunch hour and advise.

21

22 CONTINUED BY MS. DAYNA STEINFELD:

23 MS. DAYNA STEINFELD: Sure. Thank  
24 you, Ms. Fernandes. Why don't we, then, maybe just  
25 flip back to page 78. And this is not the updated

1 version. But if we scroll down we see that based on  
2 the 2015 numbers, the -- the thirty (30) year  
3 levelized marginal value is -- I think that's seven-  
4 point-eight (7.8).

5 Are you able to advise what the new  
6 number is?

7 MR. GREG BARNLUND: I don't have the  
8 new number. We'd have to check on that.

9 MS. DAYNA STEINFELD: I understand and  
10 it's five-point-seven (5.7), and perhaps we'll work  
11 with that and you can check that and get back to me?  
12 I understand that was filed yesterday as an  
13 undertaking. So we'll work with five-point-seven  
14 (5.7), and if you need to correct it after the break  
15 that's fine.

16 MS. ODETTE FERNANDES: Sorry, Ms.  
17 Steinfeld, is the five-point-seven (5.7) number in the  
18 undertaking?

19 MS. DAYNA STEINFELD: Yes, it's this  
20 exact document but updated.

21 MR. GREG BARNLUND: Well, subject to  
22 check, I think we can carry on with the conversation.

23

24 CONTINUED BY MS. DAYNA STEINFELD:

25 MS. DAYNA STEINFELD: All right. So

1 just -- just to have a discussion we'll use that  
2 updated number. And so we'll maybe just scroll back  
3 over to page 79. What we're seeing here is a -- is a  
4 long-term levelized marginal value.

5 Does Manitoba Hydro use the long-term  
6 and marginal value for ratesetting?

7 MR. GREG BARNLUND: I would say no.  
8 We don't specifically use it for rate setting. We are  
9 dealing with embedded costs and -- and so we are going  
10 to take a view that is focused primarily and almost  
11 exclusively on embedded cost when we bring forward a  
12 rate application.

13

14 (BRIEF PAUSE)

15

16 MS. DAYNA STEINFELD: And I do  
17 understand that this figure 8.14 is a -- is a  
18 simplified depiction of the marginal cost evaluation.

19 And is that because the different load  
20 shapes of the customer classes are not reflected here?

21 MR. GREG BARNLUND: I think that's  
22 safe to say, yes.

23 MS. DAYNA STEINFELD: But if we looked  
24 at the page 78, and we don't need to go there.  
25 There's some members that are redacted, but that would



1 better show -- what's beneath those redactions would  
2 be those load shapes there?

3 MR. GREG BARNLUND: I think that's the  
4 case, yes.

5 MS. DAYNA STEINFELD: And if -- if a  
6 seasonal marginal value is used to set seasonal tail  
7 blocks, would that enhance efficiency in -- in the  
8 rate design?

9 MR. GREG BARNLUND: I think there are  
10 benefits to doing that if you were choosing to move to  
11 a seasonal -- a seasonal rate. But, yes, I think that  
12 that should be worth considering when you -- if you  
13 are going to be adjusting to a seasonal rate design.

14 MS. DAYNA STEINFELD: And just so I  
15 have this clear, when Manitoba Hydro calculates its  
16 marginal cost, I'm not asking for any of the  
17 confidential numbers behind this, but for generation  
18 there's a calculation of the value of the energy  
19 savings on the export market.

20 Is -- is that correct?

21 MR. GREG BARNLUND: I'll turn that  
22 over to Ms. Morrison.

23 MS. LOIS MORRISON: I'm sure Mr. Miles  
24 would give a much more articulate answer. But, yes,  
25 the generation value represents -- is primarily

1 informed by the value in the export market.

2 MS. DAYNA STEINFELD: And, Ms.

3 Morrison, I'll -- I'll stick with you then.

4 Transmission and distribution, there we use a voided

5 infrastructure cost, or Manitoba Hydro does?

6 MS. LOIS MORRISON: Yes. The

7 transmission distribution values are based upon an

8 assumption of a voided investment in future

9 infrastructure.

10 MS. DAYNA STEINFELD: And are you able

11 to explain why Manitoba Hydro doesn't use the avoided

12 infrastructure cost for the generation marginal value

13 calculation?

14 MS. LOIS MORRISON: No, that would be

15 better answered by Mr. Miles.

16 MS. DAYNA STEINFELD: Mr. Fernandes,

17 can we take that as an undertaking?

18

19 (BRIEF PAUSE)

20

21 MS. ODETTE FERNANDES: Yeah, that's

22 fine. Thank you.

23

24 --- UNDERTAKING NO. 15: Manitoba Hydro to explain

25 why it does not use the

1                   avoided infrastructure  
2                   cost for the generation  
3                   marginal value calculation  
4

5 CONTINUED BY MS. DAYNA STEINFELD:

6                   MS. DAYNA STEINFELD:    Thank you.  And  
7 just briefly, Mr. Barnlund, I'll -- I'll turn back to  
8 you.  We -- we spoke a little bit already this morning  
9 about differentiated rates, and -- and what that  
10 means.  If I could put up PUB Exhibit 42-1, Board  
11 counsels' book of documents, volume 1, page 81.  Thank  
12 you, Kristen.

13                  MR. GREG BARNLUND:    I don't mean to  
14 interrupt you, but I -- I wanted to reflect on my  
15 answer I gave you when you're talking about taking  
16 seasonal values into consideration in terms of  
17 seasonal rates.

18                  MS. DAYNA STEINFELD:    Certainly.

19                  MR. GREG BARNLUND:    And I -- and I  
20 think we need to be careful that we don't just  
21 verbatim take that into account, because when you  
22 start creating seasonal rates you start reflecting the  
23 fact that winter usage -- or -- or winter usage is  
24 going to be costed at a higher value than you would  
25 under an embedded cost analysis that we do now.

1                   There is an adverse customer reaction  
2 to the fact that in their highest usage days of the  
3 year that the unit rate for that consumption is priced  
4 higher than it otherwise would under an embedded cost  
5 model, or what they will be paying in the spring or  
6 fall. So it's not -- it's something to take into  
7 consideration.

8                   But again, with rate making it's not  
9 one (1) thing you take in isolation in coming to a  
10 decision. There is a number of factors that need to  
11 be taken in consideration. And that would violate  
12 customer acceptance because customers would view that  
13 as being almost a predatory pricing arrangement.

14                   MS. DAYNA STEINFELD: So if I can  
15 summarize that answer, what you're indicating is that  
16 if you use the marginal value to set seasonal tail  
17 blocks the impact would be that because of the high  
18 heating load customers would have much higher rates in  
19 the winter.

20                   MR. GREG BARNLUND: If we assume that  
21 -- that energy is more valuable in the winter season,  
22 then the marginal rate, which is what you're heating  
23 with, is going to be priced higher than otherwise. So  
24 you have a compound impact in terms of higher prices  
25 in periods of highest consumption. So bills magnify

1 at that point in time.

2 MS. DAYNA STEINFELD: Okay. Thank you  
3 for that.

4

5 (BRIEF PAUSE)

6

7 MS. DAYNA STEINFELD: So if we turn  
8 back to this chart on page 81. What I take from this,  
9 Mr. Barnlund, is that Manitoba Hydro last received  
10 differentiated rates in 2003/'04.

11 Is that correct?

12 MR. GREG BARNLUND: Yes.

13 MS. DAYNA STEINFELD: And Mr. Peters  
14 walked through this with Ms. Carriere, I can't  
15 remember when now, but a couple of weeks ago. And she  
16 explained that this was stemming from a cost of  
17 service study adjustment to the general service large  
18 and general service small customer classes.

19 Is that your understanding?

20 MR. GREG BARNLUND: Right. So there's  
21 a couple things at play here in this chart, maybe I'll  
22 just make mention of. As I had mentioned before,  
23 there were some adjustments to the area and roadway  
24 lighting class that occurred otherwise in other years.  
25 Those adjustments were made by Manitoba Hydro in its

1 filing, and therefore, by not charging an increase to  
2 the area and roadway lighting class, the remaining  
3 revenue is made up from other customer classes.

4           There's an important distinction with  
5 regards to the 2003, because Manitoba Hydro filed  
6 rates and then had direction from the Board not to  
7 reallocate the revenues to other customer classes, but  
8 just to simply give up the revenue. So our rates were  
9 decreased with no opportunity to be able to make back  
10 the revenue amount that was lost in the decrease. And  
11 so that is an important distinction that we need to  
12 reflect upon, and it's certainly not a situation  
13 Manitoba Hydro would ever welcome finding itself in  
14 again.

15           MS. DAYNA STEINFELD:    And so what  
16 you're saying is when we talked this morning about  
17 differentiated rates being revenue neutral for the  
18 Corporation, 2003/'04 was a situation where that did  
19 not occur.

20           MR. GREG BARNLUND:    That's correct.

21           MS. DAYNA STEINFELD:    Mr. Barnlund,  
22 why hasn't Manitoba Hydro applied for differentiated  
23 rates since we last saw them ordered by the Board?

24           MR. GREG BARNLUND:    Well, I think  
25 there's a couple of reasons. One (1), potentially, is

1 the fact that there was not consensus or there was  
2 some disagreement with regards to the outcomes of cost  
3 of service them -- itself for a period of time from  
4 the mid 2000's until, I would say, just this last  
5 year. And so that was a matter of some, you know, of  
6 some concern here that would sort of prevent you from  
7 applying for differentiated rates.

8                   The other situation we find ourselves  
9 in now is that we are seeking a higher rate increase  
10 level of 7.9 percent. And I can tell you that  
11 Manitoba Hydro is extremely sensitive about expecting  
12 customers to pay greater than 7.9 percent to be  
13 adjusting revenues between customer class at his point  
14 in time now.

15                   Now, that said, should this Board  
16 decide that -- that it is the time to do an  
17 adjustment, that's fine. But -- but it's -- it can't  
18 come out of the revenue requirement -- a reduction  
19 revenue requirement or a reduction in net income for  
20 Manitoba Hydro.

21                   MS. DAYNA STEINFELD:    So it would have  
22 to be revenue neutral again.

23                   MR. GREG BARNLUND:    It would be, yes.  
24 It would have to be.

25                   MS. DAYNA STEINFELD:    And so am I

1 understanding that you're saying that now is not the  
2 time for differentiated rates because of the level of  
3 the rate increase. And so similarly, for the next six  
4 (6) years of 7.9 percent increases, and -- and perhaps  
5 also the 4.54, as well, those years are not the time  
6 for differentiated rates?

7 MR. GREG BARNLUND: We find ourselves  
8 between a rock and a hard place with respect to a  
9 number of these matters. These are very weighty  
10 decisions to be made, I have to -- I have to say. And  
11 I have some sympathy for customer classes that are at  
12 one-twelve (112) and one-thirteen (113) revenue to  
13 cost coverage ratio. So it depends on the algebra  
14 here. It depends on how much you're going to move.

15 If this Board determines that it's in  
16 the public interest to be adjusting revenues between  
17 customer classes, then Manitoba Hydro would definitely  
18 accept that. Manitoba Hydro would not accept, though,  
19 foregoing income to fund an adjustment between  
20 customer classes.

21 MS. DAYNA STEINFELD: And I'm -- I'm  
22 not being facetious when I say this but is -- is the -  
23 - the policy decision that it's just not palatable to  
24 increase the residential classes or the residential  
25 lass on top of 7.9 percent, and give the industrial



1 classes a break at the same time?

2 MR. GREG BARNLUND: I wouldn't go so  
3 far as to say that. I think that -- that we're  
4 essentially saying that it doesn't matter who you're  
5 taking it from and who you're giving it to, whether  
6 they're residences or -- or are industrial customers.  
7 The impact is an impact. And -- and we're -- we're  
8 very cautious about -- about that. If it was in the  
9 other direction, we would still be cautious about  
10 that.

11 MS. DAYNA STEINFELD: And we -- we  
12 just discussed the -- the 2 percent between classes  
13 guideline that Manitoba Hydro uses. I understand that  
14 the expert for the Manitoba Industrial Power Users  
15 Groups recommends a differentiated rate increase, not  
16 on an across the board basis where the industrial  
17 classes currently above the zone of reasonableness  
18 would see increases of 1 to 2 percent below average.  
19 I'm understanding that to not be outside of Manitoba  
20 Hydro's own guidelines.

21 Is that fair?

22 MR. GREG BARNLUND: No, I think that  
23 that would be consistent with the 2 percent guideline.  
24 Although I would -- again, I would have to state that  
25 that would be dependent upon that revenue being

1 recovered from other customer classes in -- in order  
2 to re -- remain whole revenue for revenue for the  
3 Corporation in doing so. I would also suggest that I  
4 expect we will hear from M. Monnin about it, as M.  
5 Monnin's customer classes are -- are even farther from  
6 the zone of reasonableness than M. Hacault's.

7 MS. DAYNA STEINFELD: And maybe just  
8 so the Board can see it we'll put volume 5, page 47  
9 back up. And this is -- this is illustrating the  
10 point that you just made, Mr. Barnlund, where -- where  
11 here we can see the classes that are outside of the  
12 zone of reasonableness currently with the -- the rate  
13 increase applied.

14 MR. GREG BARNLUND: Yes.

15 MS. DAYNA STEINFELD: And, Mr.  
16 Barnlund, you would agree that in Order 164/'16 this -  
17 - this Board stated that the cost of service study is  
18 a tool that can be used in ratemaking?

19 MR. GREG BARNLUND: That's correct.

20 MS. DAYNA STEINFELD: And I believe  
21 you also mentioned this morning that the fairness  
22 principle that we've already discussed brings in a  
23 consideration of cost causality.

24 Is -- is that fair?

25 MR. GREG BARNLUND: That's correct.

1 MS. DAYNA STEINFELD: So that's the  
2 idea that a customer class should not pay more or less  
3 than the portion of the cost that the class is  
4 responsible for?

5 MR. GREG BARNLUND: I think that that,  
6 when you're talking the fair apportionment of costs  
7 that -- that we're -- that that is a reasonable  
8 depiction of that.

9 MS. DAYNA STEINFELD: But I understand  
10 that -- that despite how that fits into the rate-  
11 making principles and the guidance from 164/'16,  
12 Manitoba Hydro isn't seeking differentiated rates  
13 arising from the cost of service study results because  
14 of the level of the rate increase that's being sought  
15 across the board.

16 Is that fair?

17 MR. GREG BARNLUND: Again, it's --  
18 it's -- we are in a different situation with the 7.9  
19 percent increase. We are. But again, if -- if this  
20 Board determines that there is some need to mitigate  
21 or to start migrating certain classes that -- that the  
22 Board is not bound to look at the cost of service  
23 study. The Board certainly can take it into  
24 consideration, but just because the cost of service  
25 study provides -- provides an outcome, I don't believe

1 that they're bound to act on that particular outcome  
2 at any given point.

3 MS. DAYNA STEINFELD: And does -- does  
4 your answer change, Mr. Barnlund, if this Board  
5 decides to order a rate increase that is less than 7.9  
6 percent being sought?

7 MR. GREG BARNLUND: Well, I would say  
8 that -- that when I review some of the writing, some  
9 of the literature, you'll see that even our famed  
10 Professor Bonbright suggests that -- that the revenue  
11 requirement should not be unduly reduced or attacked  
12 because of the impact of a rate change -- of a -- of a  
13 shift in -- in cost between customers or the impacts  
14 of the change in rate design.

15 So -- so I think that -- that for the  
16 most part our primary consideration, of course, is --  
17 is -- what we've heard from the revenue requirement  
18 panel is the ability of the Corporation to be able to  
19 meet cash flow requirements and to be able to attain a  
20 25 percent equity ratio in some reasonable period of  
21 time. And so that is -- is really our primary  
22 objective in this respect. And -- and so Manitoba  
23 Hydro would -- would be -- would be disappointed if we  
24 ended up having to reduce that level of increase to  
25 accommodate some shifts between customer classes.

1 MS. DAYNA STEINFELD: Thank you, Mr.  
2 Barnlund. I think this is an appropriate place to  
3 break for lunch, Mr. Chair.

4 THE CHAIRPERSON: Ms. Steinfeld, can -  
5 - you -- you started a half hour late. Have you made  
6 up time or are we still behind?

7 MS. DAYNA STEINFELD: I would say I've  
8 made up about fifteen (15) minutes.

9 THE CHAIRPERSON: Okay. So we're  
10 going to have a forty-five (45) minute lunch. So  
11 we'll reconvene at 1:20. Thank you.

12

13 --- Upon recessing at 12:35 p.m.

14 --- Upon resuming at 1:22 p.m.

15

16 RULING ON MR. HAIGHT'S MOTION

17 THE CHAIRPERSON: Okay, are we ready  
18 to proceed? Before we continue with the cross-  
19 examination, I want to deal with the issue of the MGF  
20 request for an extension. The panel considered the  
21 issue both yesterday and today.

22 Before going to the decision I want to  
23 make a few comments. Number 1 is, we don't believe  
24 the Panel should be in this position to have to make a  
25 decision on this issue. This process was established

1 with considerable effort to determine the schedule  
2 that was fair to all parties, and that was based on  
3 the discussion with all the parties.

4 I would note that the parties have  
5 worked very cooperatively to establish a fair  
6 schedule, and I thank them for that level of  
7 cooperation.

8 MGF has requested an extension of two  
9 (2) days that creates a problem at this time,  
10 particularly for Manitoba Hydro. The Board has  
11 reviewed the schedule and is prepared to extend the  
12 time frame because it believes that it can adjust the  
13 schedule so that Manitoba Hydro can fairly deal with  
14 the -- with the IRs.

15 So the decision of the Board is as  
16 follows: The IR filing date will continue as December  
17 22nd;

18 The responses to Manitoba Hydro will  
19 move from January 3rd to January 5th. I would ask MGF  
20 to file the responses prior to that date, if possible,  
21 but January 5th will be the final date. There will be  
22 no further extensions granted.

23 The date for Manitoba Hydro to review  
24 and clear the responses will move from January 5th to  
25 January 9th.

1                   The deadline for rebuttal of Manitoba  
2 Hydro will move from January 12th to January 16th and  
3 the capital panel, which is scheduled to go we have  
4 for one and a half (1 1/2) hours on January 18th, may  
5 move at the discretion of Manitoba Hydro to January  
6 22, or the -- Manitoba Hydro may start on January  
7 18th, that is their decision.

8                   If it moves to January 22nd, all  
9 parties should be prepared to sit late on that date.  
10 So hopefully, that will allow MGF the necessary time  
11 to deal with the IRs and will provide Manitoba Hydro  
12 sufficient time to -- to deal with its -- it's  
13 matters.

14                   So anyways, on that note I'd ask Ms.  
15 Steinfeld to continued the cross-examination.

16

17 CONTINUED BY MS. DAYNA STEINFELD:

18                   MS. DAYNA STEINFELD:    Thank you, Mr.  
19 Chair.  Mr. Barnlund, I believe I'm going to be  
20 continuing with you for a little bit again here -- oh,  
21 sorry, Ms. Fernandes...?

22                   MS. ODETTE FERNANDES:    Sorry, I just  
23 thought we'd quickly clarify, you had asked a question  
24 this morning on -- with respect to a table that was  
25 provided on page 44 of the PUB book of documents as to

1 whether or not the 7.9 percent was included in that,  
2 and Mr. Barnlund has a response.

3 MR. GREG BARNLUND: Good afternoon.  
4 Yes, the table that's shown on page 44 of the book of  
5 documents was as filed with our original application,  
6 so the 7.9 percent was not included in the cost of  
7 service calculation.

8

9 CONTINUED BY MS. DAYNA STEINFELD:

10 MS. DAYNA STEINFELD: Thank you, Mr.  
11 Barnlund. If we could turn to page 94 of volume 5 of  
12 Board counsels' book of documents.

13 Mr. Barnlund, do you recall that in the  
14 cost of service study methodology review, and as  
15 reflected on this page, the Board accepted a  
16 submission put forward by Manitoba Hydro and stated  
17 that rate design matters and an examination of  
18 conservation rates and time-of-use rates should be  
19 dealt with at the next GRA?

20 MR. GREG BARNLUND: Yes.

21 MS. DAYNA STEINFELD: And that  
22 discussion, as I said, was in the cost of service  
23 study review which took place in 2016.

24 So, do you agree that we are now in the  
25 next GRA after the cost of service study review?



1 MR. GREG BARNLUND: Yes. I mean,  
2 there's two (2) things. We are in the next GRA but in  
3 2016 after this Order was issued, there was also a  
4 provincial election and the appointment of a new Board  
5 of Directors and a number of activities that ensued  
6 with regards to Manitoba Hydro undertaking a  
7 significant examination of its major projects and also  
8 an examination of its financial status and with  
9 regards to its -- its financial plan going forward.

10 And so there were -- that was also a  
11 significant event that ultimately has an influence on  
12 some of the matters we'll be speaking of here today.

13 MS. DAYNA STEINFELD: And so, Mr.  
14 Barnlund, if I can take that one (1) step further and  
15 -- and this is something that your president confirmed  
16 to Mr. Peters, Manitoba Hydro has not brought forward  
17 a rate design proposal and specifically is not  
18 proposing conservation rates, time-of-use rates or  
19 bill affordability rates; is that correct?

20 MR. GREG BARNLUND: Right. So we're -  
21 - our rate design proposal is our standard rate design  
22 that we have had now for a number of years. We have  
23 chosen not to advance a proposal for either  
24 conservation rates or time-of-use rates at this point  
25 in time, largely respecting the impact that -- that

1 such rate design changes have on customers within a  
2 class and with knowledge now of the magnitude or the  
3 size of the increase with which we were seeking for --  
4 for all customer classes in -- in our service  
5 territory, yes.

6 MS. DAYNA STEINFELD: And Mr.  
7 Barnlund, Ms. Morrison told Mr. Peters that Manitoba  
8 Hydro was entertaining conservation rates. Can you  
9 explain to the Board what Manitoba Hydro has done to  
10 address conservation rates to date?

11 MR. GREG BARNLUND: So what Manitoba  
12 Hydro has done is -- is -- has done an examination of  
13 conservation rates. We had retained a -- a consultant  
14 to assist us in that matter and -- and there has been  
15 some -- some examination of different conservation  
16 rate designs, essentially, an inverted block rate or  
17 inclining block rate design.

18 And so there was an analysis that was  
19 prepared. Manitoba Hydro also shared that analysis  
20 with participants in the bill affordability working  
21 group and participants in its DSM advisory group. And  
22 with the proviso that this was -- had yet to receive  
23 the approval of Manitoba Hydro Electric Board in terms  
24 of advancing any further.

25 And at -- as we -- that would have been

1 later in 2016 when that would've happened. And early  
2 in 2017 or by February 2017, Manitoba Hydro was in a  
3 situation to be -- be finalizing its -- its work on  
4 its new financial plan and then by that point in time,  
5 there is -- it was becoming apparent that the level of  
6 increase that we would be seeking for that financial  
7 plan were going to be significant, and it gave us  
8 reason to pause in terms of any discussion of  
9 advancing rate design changes any further, at that  
10 point in time.

11 MS. DAYNA STEINFELD: And, Mr.  
12 Barnlund, provide I move on, can you just briefly, if  
13 possible, explain what you mean by an "inverted block  
14 rate design."

15 MR. GREG BARNLUND: Right. So,  
16 basically, the conservation rate or inclining block  
17 rate or inverted rate design involves -- let's take  
18 for an example a residential customer, with  
19 residential class. Currently, we have, as we talked  
20 about this morning, a basic monthly charge and a  
21 single energy charge. An inverted block design would  
22 have a basic monthly charge, a first block which may  
23 be some hundred -- say 500 kilowatt hours of  
24 consumption in the first block that is priced at a  
25 given level and all consumption above that threshold

1 then is priced at a higher level.

2                   In other words, you're -- you're paying  
3 less for the first 500 kilowatt hours of consumption;  
4 you're paying more for all kilowatt hours consumed  
5 about 500 kilowatt hours a month. And what that does  
6 is that it sends a -- a more -- a more strict price  
7 signal in terms of the cost of consuming energy in  
8 excess of whatever threshold that you have provided  
9 and, as a result, customers will see higher bills.  
10 Larger -- customers that are using more marginal usage  
11 will see higher bills as a result of it and  
12 theoretically, will have the incentive to reduce their  
13 consumption accordingly.

14                   MS. DAYNA STEINFELD: And that's -- we  
15 touched on that briefly this morning but when we talk  
16 about that tail block or that second block, that's  
17 where the marginal value would -- would come into  
18 play.

19                   MR. GREG BARNLUND: That's correct,  
20 yes. Yes. Now, I might add too that -- that there is  
21 also a reflection or a recognition at Manitoba Hydro  
22 that the level of increases that we're seeking we're  
23 obviously going to have a conservation effect to them  
24 and themselves. The conservation rates that we were  
25 preparing before was based on looking at -- at levels

1 of increases of 3.95 percent per year for seventeen  
2 (17) years.

3 By -- by increasing our rate request to  
4 7.9 percent, it's -- that -- that increase in rate in  
5 itself will drive out customer response in terms of  
6 additional conservation, even without coming up with  
7 the specific rate design to do so.

8 MS. DAYNA STEINFELD: So, Mr.  
9 Barnlund, I'm hearing you say that the -- the level of  
10 the rate increase being sought has -- has led to  
11 Manitoba Hydro not proposing a conservation rate and  
12 that's both because of the -- the level that you're  
13 asking for, as well as the fact, as you've just said,  
14 that that level inherently brings in a conservation  
15 element.

16 Are there any other factors that led to  
17 the decision to not propose a conservation rate?

18 MR. GREG BARNLUND: I think that's --  
19 that -- those are largely the two (2) factors. And  
20 again, the -- the level of increase itself is -- is in  
21 itself a conservation rate. It is -- it is going to  
22 cause further conservation than you otherwise would  
23 have with rates set at 3.95 percent.

24 MS. DAYNA STEINFELD: And, Kristen, if  
25 you could please put up PUB-MH-2-53, attachment 2.

1 Page 18, thank you.

2                   So Mr. Barnlund, this is picking up on  
3 -- on what you were explaining about what happened in  
4 -- in January 2017 and at that point in time what you  
5 were telling stakeholders is that these were the next  
6 steps following the analysis that had been on -- on  
7 conservation rates to that point.

8                   Has Manitoba Hydro done any of these  
9 next steps?

10                   MR. GREG BARNLUND: No, I'd say that -  
11 - that all of that activity essentially came to a halt  
12 shortly thereafter. I mean, certainly, we were in a  
13 position late in February of the year where we were,  
14 you know, coming to full grips with the level of  
15 increases that we would be bring before the Manitoba  
16 Hydro Electric Board and, so, we were not -- we were  
17 cautious in terms of advancing any -- any rate  
18 proposals and so we didn't follow through on these  
19 other steps of that time.

20                   MS. DAYNA STEINFELD: And what is the  
21 timeframe for Manitoba Hydro to -- to complete these  
22 next steps or -- or any other next steps associated  
23 with analyzing conservation rates?

24                   MR. GREG BARNLUND: Well, I think that  
25 -- that, you know, one (1) of the key issues here is

1 we have to look at what we need to do in terms of  
2 rate design, residential rate design and -- and if you  
3 think to what we had filed here this year in Appendix  
4 9.14, which was our report on residential rate design,  
5 we did not bring forward an inclining block rate in  
6 that -- in that particular report. We spoke of a  
7 different type of rate which was going to address, I  
8 guess, the impacts if you would on electric heating  
9 customers by differentiating the rate within the  
10 residential class between electric heat customers and  
11 non-heat customers.

12                   And so I think that it's important to  
13 pause and reflect on the conditions we see right now  
14 and move carefully in terms of going forward. Because  
15 a conservation rate design in and of itself could have  
16 some consequences to low income customers that would  
17 exacerbate the problem that they would be currently  
18 seeing.

19                   And that is driven by the fact, as Mr.  
20 Mason said this morning, that there is a very, very  
21 weak correlation between energy usage and income. And  
22 inverted rates or conservation rates benefit low usage  
23 customers and penalize high usage customers. And if  
24 you have low income customers in poor housing that are  
25 high usage, they would be bearing the brunt of an --

1 of an additional increase. And I think that it is  
2 reason to pause in looking at the -- the strategy that  
3 we want to go forward with with respect to residential  
4 rate design.

5 We have to be very careful not to have  
6 unintended consequences that further inflict even more  
7 difficulty on vulnerable customers or lower income  
8 customers.

9 MS. DAYNA STEINFELD: Thank you, Mr.  
10 Barnlund. If this Board were to direct Manitoba Hydro  
11 you to complete these next steps, what is a reasonable  
12 timeframe in which that to -- for -- for that to  
13 happen?

14 MR. GREG BARNLUND: I really can't  
15 say. I really don't know. I would -- I would appeal  
16 to this Board, though, that rather than just continue  
17 on a path of suggesting that conservation rates are  
18 the way to go is to open up the discussion to say:  
19 What kind of rate design is reasonable, is important  
20 for Manitoba customers, certainly for residential  
21 customers, knowing what we've learned in the last year  
22 about -- about lower income and about energy usage and  
23 -- and I believe what we're seeing here in -- in this  
24 evidence is that there's further information that  
25 needs to be obtained certainly for -- on reserve First



1 Nation housing to be able to understand the impacts of  
2 these things.

3 Purely speaking, a conservation rate in  
4 and of itself would have a detriment -- detrimental  
5 impact on bills for First Nation customers outside of  
6 gas available areas.

7 MS. DAYNA STEINFELD: Okay. So that's  
8 a good segue, Mr. Barnlund. Let's -- let's turn to  
9 page 97 of -- of volume 5 of Board counsels book of  
10 documents. And if we can scroll down and -- and look  
11 at the graph itself.

12 Are you familiar with this annual space  
13 heating costs graph from the Manitoba Hydro website?

14 MR. GREG BARNLUND: I am familiar with  
15 it. Ms. Morrison usually speaks to this but I will  
16 give this a shot.

17 MS. DAYNA STEINFELD: I think my  
18 questions are at a high level but if anything needs  
19 to be deferred to Ms. Morrison tomorrow, you'll let me  
20 know.

21 MR. GREG BARNLUND: Perfect.

22 MS. DAYNA STEINFELD: You'd agree with  
23 me that this graph shows that heating costs are  
24 substantially higher for customers who heat with  
25 electricity?

1 MR. GREG BARNLUND: That's what the  
2 graph shows, yes, compared to --

3 MS. DAYNA STEINFELD: Let's compare it  
4 to natural gas.

5 MR. GREG BARNLUND: -- natural gas.

6 MS. DAYNA STEINFELD: There's a few  
7 different numbers there but we could, in a general  
8 sense, say that it's approximately double.

9 MR. GREG BARNLUND: Thereabouts, yes.  
10 Yeah.

11 MS. DAYNA STEINFELD: And if we turn  
12 to page 105 of this volume, am I right in  
13 understanding that this graph shows that the gap for  
14 heating costs grows with Manitoba Hydro's indicative  
15 rate increases?

16 MR. GREG BARNLUND: Yes, based on the  
17 assumptions that were applied in terms of the nat --  
18 cost for natural gas and the inclusion of -- of  
19 potential carbon levies. Again, in a way it's easier  
20 to predict the electric heating project -- trajectory  
21 than it is the natural gas heating trajectory because  
22 a large component of natural gas bills is the  
23 commodity -- commodity itself, which is, of course, a  
24 price that's set in the open market and is certainly  
25 fairly volatile -- or has been in -- in certain times

1 in the past volatile.

2 MS. DAYNA STEINFELD: I take your  
3 point that this is -- there's some assumptions built  
4 into this graph. One (1) of those assumptions is a  
5 carbon Levy at the -- the federal price which is \$50;  
6 is that correct?

7 MR. GREG BARNLUND: Let me just check.

8

9 (BRIEF PAUSE)

10

11 MR. GREG BARNLUND: I see and -- and  
12 I'm standing to be corrected by Ms. Morrison when she  
13 reads the transcript, but the cost comparisons include  
14 carbon pricing based on the Government of Canada's  
15 \$10 per ton in 2018 increasing by \$10 per ton annually  
16 to \$50 a ton in 2022.

17 MS. DAYNA STEINFELD: Thank you, and -  
18 - and turn to this and, again, you'll tell me if this  
19 is better left for Ms. Morrison but Manitoba Hydro  
20 provided an undertaking. It's Manitoba Hydro Number  
21 75. And this related to a question for Mr. Peters as  
22 to what the carbon levy would have to be to make gas  
23 and electric space heating equivalent.

24 And if we scroll down, my understanding  
25 is that it would need to be \$239.50 a ton based on

1 current rates; is that correct?

2 MR. GREG BARNLUND: Yes, I reviewed  
3 that -- that undertaking and I -- that number is  
4 familiar, yes.

5 MS. DAYNA STEINFELD: And with  
6 Manitoba Hydro's projected rate increases, you would  
7 need a carbon levy of about \$540 a ton to make gas and  
8 electric space equivalent.

9 Is that your understanding?

10 MR. GREG BARNLUND: Yes. With these  
11 assumptions that's the case, yes.

12 MS. DAYNA STEINFELD: And if we can go  
13 back to Board counsel book of documents, volume 5,  
14 page 109.

15 I understand that what this chart has  
16 done is separated the -- the residential class to show  
17 standard residential customers, all electric  
18 residential customers, and seasonal residential; is  
19 that correct?

20 MR. GREG BARNLUND: That's correct.  
21 So if we look at how we typically represent this  
22 information, a cost of service study, you'll see a,  
23 you know, a line item for residential class. But  
24 within the residential class, there's actually four  
25 (4) subclasses. So you've got standard basic

1 customers or nonheat customers. You've got standard  
2 all electric customers, which are the electric heating  
3 customers. You have seasonal customers who are not  
4 occupied year round. And you have flat rate water  
5 heating which is a closed rate, which is available for  
6 certain water heating customers.

7 We disaggregated that information for  
8 these purposes in this cost of service study.

9 MS. DAYNA STEINFELD: And is it right  
10 that this chart is showing that if we look at just the  
11 electric residential customers, their revenue to cost  
12 coverage ratio is 90.1 percent?

13 MR. GREG BARNLUND: Yes. So if you  
14 think of it in the -- in the manner which we currently  
15 have residential customers classified, you've got  
16 heating customers and non heating customers. And  
17 those two (2) groups will have different load curves.  
18 They'll have different low-profiles. So obviously the  
19 electric heating customer will be sensitive to  
20 weather, and will have a higher load in the wintertime  
21 than it would in the summertime whereas the basic  
22 standard customer tends to have a flatter load year-  
23 round.

24 There are, obviously, cost implications  
25 in terms of the cost to serve in that respect. By

1 separating out these subclasses then it -- it -- you  
2 are able to expose the revenue-to-cost difference or  
3 the cost differences in terms of serving these  
4 customers under our single rate.

5 MS. DAYNA STEINFELD: And so what we  
6 take from this is that the all electric residential  
7 customers are not currently covering the costs  
8 incurred to serve them through their rates?

9 MR. GREG BARNLUND: So they would be  
10 paying \$0.90 on the dollar whereas a electric standard  
11 customer would be returning a dollar three for every  
12 dollar of cost.

13 MS. DAYNA STEINFELD: And so when we  
14 disaggregate those customers, we see that the  
15 residential standard customers are within the zone of  
16 reasonableness?

17 MR. GREG BARNLUND: Correct.

18 MS. DAYNA STEINFELD: And so on a pure  
19 cost-causation approach, you agree that all electric  
20 customers should be paying more than they currently  
21 are?

22 MR. GREG BARNLUND: If -- if we were  
23 to disaggregate these classes on a go-forward basis,  
24 the decision would have to be made whether they merit  
25 some type of allowance or -- or favourable treatment

1 outside of a cost-based approach. If you're going to  
2 look at this from a purely cost-based approach, you  
3 would be wanting to increase rates to the all electric  
4 customers to increase that revenue-to-cost coverage  
5 ratio, yes.

6 MS. DAYNA STEINFELD: And, Mr.  
7 Barnlund, to -- to go back to some history and Mr.  
8 Peters discussed this with one (1) of the other panels  
9 as well, there were previously three (3) zones for  
10 residential rates. And with uniform rates legislation  
11 those zones were, essentially, collapsed into one (1)  
12 and that being zone 1, the City of Winnipeg rates; is  
13 that correct?

14 MR. GREG BARNLUND: Yes, that's  
15 correct.

16 MS. DAYNA STEINFELD: So the zone 2  
17 and zone 3 rates were reduced from what they had been  
18 prior to that?

19 MR. GREG BARNLUND: That's correct.

20 MS. DAYNA STEINFELD: And your  
21 president in this evidence explained his view that  
22 legislation prevents Manitoba Hydro from setting rates  
23 that differentiate by geography or density.

24 Do -- do you recall that testimony?

25 MR. GREG BARNLUND: Yes, I do.

1 MS. DAYNA STEINFELD: And I can see  
2 Ms. Fernandes looking at me and I'll alert her that  
3 these next questions are not asking for a legal  
4 opinion. But I want to understand what the  
5 Corporation is saying in terms of its view of how  
6 uniform rate legislation applies to its rate design.  
7 So, if I overstep, you'll let me know.

8 But I'll ask Kristen to please put the  
9 Manitoba Hydro Act on the screen for our reference,  
10 and it's -- if we can just go back to Section 39.  
11 Yes, and just scroll down to the highlighting. Thank  
12 you.

13 So here, Mr. Barnlund, and this is the  
14 Manitoba Hydro Act, Section 39(2.1). And the  
15 legislation is saying, just for the purposes of the  
16 record, that the rates charged for power supply to a  
17 grid -- class of grid customers within the province  
18 shall be the same throughout the province.

19 And then Section 2.2 (a) deals with  
20 what a grid customer is, and (b) tells us that  
21 customers shall not be classified based solely on the  
22 region of the province in which they are located or on  
23 the population density of the area in which they are  
24 located.

25 Do you see that there, Mr. Barnlund?



1 MR. GREG BARNLUND: Yes, I do.

2 MS. DAYNA STEINFELD: Does Manitoba  
3 Hydro consider it possible to create, for example, a  
4 northern electric space heating customer class and  
5 still be within the boundaries of the legislation?

6 MR. GREG BARNLUND: I think that  
7 creating a -- an electric space heating class that  
8 disregards any type of geographic limitation or  
9 criteria would not run afoul of uniform rates  
10 legislation.

11 However, as you had described it, a  
12 northern rate, in other words, above some line in the  
13 province that you would create a different rate -- Ms.  
14 Fernandez will probably put the hook on me -- but I  
15 would say that that would run afoul of this  
16 legislation.

17 MS. DAYNA STEINFELD: And I'll -- I'll  
18 perhaps just note that I'll move on here if Ms.  
19 Fernandes might consider including some of these  
20 considerations in our closing submissions, but, we'd  
21 be interested to know Manitoba Hydro's views on -- on  
22 whether this legislation would prevent the creation of  
23 classes that don't discriminate solely on geography  
24 but bring in other elements such as electric space  
25 heating or -- or low income or on reserve First

1 Nations. That can be a matter for closing submissions  
2 and I'll -- I'll let Mr. Barnlund off the hook.

3 MR. GREG BARNLUND: Well, but before  
4 you leave that, Ms. Steinfeld, I just want to make one  
5 (1) point though.

6 MS. DAYNA STEINFELD: Absolutely.

7 MR. GREG BARNLUND: It's one (1) thing  
8 to talk about differentiation in terms of the usage  
9 attributes or the cost attributes of the customer. We  
10 know what those are. We have data. We have 475,000  
11 customers. We know how much energy they use. We know  
12 how much demand they impose on the system.

13 We have no idea about the ability to  
14 pay of 475,000 customers. If there was a requirement  
15 to create a rate class based on income, we have no  
16 capability of doing that. We have no -- we have no  
17 data and we have no rational basis. We're entering  
18 the area of the capricious and arbitrary part of  
19 Bonbright's discussion of fairness and equity, because  
20 we have no way of meaningfully creating rates that  
21 will recover our full revenue requirement based on  
22 some ability to pay because we have no idea what the  
23 ability to pay of our customers is.

24 Therefore, we are missing most of the  
25 information we need in which to set rates.

1 MS. DAYNA STEINFELD: And fair,  
2 enough, Mr. Barnlund. I think we'll return to that  
3 point probably later this afternoon, perhaps with the  
4 help from some of your other panel members.

5 Just to finish off on this point, if we  
6 can turn to page 112 of volume 5. And I don't know  
7 that we actually need to -- to look at this that  
8 closely.

9 But, Mr. Barnlund, can you confirm that  
10 electric residential customers are charged PST at a  
11 lower rate than standard residential customers?

12 MR. GREG BARNLUND: Well, Mr. Chard is  
13 the expert in that area. And I think I will defer to  
14 him.

15 MS. DAYNA STEINFELD: All right, Mr.  
16 Chard, can you -- can you confirm that that is the  
17 case?

18 MR. PAUL CHARD: Yes, I can confirm  
19 that.

20 MS. DAYNA STEINFELD: And so from our  
21 discussion that we've just had, Mr. Barnlund and then  
22 Mr. Chard if you'd like to help, that's fine. But my  
23 understanding that Manitoba Hydro has just explained  
24 to the Board that electric heating customers are  
25 already receiving a level of rate mitigation through

1 things like uniform rates, the fact that their  
2 residential to cost coverage ratio is -- is below, and  
3 the other residential customers are essentially  
4 subsidizing that, and the PST reduction.

5                   Would that be fair to say? Or they're  
6 already some levels of subsidies built into these  
7 rates.

8                   MR. GREG BARNLUND: Well, let me --  
9 let me just, I guess, take that in -- in two (2)  
10 different pieces. From a cost perspective, yes,  
11 there's a cross subsidy where -- where urban customers  
12 essentially subsidize rural low-density customers.

13                   And if we look at our existing rate  
14 design, this information that we have in this  
15 Information Request shows us that the electric heat  
16 customers are, essentially, being subsidized by the  
17 non-heat customers.

18                   The issue of taxation, however, is not  
19 in the domain of Manitoba Hydro and that we have no  
20 position on in that regard.

21                   MS. DAYNA STEINFELD: And fair enough,  
22 Mr. Barnlund, thank you for that. As -- as you  
23 mentioned earlier, Manitoba Hydro has included in the  
24 filing an alternative rate design. And I understand  
25 that it's not being proposed by Manitoba Hydro, but

1 let's take some time to walk through it.

2 So maybe we'll turn to page 113 --  
3 sorry, at tab 113, page 117. And we can scroll down  
4 just to section 8 there. Thank you, Kristen.

5 So I'm going to take this step by step,  
6 Mr. Barnlund, and -- and you can perhaps help me out  
7 but for this electric heat design that Manitoba Hydro  
8 has provided, the first step is to apply the 7.9  
9 percent increase to all residential class revenues; is  
10 that correct?

11 MR. GREG BARNLUND: That's correct,  
12 yes.

13 MS. DAYNA STEINFELD: And then the  
14 second step that Manitoba Hydro has taken and I think  
15 this flows over on to page 118 is to apply an  
16 additional 2 percent to the energy charge for standard  
17 residential customers; is that right?

18 MR. GREG BARNLUND: Correct. So we  
19 left the basic charges identical between the two (2).  
20 And considering a threshold of normally 2 percent,  
21 applied that to the non-heating customers to determine  
22 how much revenue we would actually be able to receive  
23 into that group of customers without going above 9.7  
24 percent.

25 MS. DAYNA STEINFELD: And is that 2

1 percent an application of the rate-making principle  
2 we discussed earlier?

3 MR. GREG BARNLUND: In a way, yes, it  
4 is, yeah.

5 MS. DAYNA STEINFELD: And I had  
6 understood that the 2 percent was an intraclass  
7 differentiation guideline and that a different  
8 guideline was used for intraclass.

9 So why not use the 3 percent here?

10 MR. GREG BARNLUND: Very deliberately  
11 mindful that as we approach 10 percent, we approach a  
12 level which becomes uncomfortably close to what other  
13 jurisdictions would consider to be rate shock.

14 MS. DAYNA STEINFELD: Okay and so --  
15 and you discussed that yesterday with Mr. Monnin and I  
16 have your point.

17 So that's the second step. We apply  
18 that -- that 2 percent number that you've arrived at  
19 to the energy charge for the non-heating customers and  
20 you do that algebra. You do that calculation to find  
21 out what the additional revenues are; correct?

22 MR. GREG BARNLUND: That's correct,  
23 yes.

24 MS. DAYNA STEINFELD: And the number  
25 that that results in is \$5.2 million of additional

1 revenue?

2 MR. GREG BARNLUND: Yes.

3 MS. DAYNA STEINFELD: And so as a  
4 final step what Manitoba Hydro has done is taken that  
5 \$5.2 million and subtracted it from the electric  
6 heating customers; is that right?

7 MR. GREG BARNLUND: Yes, that's  
8 correct.

9 MS. DAYNA STEINFELD: And so that  
10 allows you to calculate out and I think this is on  
11 page 119, a 9.7 percent rate increase for the  
12 nonheating customers?

13 MR. GREG BARNLUND: Yes.

14 MS. DAYNA STEINFELD: And instead of a  
15 7.9 percent increase for the electric residential  
16 customers, you end up with 6.5 percent; is that right?

17 MR. GREG BARNLUND: That's correct,  
18 yes.

19 MS. DAYNA STEINFELD: And I understand  
20 that Manitoba Hydro's is kept whole with this  
21 approach?

22 MR. GREG BARNLUND: Yes, that's  
23 correct. Roughly speaking. I mean, there is a  
24 rounding issue here because we only have so many  
25 digits in the desk -- in the billing system to be able

1 to round to but, roughly speaking, yes, it will be  
2 kept whole.

3 MS. DAYNA STEINFELD: Okay. Thank  
4 you. And so to summarize it, what this rate design is  
5 doing is shifting a -- a greater portion of the  
6 responsibility for the collection of residential class  
7 revenues to residential standard customers; is that  
8 right?

9 MR. GREG BARNLUND: Yes, that's  
10 correct.

11 MS. DAYNA STEINFELD: Mr. Barnlund,  
12 what rate making objectives are used to arrive at this  
13 rate scenario?

14 MR. GREG BARNLUND: Well, I -- I think  
15 that -- that this is unique in the respect that this  
16 is now entering into an end-use rate, as opposed to  
17 purely a cost base rate. And it is done for, as an  
18 example, in terms of addressing issues that have been  
19 before Manitoba Hydro and before this Board in the  
20 past about the plight of electric heating customers.

21 So it is more of a policy-based  
22 consideration, if you would, and it -- it doesn't  
23 entirely fit with the rate-making objectives that --  
24 that we have set out, but it's put forth as an example  
25 of one (1) concept that could be explored in terms of



1 trying to address this and future -- or future  
2 increases to electric heating customers and certainly  
3 customers that live outside of the city of Winnipeg.

4 MS. DAYNA STEINFELD: And is it fair  
5 to say that this does address Manitoba Hydro's primary  
6 rate-making objective which is to recover the revenue  
7 requirement?

8 MR. GREG BARNLUND: It does that, yes.

9 MS. DAYNA STEINFELD: And I think as  
10 we've already discussed, this is not or has not been  
11 endorsed by the Hydro Electric Board and is not being  
12 put forward by Manitoba Hydro as a proposed rate.

13 MR. GREG BARNLUND: That's correct.  
14 It's really provided for illustrative purposes and for  
15 discussion purposes in this particular hearing.

16 MS. DAYNA STEINFELD: And Mr. Peters  
17 discussed this to -- to some degree with Mr. Shepherd  
18 who explained that at least one (1) reason for why  
19 this isn't being put forward formally as a proposal is  
20 because the 7.9 percent rate increase is high enough.

21 Is that your recollection of his  
22 testimony?

23 MR. GREG BARNLUND: Yes, I recall  
24 that.

25 MS. DAYNA STEINFELD: Are there any

1 other reasons, to your knowledge, Mr. Barnlund?

2 MR. GREG BARNLUND: Really the only  
3 thing that I can add is that the Manitoba Hydro  
4 Electric Board elected just not to endorse it at this  
5 point in time. I'm not certain that they wouldn't  
6 endorse it in the future if it was brought back to  
7 them but -- but that's -- that's really all I can say  
8 at this point.

9 MS. DAYNA STEINFELD: So is that  
10 answer telling you that the rate increases are too  
11 high this year for a rate design change, but not  
12 necessarily the next time Manitoba Hydro comes back to  
13 ask for 7.9 percent?

14 MR. GREG BARNLUND: Well, I guess what  
15 I'm reflecting upon is -- is Mr. Shepherd's testimony  
16 where he committed us to do some further work in terms  
17 of working with stakeholders and trying to examine low  
18 income issues and tried to examine electric heat  
19 issues.

20 And so I wouldn't -- and, you know,  
21 essentially a commitment that was made, I think we're  
22 going to be following through on, obviously, and that  
23 that -- that series of options, we would look at, that  
24 this is conceivably one (1) of the options that we  
25 would -- that we would consider in that regard.

1                   So -- so I -- again, this is sort of an  
2 example of how dynamic things are in -- in -- in our  
3 business is that -- that we have to be adaptable to  
4 these changes and -- and we can't say, no, we'll never  
5 do it forever, but we have to work with -- with  
6 stakeholders and be able to come up with the best  
7 solution to the problem and not just hurry up and  
8 provide some solution to the problem.

9                   MS. DAYNA STEINFELD:    And if -- if  
10 this Board granted a rate increase at a level  
11 different than that sought by Manitoba Hydro, and I  
12 have your comments from earlier as to why Manitoba  
13 Hydro doesn't think it should do that, but  
14 hypothetically if they did, would it be appropriate  
15 for Manitoba Hydro to bring in -- or sorry, for the  
16 Board to bring in Manitoba Hydro's alternative rate  
17 design?

18                   MR. GREG BARNLUND:    If I might suggest  
19 that -- that it takes time to do this.  If the Board  
20 sees the merit in our rate increase and grants us our  
21 rate increase, Mr. Shepherd has committed us to do  
22 work prior to the next General Rate Application, and I  
23 can't -- I can't add anything further than that right  
24 now, but I would suggest that we would have a To Do  
25 list that would -- that would have to be acted upon.

1 MS. DAYNA STEINFELD: Thank you, Mr.  
2 Barnlund Perhaps I'll move on to page 120 of volume  
3 5. This is a graphic. It's -- it's a PUB advisor  
4 document that's pulled information from various  
5 sources. You've got the references there. And it's  
6 showing the percentage of residential customers by  
7 fuel area.

8 Should the Board understand this  
9 document to tell them that of the total electric heat  
10 customers, the majority live in areas where gas is  
11 available?

12 MR. GREG BARNLUND: If we look at  
13 combining the city of Winnipeg with the gas available  
14 areas that would be the case, yes.

15 MS. DAYNA STEINFELD: And does  
16 Manitoba Hydro have a view as to whether customers  
17 with heating choice that would enable them to switch  
18 from electric to gas heat, whether those customers  
19 should, in essence, be subsidized by standard  
20 customers?

21 MR. GREG BARNLUND: Sorry, could you  
22 repeat the question?

23 MS. DAYNA STEINFELD: Yeah, it wasn't  
24 asked very well. I'll try again.

25 Does the Corporation have a view as to

1 whether the customers that have choice as to heating  
2 should be subsidized by standard residential  
3 customers?

4 MR. GREG BARNLUND: If you could just  
5 give me a moment, please,

6

7 (BRIEF PAUSE)

8

9 MR. GREG BARNLUND: I think that the  
10 one (1) factor we have to keep into consideration here  
11 is that if you're in a gas available area and you're  
12 looking at energy price for natural gas right now  
13 they're -- in and of itself is an incentive to be  
14 moving away from electricity to natural gas.

15 Whether that's happening or not is  
16 another question that Ms. Morrison deals with all the  
17 time because there are other factors that come into  
18 play. Developers incentive to build electric as  
19 opposed to gas and so on and so forth that have a big  
20 impact more -- more so than even the respective price  
21 of the two (2) energies that complicates the  
22 discussion.

23 MS. DAYNA STEINFELD: And maybe I'll  
24 complicate that discussion a little bit further. If  
25 we just go down to the next page. This is a Centra

1 Gas exhibit.

2 But am I correct in understanding that  
3 even where customers live in a gas available area,  
4 that doesn't necessarily mean that gas is readily  
5 available to those customers?

6 MR. GREG BARNLUND: Well, there's a  
7 couple of factors. That is one (1) of them, that they  
8 may be in a municipality which has a franchise, but  
9 there may not be gas main running in front of  
10 somebody's lot or their house. So there's that about  
11 it.

12 There's also the issue where if you're  
13 in a housing development, and you're buying from a  
14 developer, the developer may choose to -- to build  
15 with gas or build with electric, and some of those  
16 decisions are made on an initial cost basis. And so  
17 there's a number of factors that come into play with  
18 that.

19 MS. DAYNA STEINFELD: And so what  
20 you're telling the Board is while at sort of surface  
21 value, you might say there are customers who have a  
22 choice, in fact, that -- that choice is constrained or  
23 -- or more complicated than it might appear?

24 MR. GREG BARNLUND: Yes. It's a --  
25 it's a more difficult decision than -- than what it

1 might appear on the face of it.

2 MS. DAYNA STEINFELD: And maybe I'll  
3 just flip back to page 109, which I think we've  
4 already looked at. I might just for reference.

5

6 (BRIEF PAUSE)

7

8 MS. DAYNA STEINFELD: Do you -- so  
9 this, again, is the -- the residential -- or sorry,  
10 the recovery to cost coverage ratio for the  
11 residential standard and the residential all electric.  
12 Do you have a sense, at least directionally, of -- of  
13 how these ratios might change with your alternative  
14 rate design?

15 And maybe I'll -- I'll put it  
16 differently. I would think that directionally, at  
17 least, electric heat customers would move farther away  
18 from unity. Would that be your understanding?

19 MR. GREG BARNLUND: I'm not sure.  
20 Electric heat customers would -- could you re-ask that  
21 question?

22 MS. DAYNA STEINFELD: If Manitoba  
23 Hydro's alternative rate design was imposed --

24 MR. GREG BARNLUND: Yes.

25 MS. DAYNA STEINFELD: -- do you have a

1 sense of directionally whether electric heat customers  
2 would move farther away from unity than they already  
3 are? So they'd go from, say, 90 percent to 85, or --  
4 or...

5 MR. GREG BARNLUND: Well, on the face  
6 of it, if there is no customer response to a change in  
7 rates, nothing will change in terms of all other  
8 things being equal in terms of revenue to cost  
9 coverage. I mean, what you would end up seeing likely  
10 is that the illustrative rates we put forth here are  
11 not providing a big break in the increase. We can  
12 only move \$5.2 million.

13 Customers with electric heat currently  
14 who are -- some of them are facing high bills  
15 currently would still see a 6.56 percent increase.  
16 And so I don't know that -- I'm not sure how you would  
17 see -- I don't think you'd see a rush to electric  
18 heat, for example.

19 MS. DAYNA STEINFELD: If the rate was  
20 not optional, if -- if I took your alternative rate  
21 design to be not a self-selecting method, but a rate  
22 imposed by the Board for all electric customers, and  
23 you had standard residential customers, subsidizing  
24 electric customers to the tune of \$5.2 million, does  
25 that mean that electric customers underpay their costs



1 by that much more? I'm not expecting you to know the  
2 percentage amount, but does it exacerbate that  
3 problem?

4 MR. GREG BARNLUND: Well, I guess,  
5 first of all, I just wanted to address the fact that  
6 we would not see this as an optional rate. Like, this  
7 rate would be -- we have 'X' number of customers that  
8 we know are electrically heated. We know what their  
9 usage is. We would set a rate based on that. So  
10 there's no option to it.

11 If you are currently on electric heat  
12 and -- and paying that type of tax, you would be then  
13 put on that rate. That's what our proposal would be.

14 So -- sorry about that. So the second  
15 part of the question was --

16 MS. DAYNA STEINFELD: Directionally,  
17 would you expect their RCCs -- their revenue to cost  
18 coverage ratios to move even farther away from unity?

19 MR. GREG BARNLUND: Given that you'd  
20 be recovering less revenue from them, then that would  
21 suggest that those RCCs would drop below 90 percent at  
22 that point in time, yes.

23 MS. DAYNA STEINFELD: Okay. Thank  
24 you, Mr. Barnlund. Speaking of alternative rate  
25 designs, I'd like to move to book of documents, Volume

1 V, page 128. And what we see here is that the Green  
2 Action Centre expert witness, Mr. Chernick, has put  
3 forward a proposal that incorporates conservation  
4 rates, among other things.

5 Are you familiar with this chart, Mr.  
6 Barnlund?

7 MR. GREG BARNLUND: I would say that I  
8 have seen this chart, but I have not been able to  
9 analyze to determine whether it provides the amount of  
10 revenue that it needs to provide.

11 MS. DAYNA STEINFELD: Okay. Why don't  
12 we take it back to a very simple level? Are you in a  
13 position to explain Manitoba Hydro's understanding of  
14 this proposal?

15 MR. GREG BARNLUND: Well, I think what  
16 we're seeing in his proposal is that he's categorizing  
17 customers by heating source and by income, and  
18 essentially creating several subclasses of the  
19 residential class that are delineated or identified by  
20 levels of income and by heating type, and then  
21 creating an inverted rate or an inclining block rate  
22 structure, which is actually four (4) different rate  
23 structures, because it has seasonal differentiation  
24 between spring, summer, fall, and winter.

25 MS. DAYNA STEINFELD: And so maybe

1 we'll take it in small bites and just briefly,  
2 understanding this isn't your evidence, but what we  
3 see is on the left-hand column is the Manitoba Hydro  
4 proposed rate, or the -- I think that's actually  
5 current to August 1, 2017 --

6 MR. GREG BARNLUND: Correct.

7 MS. DAYNA STEINFELD: To the right of  
8 that is a -- a -- like, a one-twenty-five (125) rate  
9 structure, which would essentially waive the basic  
10 charge -- have a first block that's approximately half  
11 of what it currently is --

12 MR. GREG BARNLUND: Yes.

13 MS. DAYNA STEINFELD: -- and then the  
14 remainder would be eight point two cents. Is -- is  
15 that right?

16 MR. GREG BARNLUND: That's what I see.

17 MS. DAYNA STEINFELD: And then there  
18 is...

19

20 (BRIEF PAUSE)

21

22 MS. DAYNA STEINFELD: There's a non-  
23 LICO -- so a non-low income electric heat rate that  
24 maintains the basic charge, also sets up a -- a first  
25 block that's half of what it currently is, and then a

1 remainder. And here's where we see some -- some  
2 seasonal block differentiation, as you mentioned?

3 MR. GREG BARNLUND: That's correct,  
4 yes.

5 MS. DAYNA STEINFELD: There's also a -  
6 - a LIC0125 electric heat rate design that, again,  
7 waives the basic monthly charge, brings in those  
8 blocks we just discussed, and has a -- a different  
9 setup for the seasonal blocks?

10 MR. GREG BARNLUND: I see that, yes.

11 MS. DAYNA STEINFELD: And then the  
12 last one is a non-LICO, so this would be all -- all  
13 non-low income residential customers, and that's the  
14 inverted block rate that you mentioned?

15 MR. GREG BARNLUND: Yes. So what I  
16 don't understand about this, and I'll be very clear  
17 about this, because we had asked for proof of revenue,  
18 and this witness, to my knowledge, has not provided a  
19 proof of revenue. So, I mean, we need to see if we're  
20 going to make \$800 million out of this rate class with  
21 these rates.

22 MS. DAYNA STEINFELD: So what you're  
23 saying is what Manitoba Hydro doesn't know is if it is  
24 kept whole on this proposal?

25 MR. GREG BARNLUND: Certainly, because

1 I see a lot of concessions in these rates. In other  
2 words, no monthly charges for -- for anybody who's  
3 LICO125, and a first block rate that is literally half  
4 of our energy rate, and I don't know where the rest of  
5 the money is being obtained from, because the non-LICO  
6 inclining block rate is -- is only recovering eight  
7 point three-five-two cents in the runoff block, and --  
8 and I can't begin to fathom that we're recovering all  
9 that money we're foregoing, given that we don't even  
10 know how many LICO125 customers, or their usages. I -  
11 - I'm -- so I'm at -- I'm sort of at the end of what I  
12 can explain about this.

13 MS. DAYNA STEINFELD: Fair enough, Mr.  
14 Barnlund, and -- and I have your point on -- on not  
15 knowing whether or not this is revenue neutral to the  
16 Utility. Beyond that, what is Manitoba Hydro's  
17 position on -- on this proposal?

18 MR. GREG BARNLUND: Well, I think that  
19 -- that when I look at a proposal like this, and --  
20 and, you know, we talk about simplicity, and  
21 understandability, and customer acceptance of these  
22 things, we're talking about a huge, huge departure  
23 from what we have in our current rate design. And I -  
24 - I think that customers themselves need to be  
25 canvassed, and -- and there needs to be research to

1 look at this, and -- and our customers, do they  
2 understand this? Do they understand what it means to  
3 how they live their lives in their homes, and what  
4 they can do to save -- save money? Does -- do they  
5 understand what it's going to result in their -- in  
6 bills, in monthly bills after it's imposed?

7                   So, I mean, there -- and then there's  
8 an education process that goes with that. So, you  
9 know, I -- I think that it's a real challenge for  
10 customers to be exposed to something like this,  
11 compared to a very simple rate design where they have  
12 an eight dollar (\$8) basic charge, and eight cents  
13 (\$0.08) a kilowatt hour for all their energy. So I  
14 think that that is a very, very serious drawback to  
15 the proposal we see here.

16                   MS. DAYNA STEINFELD: Thank you for  
17 that explanation. If we can move to page -- it begins  
18 at 132 of this volume, and it continues on through  
19 137. And -- and I understand that these are -- this -  
20 - or this shows some bill impact numbers that Mr.  
21 Chernick has provided.

22                   Have you looked at this, Mr. Barnlund?

23                   MS. ODETTE FERNANDES: Ms. Steinfeld,  
24 I think the difficulty is is that this is not Manitoba  
25 Hydro's evidence, and we don't quite understand what's

1 gone into some these calculations, so I think Mr.  
2 Barnlund is extremely limited in terms of what he can  
3 speak to.

4

5 CONTINUED BY MS. DAYNA STEINFELD:

6 MS. DAYNA STEINFELD: I have that  
7 point, Ms. Fernandes. And really, my -- my only  
8 question is whether or not you've -- you've looked at  
9 these, and if you're able to confirm the numbers. And  
10 you can -- I'm hearing from your counsel that you  
11 can't, but maybe you can advise the Board.

12 MR. GREG BARNLUND: I'm -- I'm sorry,  
13 I can't. I mean, there's one (1) way to confirm the  
14 numbers, is for the witness to provide a proof of  
15 revenues statement the way we do with our rates, and  
16 then we can understand how much revenue is being  
17 generated by these rates, but we don't have that.

18 MS. DAYNA STEINFELD: Okay. Thank  
19 you. And understanding that this isn't your evidence,  
20 but what I understand is that Mr. Chernick is  
21 proposing that the LICO125 rate discount would be  
22 funded by all non-lower income ratepayers across all  
23 customer classes. Does Manitoba Hydro have a position  
24 on how this kind of rate proposal would be funded?

25 MR. GREG BARNLUND: Well, let me just

1 speak to his proposal. And if I understand it  
2 correctly, he's saying, Recover that from all customer  
3 classes.

4 MS. DAYNA STEINFELD: I'm -- I'm sure  
5 he'll correct us if we're understanding it wrong, but  
6 that's my understanding, that it would be from all  
7 non-low-income customer classes.

8 MR. GREG BARNLUND: Okay. Well, I  
9 think we're really crossing a threshold, here, if we  
10 expect other customer classes to be able to subsidize  
11 the residential customers. That's what we're talking  
12 about with the output of a cost of service study is  
13 the respective revenue to cost coverage ratios.

14 And if we -- if we believe, or if we  
15 think that we're going to entertain a thought of -- of  
16 asking other customer classes to then further  
17 introduce additional cross-subsidy, well, that's a  
18 pretty serious policy consideration that I think is --  
19 is -- it's a nonstarter, in my book.

20 MS. DAYNA STEINFELD: And I'm -- I'm  
21 going to take it from some of your earlier answers  
22 that one (1) reason, and maybe a primary reason that  
23 Manitoba Hydro hasn't proposed something like this  
24 itself is because of the level of the rate increase  
25 that's being sought?



1                   MR. GREG BARNLUND:   Well, in a way,  
2   yes.  I mean -- but -- I mean, clearly, what we had to  
3   do with -- what we were yet to do with conservation  
4   rates is that to take that notion, and take it to  
5   customers, and see if they -- if they liked it, if  
6   they accepted it, and we didn't do that yet.  We  
7   haven't gotten that far.

8                   But, I mean, I keep coming back to  
9   that, is that, you know, the customers are the ones  
10  that have to read the rate schedule, or read their  
11  bills, and pay their bills.  And if it's not providing  
12  them with meaningful information, then -- and -- and  
13  if it's inflicting additional costs on certain  
14  customers that they weren't aware of, I'm not in  
15  favour of that.  That's a very, very difficult  
16  situation for ourselves and the Utilities Board to  
17  find themselves in.

18                  MS. DAYNA STEINFELD:   Mr. Barnlund,  
19  when does Manitoba Hydro plan on doing that kind of  
20  customer survey or -- or study to come up with the  
21  answer to those questions that you've just posed?

22                  MR. GREG BARNLUND:   Well -- and -- and  
23  I return back to where we were before in discussing  
24  this, is that, you know, Mr. Shepherd made a  
25  commitment, and -- and, you know, we would expect that

1 the Utilities Board is going to take that into  
2 consideration. And -- and the order we receive, you  
3 know, from this particular General Rate Application,  
4 we would want to get some guidance in terms of, from  
5 this Board's perspective, what the next steps are and  
6 how we go about doing that.

7                   And part of that too is the policy  
8 decisions we talked about this morning, is that if  
9 there is some form of subsidy that's supposed to be  
10 considered in terms of some rate-making approach, or  
11 some bill affordability approach, that there has to be  
12 a very clear policy direction as to who is paying for  
13 it. That has to be explicit.

14                   MS. DAYNA STEINFELD:   And so if I take  
15 what Mr. Shepherd said in his evidence, is what the  
16 Utility -- telling this Board, to me, that meant they  
17 would expect a direction that by the time of the next  
18 GRA, Manitoba Hydro will have studied these rate  
19 design questions?

20                   MR. GREG BARNLUND:   Well, I think what  
21 Mr. Shepherd had committed to was to be working with  
22 stakeholders and working at coming up with some  
23 solutions to the problem prior to the next General  
24 Rate Application. So to what extent, you know, rate  
25 design enters into it, there is a role for rate design

1 to play in certain aspects, but clearly, is what we  
2 heard this morning from Mr. Mason, is that -- that  
3 rate design is not the panacea, and it's not a silver  
4 bullet that's going to cure poverty for our customers.

5 And -- and so these things have to be  
6 approached with, you know, clarity, and with the right  
7 expectations in terms of using the right tools and the  
8 right instruments for the right purpose.

9 MS. DAYNA STEINFELD: Thank you, Mr.  
10 Barnlund.

11 THE CHAIRPERSON: Sorry, can I just  
12 interrupt for a second? I -- I'm just a little  
13 confused.

14 You said that Manitoba Hydro wants  
15 guidance, and Ms. Steinfeld used the word "direction"  
16 from the PUB. On what? What -- what is it you want  
17 guidance on?

18 MR. GREG BARNLUND: Well, I -- I guess  
19 the -- the -- what we said here this morning was are  
20 we expected to come up with a -- an assistance program  
21 for low income customers, and if so, what is the scale  
22 of it, or the scope of it, and who is going to pay for  
23 it?

24 THE CHAIRPERSON: Okay. So it's the  
25 issue of the affordability --

1 MR. GREG BARNLUND: It is, yes.

2 THE CHAIRPERSON: -- not -- not on the  
3 issue of the rate design.

4 MR. GREG BARNLUND: No. I mean, rate  
5 design is -- is something that -- we are going to take  
6 affordability into consideration when we look at rate  
7 design, but in terms of the matters of -- of  
8 affordability in providing assistance to customers  
9 themselves, we need -- we need some clear policy  
10 direction on that.

11 THE CHAIRPERSON: Thank you.

12 MR. GREG BARNLUND: Yeah.

13

14 CONTINUED BY MS. DAYNA STEINFELD:

15 MS. DAYNA STEINFELD: And with that  
16 answer, Mr. Barnlund, maybe I'll -- I'll rephrase the  
17 question I asked earlier. If -- if we stick to  
18 conservation rates, is the deadline the next GRA in  
19 terms of Manitoba Hydro filing its -- its study, and  
20 its assessment, and those next steps that we looked at  
21 earlier?

22 MR. GREG BARNLUND: Well, I think that  
23 presumes that we would be going any further with  
24 conservation rates, and I can't commit to that right  
25 now. Like, I don't know what the situation is going

1 to be, because as I've said, conservation rates itself  
2 as a concept, a 7.9 percent increase for six (6) years  
3 in a row is a pretty good conservation rate right  
4 there.

5                   So -- so I just -- I just want to be  
6 cautious and -- and respect that we're -- just because  
7 we had been pursuing an -- an approach in the past,  
8 that -- that was subject to the circumstance at that  
9 time. The other development we have to take into  
10 consideration is the development of Efficiency  
11 Manitoba. And I have no idea, in terms of rate making  
12 and in terms of conservation rates, where the  
13 authority and the responsibility is going to lie  
14 between Manitoba Hydro and Efficiency Manitoba.

15                   Part of our DSM program had  
16 conservation rates in it. If DSM programming is all  
17 migrated to Efficiency Manitoba, there will have to be  
18 discussions and deliberations on the ownership of --  
19 of rate design as we go forward. So I really am  
20 cautious about making any commitment, because those  
21 are larger matters that are out of our control.

22                   MS. DAYNA STEINFELD: Thank you, Mr.  
23 Barnlund. Let's move on, then. I'd like to talk to  
24 you about time of use rates, which you'll recall we  
25 discussed earlier was another aspect that was to be

1 deferred to the next GRA. And you've already  
2 explained that Manitoba Hydro has not brought that  
3 forward.

4 I'm probably going to get this wrong,  
5 but I'd like you to help me with it. Is it accurate  
6 that the basic structure of time of use rates is to  
7 reduce the demand charge and then to make up the  
8 difference through higher on-peak energy charges?

9 MR. GREG BARNLUND: Well, we're really  
10 in -- in a time of use rate, looking at structuring  
11 our rate, which places greater emphasis on the energy  
12 component of the -- of the charge, and differentiates  
13 that energy component from on-peak to off-peak.  
14 Demand charges are sort of an outcome of it. Like, we  
15 -- we would have to address the existence of demand  
16 charges, but there are time of use rates which have  
17 minimal demand charges, and most of the cost recovered  
18 through the energy charge.

19 MS. DAYNA STEINFELD: And so at -- at  
20 a high level, it -- the principle is that customers  
21 would shift consumption to off-peak times when there's  
22 a lower energy cost?

23 MR. GREG BARNLUND: Yes, they'd have a  
24 -- they'd have an economic incentive to do so.

25 MS. DAYNA STEINFELD: Let's turn to

1 Volume 5, page 144. This is a few pages into this  
2 document, and maybe you can just tell me, Mr.  
3 Barnlund, I understand that this is a presentation  
4 that Manitoba Hydro gave to representatives of the  
5 Manitoba Industrial Power Users Group?

6 MR. GREG BARNLUND: That's correct.  
7 So sort of the -- the history of this a little bit is  
8 that Manitoba Hydro and the Manitoba Industrial Power  
9 Users Group had -- had discussions and worked together  
10 on and off here for a number of years in terms of some  
11 rate design matters, and a lot of that arose from the  
12 fact that we had a -- a -- an attempt at creating an  
13 energy-intensive rate back in the late 2000s, which  
14 didn't get approved, and had some flaws to it, and  
15 then there was a desire, then, to move to looking at  
16 some options with regards to the time of use rate  
17 structure.

18 And we've made a couple of attempts to  
19 bring it forward, and -- and, you know, there's been  
20 scheduling issues in terms of being able to have this  
21 issue dealt with. And so we revisited the issue with  
22 representatives of MIPUG in early -- in 2017, and --  
23 and shared, basically, a refreshed version of what we  
24 had put together earlier. This rate design that we  
25 have was basically just refreshed for 2016 rates, and

1 was basically a -- a discussion paper that we had with  
2 MIPUG at that -- at that point in time.

3 MS. DAYNA STEINFELD: And I think this  
4 -- this is a helpful document to just help my --  
5 myself and the Board understand some of the concepts  
6 around time of use, so I'm going to spend some time on  
7 -- on that --

8 MR. GREG BARNLUND: Yes.

9 MS. DAYNA STEINFELD: -- understanding  
10 that this was for discussion purposes, and -- and  
11 intended for illustration.

12 But when we look at this slide here, on  
13 page 144, what we see here are -- are some of the  
14 definitions that Manitoba Hydro would use for time of  
15 use, and we see that on-peak hours are defined to be  
16 6:00 a.m. to 10:00 p.m. on weekdays, and off-peak  
17 hours are -- are the balance. And then it also sets  
18 out some seasonal periods. Do I have that right?

19 MR. GREG BARNLUND: Yes, that's  
20 correct.

21 MS. DAYNA STEINFELD: Can you explain  
22 to the panel, and -- and, frankly, to me, what makes  
23 an hour an -- an on-peak hour?

24 MR. GREG BARNLUND: Well, it's  
25 relevant to the type of market we have across the



1 border in the MISO system, where we are transacting  
2 sales in an on-peak and in off-peak hours. And so the  
3 design of this rate structure is to more or less  
4 emulate that -- that structure, if you would, of on-  
5 peak and off-peak, with the idea that you're being  
6 more reflective, I think, of sort of the market  
7 conditions or the market dynamic pricing that you  
8 would see in a MISO market, day-ahead market, and  
9 reflecting that more or less to a certain extent in  
10 your rate design, as opposed to our very flat rate  
11 that we currently have right now.

12 MS. DAYNA STEINFELD: And so is it --  
13 and is it fair to say that a non-peak hour is when  
14 energy would have the highest value on the export  
15 market?

16 MR. GREG BARNLUND: Certainly it's  
17 going to have higher value on-peak than it would off-  
18 peak, yes.

19 MS. DAYNA STEINFELD: Thank you for  
20 that. And on page 147 of Volume V, and again,  
21 understanding that this is illustrative, and it -- it  
22 says that in the title, but just to get an  
23 understanding of what a time of use rate might look  
24 like, what we see here, I think, is that the demand  
25 charge is reduced by 55 percent, and the winter and

1 summer on-peak energy charges are higher than the off-  
2 peak. Is that a good summary?

3 MR. GREG BARNLUND: Yes.

4 MS. DAYNA STEINFELD: Do you have  
5 anything to add to that, or did I get it right?

6 MR. GREG BARNLUND: You got it right.

7 MS. DAYNA STEINFELD: Thank you. And  
8 then if we just flip back to page 142 here, just  
9 briefly, this slide in the presentation is titled  
10 'Time of Use Rate Attributes'. And -- and I -- I

11 don't intend to walk through them all, but would this  
12 be a good explanation to the Board as to how Manitoba  
13 Hydro understands why time of use rate might be used?

14 MR. GREG BARNLUND: I think generally  
15 speaking, it does. I think I want to add, though,  
16 that -- and I believe we may have had some discussion  
17 with this at the revenue requirement panel, but over  
18 time, you know, conditions change in the MISO market,  
19 and potentially, we have to go back and look at what  
20 those on-peak/off-peak differentials are in the MISO  
21 market.

22 What we're really saying here with the  
23 time of use rate is that if we have a customer, first  
24 of all, that has the ability to shift load. I mean, a  
25 customer has to be able to shift load. If they can't

1 shift load, it's not -- it's not going to provide  
2 benefit, but if they can shift load, then you've got  
3 some on-peak energy and possibly capacity, then, that  
4 you can turn around and salvage or re-market. And so  
5 you have to be cognizant of -- of what the current and  
6 contemporary market conditions in MISO are for on-peak  
7 energy, and -- and that is a factor in terms of how  
8 valuable this particular rate design may or may not  
9 be.

10                   And so if we look back in time where we  
11 had in the mid 2000s, when we had some very high  
12 differentials, or some very valuable on-peak energy,  
13 and we had some pretty large on-peak/off-peak  
14 differentials, you know, a -- a time of use rate is --  
15 is very valuable in something like that. You have to  
16 revisit it bef -- you know, to take a look at the  
17 market conditions as we experience them now and see if  
18 that same level of value would exist. So -- so it's -  
19 - it's one (1) of the things that we would have to  
20 look at again in terms of assessing, you know, this  
21 type of a -- of a rate concept.

22                   MS. DAYNA STEINFELD:     And so am I  
23 taking you to say that Manitoba Hydro has, at least in  
24 the past, studied whether there is a large opportunity  
25 for industrial customers to shift load in this way?

1                   MR. GREG BARNLUND:   Well, we don't  
2 necessarily know the opportunity. The customers  
3 themselves are the ones that know whether they can  
4 shift load or not. What we would know is, you know,  
5 is there a benefit to us to being able to free up a  
6 given amount of energy on peak that we could then sell  
7 either into the opportunity market or whatever.

8                   So -- so the other aspect of this is  
9 that -- that it depends on the size of the customer,  
10 obviously, and you need a fairly large customer to be  
11 able to free up a fairly large amount of load to be  
12 able to make this more valuable, I guess, if you  
13 would. So -- so there is, you know, there is a number  
14 of variables that need to be taken into consideration  
15 in this regard.

16                   MS. DAYNA STEINFELD:   And maybe I'll  
17 turn to page 148 of this volume.

18

19                                   (BRIEF PAUSE)

20

21                   MS. DAYNA STEINFELD:   Am I right in  
22 understanding that this would show bill impacts for  
23 general service large customers greater than 100 kV,  
24 would be that half the customers would pay more on a  
25 time of use rate structure, and -- and half would pay

1 less? Is -- at a -- at a high level, is that the idea  
2 of the bill impacts?

3 MR. GREG BARNLUND: Generally  
4 speaking. So if we look at the information we've got  
5 here, again understanding the assumption that it's  
6 based on these illustrative rates that were based on  
7 2016, and based on the on and off-peak differentials  
8 we had, and the amount of energy and demand we were --  
9 we were recovering, so this would be the, you know,  
10 you would end up with fourteen (14) customers in the  
11 general service large greater than a hundred class,  
12 and you would see that half of them would -- would  
13 benefit from that rate design, and half of them would  
14 not benefit. They would be paying more under that  
15 rate design.

16 MS. DAYNA STEINFELD: And would those  
17 bill impacts be the same if the illustrative time of  
18 use rate was implemented for 3,200 kV customers?

19 MR. GREG BARNLUND: I'd just -- I  
20 don't have the -- I'm assuming that -- that basically,  
21 it would be, again, roughly a 50/50 split, but I -- I  
22 don't have that analysis available.

23 MS. DAYNA STEINFELD: And I think I  
24 know what you're going to say to this, but does  
25 Manitoba Hydro require a time of use rate to be

1 revenue neutral to the Corporation?

2 MR. GREG BARNLUND: Yes, we do. With  
3 any rate design, we are definitely requiring that  
4 these be revenue neutral.

5 MS. DAYNA STEINFELD: So if we take  
6 the illustrative rate example and -- and we say there  
7 is no option to self-select into the rate --

8 MR. GREG BARNLUND: Correct.

9 MS. DAYNA STEINFELD: -- would the  
10 illustrative time of use rate be revenue neutral if no  
11 customers adjusted their load?

12 MR. GREG BARNLUND: Close to it. I  
13 mean, again, we've got some rounding here that occurs,  
14 but -- but, you know, roughly speaking, you'd expect  
15 if this rate were -- were ordered to be implemented  
16 for the entire class, as we would, you know, do so on  
17 a revenue neutral basis, that there would be, as we  
18 see, one (1) customer that would see a reduction of  
19 seven hundred and eleven thousand dollars (\$711,000)  
20 on their bill, and another customer would see an  
21 increase of nine hundred thousand two hundred dollars  
22 (\$900,200) on their bill. And that's what you --  
23 that's the outcome you would see.

24 MS. DAYNA STEINFELD: I'm not sure  
25 I've got the point. It -- if none of the customers

1 adjusted their load, would I be right that the revenue  
2 to Manitoba Hydro would be slightly higher, or do I  
3 have that wrong?

4 MR. GREG BARNLUND: Well, this assumes  
5 that their load is the same after the rate as before  
6 the rate.

7 MS. DAYNA STEINFELD: Okay.

8 MR. GREG BARNLUND: We're not  
9 predicting what kind of customer behaviour might  
10 occur. We're assuming that -- that if we just  
11 implement this rate as we see it, that it would be  
12 roughly revenue neutral.

13 Now, in fact, over time, then there's  
14 going to be customer behaviour that's going to come  
15 into play here, and -- and some customers will --  
16 obviously, the one that's paying a higher bill also  
17 has the incentive to try and figure out ways to use  
18 less energy as well, too, right? So -- so there's --  
19 there's a number of things in the long run that --  
20 that could possibly happen, but in the short run for  
21 this analysis, we're assuming a fairly static  
22 situation.

23 MS. DAYNA STEINFELD: So basically  
24 what you're telling the Board is that this  
25 illustrative -- illustrative, simplified scenario

1 doesn't assume any price signal shifts?

2 MR. GREG BARNLUND: Correct. Correct.

3

4 (BRIEF PAUSE)

5

6 MS. DAYNA STEINFELD: Back on page  
7 143, and -- and you touched on this already, Mr.  
8 Barnlund, but just to make sure that the Panel is  
9 clear, in some recent past GRAs Manitoba Hydro did  
10 apply for time-of-use rates.

11 Is that correct?

12 MR. GREG BARNLUND: That's correct,  
13 yes.

14 MS. DAYNA STEINFELD: And am I  
15 understanding that both times the Board deferred  
16 consideration of time-of-use rates to after the cost  
17 of service study review?

18 MR. GREG BARNLUND: Yes, that's right.

19 MS. DAYNA STEINFELD: So we -- we've  
20 already gone over this but we're now after the cost of  
21 service study review and -- and we don't have time-of-  
22 use rates being brought forward.

23 MR. GREG BARNLUND: Right.

24 MS. DAYNA STEINFELD: Can you explain  
25 that change in approach from the '15/'16 GRA to today?



1                   MR. GREG BARNLUND:   Well, again, it  
2 was a matter of, you know, for us to bring forward a  
3 rate design proposal, we would expect it to be applied  
4 to the entire class. And again, you have a situation  
5 where certain customers would be seeing additional  
6 incremental impacts to their bills. Because if you  
7 look at this group of fourteen (14) customers, they're  
8 self funding the savings that if somebody's going to  
9 be paying lower bills that's because somebody else  
10 within that group of fourteen (14) is paying higher  
11 bills.

12                   So again, it -- it's sort of a sense --  
13 customer sensitivity where, sure, you'd like to have a  
14 customer see a lower bill, but to do so you are going  
15 to be inflicting greater costs on to another customer.  
16 And is that -- is this the time to do that. So -- so  
17 that was really the -- the main consideration in terms  
18 of doing it.

19                   But the secondary consideration too is,  
20 -- as I mentioned here earlier is that, you know, you  
21 really need to go back and, you know, 2016 now, this  
22 is 2017, we'll be into 2018, take a look at a couple  
23 of things here. One (1) of them I mentioned was the  
24 market differentials, you know, take a look at that  
25 and see where we're at.

1                   But the other thing is we have an  
2 entirely different cost of service study which and I'm  
3 -- I'm going to turn you --

4                   MS. DAYNA STEINFELD:    I'm going to  
5 suggest maybe page 141.

6                   MR. GREG BARNLUND:    You read my mind.

7                   MS. DAYNA STEINFELD:    I think you read  
8 mine but lets go there now.

9                   MR. GREG BARNLUND:    Okay.  Good --  
10 good.  We're on the same wavelength, Ms. Steinfeld.

11                   So -- so we have a -- a large change in  
12 terms of -- we've gone from a weighted energy  
13 treatment for generation costs to a peak in -- or  
14 sorry, a demand -- what am I saying -- a load factor  
15 based approach, which takes into consideration demand  
16 energy separately.

17                   So if you look at the general service  
18 large customer classes, and so we've got P cost 14  
19 amended was our cost of service study that we went  
20 into the cost of service review with.

21                   Let's take a look at general service  
22 large greater than hundred.  The demand charge -- or  
23 the allocated demand cost we saw out of that cost  
24 study was \$2.62 a kVA.

25                   So now we have going through the cost

1 of service review, and the results of 164-16 have been  
2 implemented into the prospective cost of service study  
3 '18, drives a significantly different result. The  
4 level of demand related cost or capacity cost is now  
5 \$7.51. So we can't, you know, completely disregard  
6 embedded cost results when we're starting to do rate  
7 design work.

8                   So prior to that, like, if we were  
9 talking \$2.60 capacity related costs for that class,  
10 we were recovering sort of similar to that in that  
11 initial time to use proposal. We cut a demand charge  
12 from \$5.00 down to \$2.50, essentially, right?

13                   So -- but now we see that, in terms of  
14 embedded cost approach, allocated costs are now \$7.50  
15 per kVA so -- so we have to look at that and give that  
16 some consideration, and understand what that means in  
17 terms of going forward with a -- with a rate design.

18                   MS. DAYNA STEINFELD: Thank you, Mr.  
19 Barnlund, that's -- that's exactly what I was going to  
20 ask you about. So I appreciate you going there.

21                   I -- I take you to be saying that now  
22 that we have the unit costs coming out of PCOSS18, we  
23 see that there's been a fairly significant change in  
24 some of these unit cost results. And Manitoba Hydro  
25 needs to take some time to -- to think about that and

1 -- and consider what it may or may not want to do with  
2 that -- with respect to time-of-use rates?

3 MR. GREG BARNLUND: Yes. The -- there  
4 were a number of other changes in the cost of service  
5 study that -- that, you know, do drive some -- some  
6 changes in terms of these unit costs that are -- that  
7 are shown for all of our rate classes.

8 So -- so, you know, to do rate design  
9 work, you want to understand what the output of the  
10 cost of service study is telling you because it has a  
11 purpose. It has a purposed to tell you what it --  
12 what embedded costs are -- are being -- being  
13 allocated to those customer classes. So -- so that  
14 can't be disregarded. You have to take that into  
15 consideration and -- and look at how you go forward.

16 You also have to look at, you know,  
17 potentially with -- with GSL greater than a hundreds  
18 and 30 to 100s. We'd like to know from -- from our  
19 customers and from MIPUG what -- what rates, programs  
20 they would like to see because they're the ones that  
21 have some experience in other jurisdictions too. And  
22 if they can be providing us with -- with some, you  
23 know, suggestions and some proposals in that regard,  
24 there's no reason why we wouldn't want to sit down and  
25 discuss that with them and take it into consideration.

1                   It's not up to us to really come up and  
2 impose rate designs on people. Like, there has to be  
3 a need for it. So, you know, just because we've had  
4 time-of-use proposals in the past, we need to sit  
5 down, go have a coffee, talk about it, and see what  
6 works for customers, and what works for ourselves, and  
7 figure out how we go forward from there.

8                   MS. DAYNA STEINFELD:    And, Mr.  
9 Barnlund, what's the time line for that coffee date?

10                  MR. GREG BARNLUND:    You're all about  
11 time lines. You know, I -- again, I'm going to  
12 reflect back on what I said before. We'll -- we'll  
13 need to take a look at what comes out in this Board  
14 Order. And we'll have to look at the priorities of  
15 things, right? Because as much as we'd like to do a  
16 lot of things, we really have to get the sequence of  
17 the things that have to be done and the priority of  
18 what has to be done in the right order.

19                  So if this Board feels that -- that the  
20 issue of bill affordability and low income customers  
21 is the number 1 priority, then we have to respect that  
22 and we have to put that at a higher priority than some  
23 other issues. Because we have limited resources and -  
24 - and even if you look at, for example, the bill  
25 affordability session, the -- what was ordered in --

1 in 73/15 was a valuable process, but that still cost a  
2 half million dollars to do.

3                   So there's a price tag associated with  
4 each one (1) of these activities, and I just want to  
5 make sure that -- that everybody understands, fully  
6 contemplates what the priorities are, and then we're  
7 able, to kind, of move forward together and doing the  
8 right thing at the right time for the right purpose.

9                   MS. DAYNA STEINFELD:    And, Mr.  
10 Barnlund, you mentioned limited resources.

11                   Does Manitoba Hydro's staff reductions  
12 impact the Corporation's ability to undertake some of  
13 this further study?

14                   MR. GREG BARNLUND:    Well, it does.  
15 I'm not going to mince words about that. In terms of  
16 cost of service matters I think we've -- we've cleaned  
17 up cost of service. We'll 99.5 percent of the way  
18 there. We'll probably talk at some point in time  
19 about a couple of directives that are still out there  
20 about some further study that could be done on a  
21 couple of small items.

22                   We have to look at -- at, you know,  
23 what -- how we can do that with the resources we have  
24 and -- and schedule that accordingly. So -- so it's a  
25 matter of understanding where their priorities lie and

1 then how we can best address those with the resources  
2 that we have.

3 MS. DAYNA STEINFELD: Staying on the  
4 topic of time-of-use rates, I understand there's some  
5 evidence in this proceeding around an optional time-  
6 of-use rate, and maybe we'll turn to page 148, just to  
7 have that in front of us. And if we could just scroll  
8 down to the bottom of this page.

9 Should we understand -- should the  
10 Board understand that an optional time-of-use rate  
11 would result in a \$1.5 million revenue shortfall to  
12 the Utility?

13 MR. GREG BARNLUND: My understanding  
14 of what's been proposed here by MIPUG in -- in regards  
15 to this is that -- that we wouldn't make any  
16 adjustment for the \$1.5 million. In other words, that  
17 would fall to Manitoba Hydro's net income as a -- as a  
18 loss of \$1.5 million.

19 If there -- if there -- the  
20 alternatives, of course, are that if you assume that  
21 there's going to be \$1.5 million worth of revenue  
22 reduction from a time-of-use rate, that you would then  
23 increase the non-time-of-use rate for the remaining  
24 customers to recover that \$1.5 million; that way you  
25 would keep the class whole for the revenue.

1                   But you can't just take half of it away  
2 and then let Manitoba Hydro go short on the net  
3 income. So it's reasonable to think that if there is  
4 going to be a benefit of \$1.5 million to 50 percent of  
5 the customers that somehow that money must be  
6 recovered from the other 50 percent of the customers  
7 in that class.

8                   MS. DAYNA STEINFELD:     But, Mr.  
9 Barnlund, if we don't do that recovery from the rest  
10 of the class, isn't that a way to solve the general  
11 service large's zone of reasonableness problem? Don't  
12 we -- don't we bring them back into the ratio where  
13 they should be?

14                  MR. GREG BARNLUND:     Not at all. Not  
15 all. If you -- if there -- if we know that we're one  
16 -- point -- if we want to reduce general service large  
17 by \$1.5 million then explicitly do it. Let's take  
18 \$1.5 million out of general service large's revenue,  
19 but then require the residential customers to pick up  
20 the \$1.5 million. That's the way it should be done.  
21 You have to look at making sure that that revenue  
22 neutrality is -- is kept there.

23                  I appreciate what MIPUG, and what  
24 GSS/GSM, their concerns likely would be in terms of  
25 RCC outcomes. And if there is -- if there is



1 something that's to be done to address that, then lets  
2 be upfront. Let's be totally explicit about how  
3 that's going to happen. Let's be transparent about  
4 it. Let's take that money and say we don't have to  
5 recover from those customers, but then we need to  
6 recover from somebody else. And the customer group,  
7 that is at the other end of the spectrum is the  
8 residential customer.

9                   And Dr. Williams would obviously have a  
10 -- an opinion on that as well too.

11                   MS. DAYNA STEINFELD: But to -- to  
12 follow that through, Mr. Barnlund, if we did see a  
13 shifting of load with time-of-use rates, wouldn't that  
14 lower the overall cost of service because we'd see  
15 more export sales at a time when the value of the  
16 energy is higher at that on -- on peak time?

17                   MR. GREG BARNLUND: Well, what I would  
18 suggest is that the next time you file rates you're  
19 reflecting that in your revenue requirement. So, that  
20 cost reduction then will get addressed in the next  
21 General Rate Application. So that's -- that's how  
22 that would play out.

23                   MS. DAYNA STEINFELD: So are you  
24 explaining to the Board that there -- we might see a  
25 cost saving to the Utility in the long run as a result

1 of those increased export revenues at on-peak times?

2 MR. GREG BARNLUND: Well, if you did  
3 then -- then every time you filed for rates and filed  
4 a new revenue requirement, that that would be  
5 reflected. Those conditions would be reflected in  
6 your updated revenue requirement.

7 MS. DAYNA STEINFELD: And if this is  
8 question that needs to be deferred to Ms. Morrison,  
9 I'm -- I'm fine with that. But if we don't have time-  
10 of-use rates for industrial customers, are -- are  
11 there ways for those customers to mitigate impacts of  
12 rate increases like the ones we're talking about in  
13 this application?

14 MR. GREG BARNLUND: That would be a  
15 question for Ms. Morrison, when she returns, yes.

16 MS. DAYNA STEINFELD: I will defer  
17 that to her tomorrow and I'll ask Ms. Fernandez to --  
18 to make her aware of that question.

19 Mr. Chair, I'm about to move on to  
20 another topic. I am wondering if this might be a good  
21 time to take a break?

22 MR. CHAIRPERSON: Yes, we will break  
23 until three o'clock.

24 MS. DAYNA STEINFELD: Thank you.

25 THE CHAIRPERSON: Thank you.

1 MS. ODETTE FERNANDES: And, sorry, Mr.  
2 Chairman, just for the record, I had prelice --  
3 previously discussed this with Board counsel, but I am  
4 now going to take my leave and Mr. Bedford is going to  
5 --

6 MR. CHAIRPERSON: That's fine. Thank  
7 you.

8 MS. ODETTE FERNANDES: Thank you.  
9

10 --- Upon recessing at 2:44 p.m.

11 --- Upon resuming at 3:02 p.m.

12

13 THE CHAIRPERSON: Ms. Steinfeld...?

14

15 CONTINUED BY MS. DAYNA STEINFELD:

16 MS. DAYNA STEINFELD: Thank you, Mr.  
17 Chair. Mr. Barnlund, in his evidence Manitoba Hydro's  
18 president stated that some customers will have a  
19 difficult time affording any rate increase.

20 Do you recall that testimony?

21 MR. GREG BARNLUND: Yes, I recall  
22 that.

23 MS. DAYNA STEINFELD: Is it the view  
24 of the Corporation that current rates are unaffordable  
25 at least for a segment of its customers?

1                   MR. GREG BARNLUND:    I think it's fair  
2 to say that no matter what level of rates we're  
3 talking about that there are and likely always will be  
4 some customers that will have income issues and will  
5 have a problem paying their utility bills.

6                   MS. DAYNA STEINFELD:    And yesterday  
7 discussed, Mr. Barnlund, you discussed the issue of  
8 rate shock with Mr. Monnin. Do you recall that?

9                   MR. GREG BARNLUND:    I do.

10                  MS. DAYNA STEINFELD:    And you  
11 discussed the definition that is used in Centra Gas  
12 proceedings; is that familiar?

13                  MR. GREG BARNLUND:    We talked about a  
14 couple of different definitions, yes.

15                  MS. DAYNA STEINFELD:    Are you aware  
16 that in its recent rate application before this Board  
17 Manitoba Public Insurance used a 3 percent definition  
18 for rate shock?

19                  MR. GREG BARNLUND:    I actually wasn't  
20 aware of that, no.

21                  MS. DAYNA STEINFELD:    I'll move on  
22 then. If we could turn, please, Kristen to page 151  
23 of volume 5 of Board counsels' book of documents.

24                                We've seen I think different versions  
25 of -- of this information in the course of this

1 evidence, Mr. Barnlund. What this says, and it's hard  
2 to read, but I believe it's Boston Consulting Group's  
3 page 288 of 615. This is the attachment to minimum  
4 filing requirement 72.

5                   And essentially, what we see here is  
6 that there is room to increase Manitoba Hydro's rates  
7 because Manitoba Hydro's rates are among the lowest in  
8 Canada and -- in terms of the share of disposable  
9 income measure; is that correct?

10                   MR. GREG BARNLUND: Well, this is  
11 Boston Consulting's perspective on that and so given  
12 that I'm not sure that we've strictly endorsed it  
13 ourselves, but this is Boston Consulting's  
14 observations.

15                   MS. DAYNA STEINFELD: Is it Manitoba  
16 Hydro's understanding that Manitoba's electricity  
17 rates are the third lowest in the country on this kind  
18 of measure of average household disposable income?

19                   MR. GREG BARNLUND: We don't generally  
20 track that type of information, but based on the  
21 information of Boston Consulting provided that's what  
22 it would indicate.

23                   MS. DAYNA STEINFELD: And in your  
24 evidence you explained that affordability is an issue  
25 across the country. It's not unique here. If we

1 could turn to page 152.

2 Do you see here that Boston Consulting  
3 Group is saying that 15 percent of the Manitoba  
4 population is below the poverty line?

5 MR. GREG BARNLUND: I see that. I'm  
6 going to use this as a hint to Mr. Mason at the end of  
7 the table that he might be required to pick up on the  
8 discussion from here.

9 MS. DAYNA STEINFELD: So Dr. -- Dr.  
10 Mason you're confirming that this is approximately  
11 correct?

12 DR. GREGORY MASON: Yeah.

13 MS. DAYNA STEINFELD: And so it would  
14 be approximately correct to say that the level of the  
15 population that is below the poverty line is somewhere  
16 in the area of the third highest in -- in Canada?

17 DR. GREGORY MASON: Yes, that would be  
18 correct, too.

19 MS. DAYNA STEINFELD: And, Mr.  
20 Barnlund, Manitoba Hydro's president gave evidence  
21 that Manitoba has among the lowest electricity rates  
22 in the country. And -- and that will still be the  
23 case even with the 7.9 percent rate increases.

24 Is that your recollection?

25 MR. GREG BARNLUND: Yes. And -- and I

1 think that the perspective also worth understanding is  
2 that other Utilities are not standing still in terms  
3 of their situation. They have infrastructure  
4 deficits. They have facilities that need to be  
5 replaced. And so they will continue to experience  
6 cost pressures as well as -- as -- as any other  
7 Utility would.

8 MS. DAYNA STEINFELD: And to fully  
9 understand that point, Mr. Barnlund, should we situate  
10 that evidence in the context of the levels of poverty  
11 that are experienced in the province?

12 MR. GREG BARNLUND: Well, that --  
13 that's a difficult question to answer because, you  
14 know, typically, Manitoba Hydro has looked after its -  
15 - its rate increases in terms of trying to find the  
16 appropriate level of rate increase required for the  
17 financial health of the Utility, and to the extent  
18 that should we -- should we be taking income into  
19 consideration at that point in time, it's not  
20 something that we have done in the past.

21 MS. DAYNA STEINFELD: Thank you, Mr.  
22 Barnlund. I understand that you're the person to  
23 speak to when we're talking about prior Board Orders  
24 so I'm going to continue directing these questions to  
25 you.

1                   Is it your recollection that in Order  
2 116 of '08, the Board accepted that it is within its  
3 jurisdiction to order a bill assistance program?

4                   MR. GREG BARNLUND:    Yes, I remember  
5 that.

6                   MS. DAYNA STEINFELD:   Subject to check  
7 if I have that Order number rate.

8                   MR. GREG BARNLUND:    Yes.

9                   MS. DAYNA STEINFELD:   And am I correct  
10 in saying that that was reaffirmed by this Board in  
11 Order 73 of 15?

12                  MR. GREG BARNLUND:    Yes.

13                  MS. DAYNA STEINFELD:   And you were  
14 involved in the General Rate Application and -- that  
15 resulted in Order 73/15.

16                  MR. GREG BARNLUND:    I was, yes.

17                  MS. DAYNA STEINFELD:   Did you give  
18 testimony in that proceeding?

19                  MR. GREG BARNLUND:    I believe I did.

20                  MS. DAYNA STEINFELD:   If we turn to  
21 page 153 of this volume. Right there is perfect,  
22 Kristen, thank you.

23                           And just for the record I'll read the  
24 first section after Board findings.

25                                   ""The Board recognizes that higher



1                   electricity rates will have an  
2                   impact on lower income ratepayers.  
3                   This is a particular concern with  
4                   respect to all electric customers  
5                   many of whom live in areas in which  
6                   natural gas is not available as an  
7                   alternative heating source."

8                   Do you see that there, Mr. Barnlund?

9                   MR. GREG BARNLUND:    Yes, I do.

10                  MS. DAYNA STEINFELD:   And can you  
11 confirm for the Board if these comments were made in  
12 the context of a 3.95 percent increase?

13                  MR. GREG BARNLUND:    Yes, that would've  
14 been the rate trajectory at that time, yes.

15                  MS. DAYNA STEINFELD:   Thank you.  And  
16 continuing with this Order but I'll -- I'll head to  
17 page 157 of this volume.  And if we can scroll down to  
18 directive 5 and there was reference to this earlier  
19 today.

20                  But here we see that the Board in this  
21 Order, ordered Manitoba Hydro to lead a collaborative  
22 process to develop a bill affordability program  
23 harmonized with Manitoba Hydro's other programs  
24 supporting low-income ratepayers.

25                  Is that what you see there, Mr.

1 Barnlund?

2 MR. GREG BARNLUND: Yes.

3 MS. DAYNA STEINFELD: Is it fair to  
4 say that Manitoba Hydro held a bill affordability  
5 process but has not developed a program?

6 MR. GREG BARNLUND: No, I wouldn't say  
7 that. I think that we've had -- we have bill  
8 affordability features in our affordable energy  
9 program and Ms. Galbraith, you know, has spoken to  
10 some of those in her initial presentation. So -- so  
11 we did hold -- we hosted the -- the bill affordability  
12 stakeholder engagement and a part of that stakeholder  
13 engagement was to review Manitoba Hydro's existing  
14 programs and come to understand them and -- and  
15 determine how they could be enhanced or how they could  
16 be improved and that was really, I think, reflected in  
17 the recommendations of the working group report.

18 MS. DAYNA STEINFELD: And so, Mr.  
19 Barnlund, beyond those existing programs and the  
20 evaluation of those existing programs is it accurate  
21 to say that Manitoba Hydro has not developed any  
22 additional programs coming out of this process?

23 MR. GREG BARNLUND: Well, I may just  
24 turn to others who are on the panel here right now  
25 because there was some discussion this morning of some

1 program enhancements that -- that are either, you  
2 know, underway or -- or have been -- have been started  
3 so.

4 MS. DAYNA STEINFELD: Certainly.

5 MR. PAUL CHARD: So that would be the  
6 -- the one that I spoke to this morning is the Energy  
7 Affordability Plan where customers would be able to  
8 spread their arrears over a period of time and have it  
9 integrated with the equal payment plan.

10 MS. DAYNA STEINFELD: And that's a --  
11 a new program that came out of the discussions in the  
12 bill affordability process?

13 MR. PAUL CHARD: Came out of the  
14 discussions and it's not actually even launched yet.  
15 It's -- we're heading towards launch early next year.

16 MS. DAYNA STEINFELD: And, Mr. Chard,  
17 or Ms. Galbraith, are there others that came out of  
18 the bill affordability process that are -- are new?

19 MS. COLLEEN GALBRAITH: So it's not a  
20 new program, but what we've actually gone and done is  
21 enhanced the affordable energy program. When I  
22 mentioned earlier this morning that we provide the  
23 basic energy efficiency measures, right now we are  
24 providing four (4) LED bulbs. We've actually up that  
25 to ten (10) as of December 1st and 2017.

1                   So no, it's not a new program, but an  
2 additional offering as one (1) of the recommendations  
3 of the program was to maintain or enhance.

4                   MS. DAYNA STEINFELD:     But, Mr.  
5 Barnlund, it -- I would be correct in saying that  
6 Manitoba Hydro has not forward an alternative rate  
7 design to address energy poverty or lower income  
8 ratepayers?

9                   MR. GREG BARNLUND:     I think consistent  
10 with the -- with Manitoba Hydro's position going into  
11 the bill affordability or the stakeholder engagement,  
12 if we reflect back on the 2015 GRA, and -- and  
13 evidence from GAC's witness Mr. Colton was suggesting  
14 that -- that there was a business case for the Utility  
15 to consider in terms of its affordability programing.  
16 In other words, that there is measures that could be  
17 taken that would essentially pay for themselves, the  
18 benefits could then fund the affordability measure.

19                   That was the principle by which  
20 Manitoba Hydro approached recommendations and  
21 suggestions within the working group framework.  And  
22 so when we look at some of the initiatives that were  
23 reviewed and discussed, certainly in terms of more  
24 explicit bill subsidies for customers as in percentage  
25 discounts, waivers of basic charges, or the percentage

1 of income payment approach, the cost of the subsidy  
2 for each of those initiatives was somewhere between 3  
3 and \$40 million.

4           And there, unfortunately, this is not a  
5 sufficient business case that Manitoba Hydro can --  
6 can achieve that type of cost reduction that would  
7 fund that type of -- that type of subsidy to those  
8 customers. In other words, if you provided customers  
9 with a \$3 million subsidy, you're not likely going to  
10 see a \$3 million reduction in collection costs or  
11 other cost impacts to the Utility that would offset  
12 that expenditure.

13           And so, no, we have not advanced that  
14 discussion and I think reflecting further on our  
15 direct presentation this morning, it's a matter of  
16 understanding who is appropriate to pay for those  
17 particular costs. And it's not that we're  
18 insensitive to the need for certain customers to  
19 receive potentially some form of assistance, but, the  
20 matter becomes who's going to pay for that assistance  
21 and that's what we spoke of this morning in terms of,  
22 you know, requiring some policy direction, requiring  
23 some -- some -- some -- some better insight in terms  
24 of what the appropriate approach to take is in that  
25 regard.

1 MS. DAYNA STEINFELD: So, Mr.  
2 Barnlund, if I can just unpack that for a moment. I'm  
3 hearing you say that because of the findings coming  
4 out of Dr. Mason's work, that there's a low  
5 correlation between arrears and energy poverty, the  
6 business case for a low income rate isn't there.

7 MR. GREG BARNLUND: That's correct.

8 MS. DAYNA STEINFELD: Is that the  
9 primary reason for saying that -- that the business  
10 case isn't there? Are there -- are there other  
11 reasons?

12 MR. GREG BARNLUND: Well, that's  
13 really the area where you were going to generate  
14 potential savings, and -- and if there is very low  
15 correlation then there is very low -- very few --  
16 relatively few savings to be obtained from that and,  
17 therefore, it doesn't get off the ground, if you  
18 would.

19 MS. DAYNA STEINFELD: And maybe we'll  
20 -- we'll continue this discussion and -- and Dr. Mason  
21 can -- can help with some of these questions. If --  
22 if we go to page 164 of this volume we'll see some of  
23 the things that Dr. Mason's spoke to already today.

24 But, Dr. Mason, this -- this slide, as  
25 you explained earlier, is showing that only a small

1 subset of the households in arrears are -- are energy  
2 poor at the 6 percent threshold. Is that right?

3 DR. GREGORY MASON: Yes, that's  
4 correct.

5 MS. DAYNA STEINFELD: And so that's --  
6 that's in the area of -- of 14 percent?

7 DR. GREGORY MASON: Yeah.

8 MS. DAYNA STEINFELD: And if we go  
9 back a page to 163, this is looking at the general  
10 sample and we see that only a small portion of the --  
11 the poor payers or people who are paying bills poorly  
12 --

13 DR. GREGORY MASON: Yes.

14 MS. DAYNA STEINFELD: -- were also  
15 energy poor?

16 DR. GREGORY MASON: Yes.

17 MS. DAYNA STEINFELD: And perhaps this  
18 is for Mr. Chard, does Manitoba Hydro agree with the  
19 conclusion from Prairie Research Associates that there  
20 is a low correlation between customers in arrears and  
21 customers who are energy poor?

22 MR. PAUL CHARD: Yes, we do.

23 MS. DAYNA STEINFELD: And, Dr. Mason,  
24 you've already explained in some questions from the  
25 panel this morning that there was a -- a small size

1 used for this work?

2 DR. GREGORY MASON: Correct.

3 MS. DAYNA STEINFELD: And that that  
4 sampling was not regional?

5 DR. GREGORY MASON: No.

6 MS. DAYNA STEINFELD: And, Mr.  
7 Barnlund or -- or Mr. Chard, does Manitoba Hydro have  
8 a view of the -- the reliability of this data?

9 MR. PAUL CHARD: I think as a picture  
10 of Manitoba, in general, we have confidence in it and  
11 if there's a desire to do more sort of regional  
12 assessment, that's work that would need to be done  
13 going forward.

14 MS. DAYNA STEINFELD: And does  
15 Manitoba Hydro have any plans for further study either  
16 in -- in the regard of regional sampling, or -- or  
17 just to get a bigger sample?

18 MR. PAUL CHARD: Yes, we do. But if I  
19 can, I would prefer to leave that for Ms. Morrison to  
20 speak to tomorrow.

21 MS. DAYNA STEINFELD: Sure. We'll  
22 make a note to ask Ms. Morrison about that tomorrow.  
23 On book of documents page 165.

24 And again, Dr. Mason, you've spoken to  
25 this, but I understand what this is showing is that we



1 see energy poverty levels increasing at all the  
2 different rate increase scenarios?

3 DR. GREGORY MASON: That's correct.

4 MS. DAYNA STEINFELD: And we would  
5 understand that that gets worse the greater the rate  
6 increase?

7 DR. GREGORY MASON: Exactly, yeah.

8 MS. DAYNA STEINFELD: And, Dr. Mason,  
9 if I can just pick up, before we continue with this on  
10 - on Mr. Chard's last point, this is the sample that  
11 was used statistically valid to extrapolate to all of  
12 Manitoba Hydro's customers in your view?

13 DR. GREGORY MASON: To the average --  
14 generally, when you do these samples you are speaking  
15 of the typical customer. So you're always talking  
16 about averages but does it speak to a particular  
17 subset in order to do that, you always have to  
18 identify the subset and sample sufficiently into that  
19 subset.

20 We had no kind of ability to target  
21 particular subsets except by region and we -- we could  
22 do that. We could have targeted by consumption based  
23 upon the Hydro database. So there's any number of  
24 ways we could have targeted before the fact but since  
25 this is, in fact, was intended to be an initial study,

1 we didn't really want to impose our idea of how to  
2 stratify the sample on the data.

3                   So normally, when you do this research  
4 you're fairly open in how you go about sampling and  
5 then as you look at the results it may turn out that  
6 there are opportunities to actually refine the sample  
7 by doing a re-sample. We did one (1) thing, we  
8 attempted to over sample the arrears under the  
9 hypothesis that arrears and energy poverty were  
10 correlated, and we found out that was not the case and  
11 we had anticipated that that would also give us a  
12 fairly robust sample -- the arrears sample would give  
13 us a robust sample of low income people. That did --  
14 also turned out not to be the case.

15                   So hindsight is 20/20, you know. I  
16 wouldn't do anything differently but the idea of doing  
17 additional work certainly has merit.

18                   MS. DAYNA STEINFELD:   And which  
19 subsets are missed in the data, Dr. Mason?

20                   DR. GREGORY MASON:   Well, as we said  
21 in the report, northern Manitoba typically is -- it's  
22 represented properly. It's just and it's not -- it's  
23 not a question of being missed, it's just low and when  
24 people ask very specific questions of that group you -  
25 - there isn't -- an insufficient sample. So I

1 wouldn't say missed would be the right -- the right  
2 way to talk about it. It's just that you end up with  
3 a general random sample of having low representation  
4 in what may turn out after the fact to be key subsets  
5 you -- you're interested in.

6 MS. DAYNA STEINFELD: And what would  
7 be involved in doing the type of additional work that  
8 you've just referenced?

9 DR. GREGORY MASON: Money and time. I  
10 mean, we were constrained by time and we were  
11 constrained by a fixed budget. So when you start  
12 doing regional sampling, you end up having to do a --  
13 what's called quota sampling. So you end up -- you  
14 know, you can do regional sampling fairly efficiently  
15 but you're then guided by a strong hypothesis about  
16 what you're looking for.

17 And as I say, now we could do it, but  
18 at the time when we were operating under a time  
19 constraint, and -- and -- in order to deliver the  
20 report, we thought this was the best kind of neutral  
21 approach in terms of generating information that would  
22 be most useful in looking at the rate increase.

23 MS. DAYNA STEINFELD: And would there  
24 be a benefit to the data of -- of doing that work?

25 DR. GREGORY MASON: Absolutely. I

1 mean, there's a -- first of all, I'm a researcher so  
2 I'm always prepared to do more research so you have to  
3 understand that bias.

4                   But certainly in terms of looking at  
5 particular subsets that now become important in this  
6 discussion, there's certainly is value in doing more -  
7 - more sampling. I would certainly sample the north  
8 more. I would sample rural areas more, things like  
9 that.

10                   MS. DAYNA STEINFELD: Thank you for  
11 that explanation, Dr. Mason, and if we can just go  
12 back to this chart. And if we just scroll down a  
13 little bit, I believe scenario 4 for is very close to  
14 what Manitoba Hydro is asking for here today. So  
15 those are --

16                   DR. GREGORY MASON: Yeah.

17                   MS. DAYNA STEINFELD: -- I think 7.95  
18 rate increases and we're talking about 7.9, but, what  
19 this is showing is that on that kind of rate path the  
20 percentage of LICO125 households above 6 percent would  
21 reach 15.2 percent in -- in 2023 and 2024.

22                   DR. GREGORY MASON: That's correct.

23                   MS. DAYNA STEINFELD: And that would  
24 be up from 9.9 percent in -- in 2017.

25                   DR. GREGORY MASON: That's correct,

1 yes.

2 MS. DAYNA STEINFELD: And so, Mr.  
3 Chard, with that information, does Manitoba Hydro  
4 think it's possible that there could be a greater  
5 correlation between arrears and energy poverty if your  
6 indicative rate plan is implemented?

7 MR. PAUL CHARD: Well, I'd hate to  
8 reject that as a possibility, but I, you know, the --  
9 the -- the findings were quite stark that we have  
10 customers in arrears across all income segments and  
11 all areas of the province. So, yeah. So I think that  
12 there -- we may see an increase in arrears. I think  
13 that's logical, but would those customers become the  
14 majority of our customers in arrears, I wouldn't see  
15 that happening given the numbers that are at play.

16 MS. DAYNA STEINFELD: And I wasn't  
17 going to go here at this point and we may circle back  
18 to it again but, Mr. Barnlund, does the business case  
19 makes sense if we isolate out First Nations customers  
20 and the levels of arrears that we see for that subset  
21 of ratepayers?

22 MR. GREG BARNLUND: I'm sorry, could  
23 you repeat the question?

24 MS. DAYNA STEINFELD: I'll phrase it  
25 differently. So would you agree that there's a

1 stronger correlation between energy poverty and  
2 arrears for Indigenous customers?

3                   Perhaps if it's helpful we'll turn to  
4 book of documents, page 170 which just breaks down  
5 some of the numbers. So here, Mr. Chard, you see that  
6 payments issues in First Nations communities are  
7 especially pronounced. Households in those  
8 communities make up just 3 percent of all Manitoba  
9 Hydro customers yet account for over half of the  
10 payments that are outstanding at any given time.

11                   Do you see that there?

12                   MR. PAUL CHARD: Yes, I do.

13                   MS. DAYNA STEINFELD: And so is it --  
14 is it right that there is more of a correlation and  
15 perhaps we haven't studied the extent but it would  
16 seem there's a greater correlation between energy  
17 poverty and arrears in First Nations communities.

18                   MR. PAUL CHARD: There may be. My  
19 caution on this -- so this is, I think, is an area  
20 that we need to just understand better.

21                   So my explanation this morning about  
22 the process that runs between Manitoba Hydro and --  
23 and the social mis -- social assistance administrators  
24 in each of the First Nations communities, is part --  
25 is somewhat distorting the statistics on arrears and

1 First Nation -- First Nations communities but that's  
2 all I can say, and that's where I think we do need to  
3 get in and get a better understanding of exactly what  
4 the impacts are and what the reality is for those  
5 customers.

6

7

(BRIEF PAUSE)

8

9 MS. DAYNA STEINFELD: Okay, we'll --  
10 we'll come back to some of those issues I think in a  
11 moment. I'd like to circle back to a discussion I was  
12 having earlier with Mr. Barnlund about Order 73 of '15  
13 and -- and the outcome of that being the bill  
14 affordability process.

15 Am I right, Mr. Barnlund, that coming  
16 out of that process there were recommendations issued  
17 by the working group, and Manitoba Hydro responded to  
18 those recommendations?

19 MR. GREG BARNLUND: Yes, that's  
20 correct.

21 MS. DAYNA STEINFELD: So if we could  
22 turn to page 159, this volume and just scroll down.  
23 What we see here are -- are the listing of the  
24 recommendations and the Manitoba Hydro responses to  
25 them; is that correct?

1 MR. GREG BARNLUND: Yes. But I'll  
2 probably have either Ms. Galbraith or Mr. Chard report  
3 -- report on those.

4 MS. DAYNA STEINFELD: Absolutely. So  
5 I don't intend to go through each one of these but  
6 perhaps if we could start, Ms. Galbraith, on page 160,  
7 under the heading Electric Heating.

8 So we see here a recommendation around  
9 Manitoba Hydro considering the development of  
10 incentive programs for fuel switching essentially.

11 Is -- that your understanding of the  
12 recommendation?

13 MS. COLLEEN GALBRAITH: That is  
14 correct.

15 MS. DAYNA STEINFELD: And the  
16 responses that Manitoba Hydro anticipates that new  
17 provincial climate change policy may be released in  
18 2017 and the Corporation will consider modifications  
19 after assessing the implications of any new policy  
20 direction. Is that correct?

21 MS. COLLEEN GALBRAITH: That is but,  
22 unfortunately, Ms. Steinfeld, I'm going to have to  
23 defer any further questioning to Ms. Morrison as this  
24 would be her area of expertise.

25 MS. DAYNA STEINFELD: Okay, we will do



1 so tomorrow. Perhaps then we'll move on to number 3.

2 This is neighbours helping neighbours.

3 Are -- are you able to assist with  
4 these questions?

5 MS. COLLEEN GALBRAITH: Yes.

6 MS. DAYNA STEINFELD: Okay, let's --  
7 let's start there then. Here we see a recommendation  
8 for Manitoba Hydro to do some further evaluation of  
9 the neighbours helping neighbours programs.

10 Do you see that there?

11 MS. COLLEEN GALBRAITH: Yes, that is  
12 correct.

13 MS. DAYNA STEINFELD: And the Manitoba  
14 Hydro response indicates that Manitoba Hydro will  
15 consult with Salvation Army regarding additional  
16 opportunities to leverage funds and seek other  
17 organizations that may wish to contribute to the  
18 continued success of the program.

19 Has Manitoba Hydro done so?

20 MS. COLLEEN GALBRAITH: Yes. So we  
21 noted in -- and I cannot recall off the top of my head  
22 in one (1) of the responses but we have had initial  
23 conversations with the Salvation Army. They  
24 unfortunately, after I think five (5) years of myself  
25 dealing with their executive direct -- director had a

1 change in leadership.

2                   So the conversation continued with the  
3 new representative and again, unfortunately in October  
4 2017, they had yet another personnel change. So we've  
5 had an initial conversation. We both had takeaways  
6 that we can look at and we advised that we would meet  
7 again in the new year as they're quite busy with their  
8 toy mountain campaign right now.

9                   MS. DAYNA STEINFELD: So if I can just  
10 put a finer point on that, there's -- there's plans to  
11 meet again in the new year and Manitoba Hydro will go  
12 from there essentially?

13                   MS. COLLEEN GALBRAITH: That is  
14 correct.

15                   MS. DAYNA STEINFELD: Thank you. And  
16 if we scroll down to number 4. And there was some  
17 discussion of -- of landlord and tenant issues in the  
18 evidence. And I understand we don't need to go to  
19 this IR response.

20                   But I understand is that the -- the  
21 Manitoba Hydro response here is that Manitoba Hydro  
22 intended to form a committee to look at this and then  
23 in an Information Request response you indicated that  
24 an existing committee could satisfy this process; is -  
25 - is that correct?

1 MS. COLLEEN GALBRAITH: That is  
2 correct. It was formally known as the affordable  
3 energy advisory committee, and we've renamed it the  
4 bill affordability advisory committee, and we actually  
5 had a meeting on June 22nd, 2017, subject to check, to  
6 further these discussions, and seek input from the  
7 members of the group.

8 MS. DAYNA STEINFELD: And what are the  
9 -- the going forward plans of -- of that committee?

10 MS. COLLEEN GALBRAITH: So we had  
11 three (3) parties attend a meeting of all of those  
12 that participated from the working group. We  
13 explained the situation as to where we are at. And  
14 truthfully, we're looking at increasing participation  
15 in the private landlord/tenant market.

16 So not necessarily social housing or  
17 social housing providers and we were provided some key  
18 contacts and we've actually been in discussions with  
19 them. So some of the contacts were the Professional  
20 Property Management Association, the Winnipeg Rental  
21 Network and End Homelessness contact. So we've  
22 continued to work with those groups to further  
23 increase participation.

24 MS. DAYNA STEINFELD: Thank you, Ms.  
25 Galbraith. And -- and let's just scroll down a bit

1 again, Kristen, to number 5. Home heating impacts  
2 and, essentially, the recommendation here is for  
3 Manitoba Hydro to consider rate design options such as  
4 rate decoupling, and the recommendation -- or sorry,  
5 the response of Manitoba Hydro is that it will assess  
6 the merits with future examinations of residential  
7 rate design options.

8 Am I to understand to this is what  
9 Manitoba Hydro has done in this proceeding, or is  
10 there more work to be done here?

11 MR. GREG BARNLUND: Well, on a  
12 preliminary basis, Manitoba Hydro held a rate design  
13 workshop with Intervenors, I think July 11th  
14 thereabouts. One (1) of the options that was put on  
15 the table at that point in time was some information  
16 about rate decoupling.

17 Manitoba Hydro actually has that  
18 appended to its report on rate design for residential  
19 class, but elected to proceed with the illustrative  
20 rate design that we had come up with for electric  
21 heating customers at that point in time. It's  
22 certainly a matter that we would revisit taking  
23 further consideration as we continue on with ex --  
24 further examinations of rate design matters.

25 MS. DAYNA STEINFELD: Thank you, Mr.

1 Barnlund. And if we scroll down I think we've heard  
2 from you already, Mr. Chard, on equal payment plans.  
3 So I would suggest scrolling down to number 8, arrears  
4 management, and bill forgiveness.

5                   Mr. Chard, is -- is the response to the  
6 recommendation, is this the new program that is being  
7 rolled out in 2018 that -- that you've just referenced  
8 earlier?

9                   MR. PAUL CHARD: No, the program that  
10 I was referring to that's being rolled out in 2018  
11 actually came under number 6. It was our response to  
12 recommendation 6.

13                   MS. DAYNA STEINFELD: Okay. And so in  
14 terms of recommendation number 8, the recommendation  
15 was to model and possibly pilot bill payment matching  
16 program targeted to low income individuals and the  
17 response was that Manitoba Hydro will develop  
18 potential models in order to assess anticipated  
19 program effectiveness and costs.

20                   Has Manitoba Hydro done so?

21                   MR. PAUL CHARD: We have not developed  
22 any models. What we have found is that we have --  
23 we've run into a difficulty in that we don't have  
24 income information on customers or we have income  
25 information on a very limited number of customers; the

1 customers that have taken part in our affordable  
2 energy program.

3                   So, we've looked at some options to --  
4 to do this and the -- the one other kind of route that  
5 we went down was identifying by postal codes. So we  
6 tried to segment customers by some postal codes that  
7 were identified as -- as lower income postal codes.

8                   And have been -- been looking at that  
9 option and another option is that's just come under  
10 consideration is looking at customers who are in --  
11 who are in arrears who go on to social assistance. So  
12 one (1) of the things that happens is that social  
13 assistance will cover the bills of customers when  
14 they're on social assistance, but they will not cover  
15 arrears that had occurred prior to that. So that is  
16 an option that we will be looking at as well.

17                   MS. DAYNA STEINFELD:    Okay, thank you.  
18 And recommendation number 9, Manitoba Hydro abstained  
19 from providing consensus for this recommendation but,  
20 Mr. Chard, the recommendation here is to consider  
21 government funding.

22                   Do you see that?

23                   MR. PAUL CHARD:        Yes.

24                   MS. DAYNA STEINFELD:    And Mr.  
25 Barnlund, do you recall that Mr. Shepherd gave

1 evidence I believe in discussion with Mr. Shefman that  
2 over the years there have been discussions with  
3 government, and that those were historic discussions  
4 relating to programs offered under the Affordable  
5 Energy Act or the demand-side management program.

6 Do you recall that testimony?

7 MR. GREG BARNLUND: I do recall that,  
8 yes.

9 MS. DAYNA STEINFELD: So should this  
10 Board understand that the extent of the Corporation's  
11 discussions with government on government funding have  
12 been limited to those historic discussions about the  
13 affordable energy programming and -- and DSM?

14 MR. GREG BARNLUND: I'm -- I'm not  
15 particularly in a position to comment on discussions.  
16 I was not involved in those discussions. So I'm -- I  
17 assume that they are related to the program that you  
18 discussed, but I'm not specifically aware.

19 MS. DAYNA STEINFELD: Do -- are you  
20 aware if there are plans to have any going-forward  
21 discussions with government in terms of the role that  
22 government can play on social assistance programs or -  
23 - or mitigation of rate increases?

24 MR. GREG BARNLUND: At this point, I'm  
25 not aware of any right now.

1 MS. DAYNA STEINFELD: Thank you, Mr.  
2 Barnlund. Dr. Mason, if -- if can turn back to -- to  
3 you and -- and some of what you've said already this  
4 morning.

5 Can you explain again, just to refresh  
6 our memories, the -- the definition of energy poverty  
7 that the -- the working group used?

8 DR. GREGORY MASON: Let me just bring  
9 it up so I can be precise.

10 MS. DAYNA STEINFELD: I think it might  
11 be your slide 46 or 47.

12

13 (BRIEF PAUSE)

14

15 DR. GREGORY MASON: Okay. So energy  
16 poverty refers to circumstances in which a household  
17 is or would be required to make sacrifices or trade-  
18 offs that would be considered unacceptable of most --  
19 and Manitobans in order to procure sufficient energy  
20 from Manitoba Hydro. So that's the definition that we  
21 kind of worked with.

22 We worked with a series of different  
23 definitions from the literature and this is one that  
24 the working group finally settled on. It was a long  
25 process.



1 MS. DAYNA STEINFELD: And the working  
2 group used a measurement of energy poverty that was  
3 essentially like a 125 but building in an energy  
4 burden concept; is that right.

5 DR. GREGORY MASON: The idea of energy  
6 burden was, you look, that -- that -- for LIC0125  
7 households either 6 or 10 percent would be indicative  
8 of an energy burden, yes.

9 MS. DAYNA STEINFELD: And I -- I take  
10 it from this slide here that there are many ways that  
11 you -- you could measure energy poverty.

12 DR. GREGORY MASON: Yeah, the report  
13 itemizes about six (6) or seven (7) different ways of  
14 going about it.

15 MS. DAYNA STEINFELD: And, Ms.  
16 Galbraith, I understood that the affordable energy  
17 program eligibility is currently based on the LIC0125  
18 measure?

19 MS. COLLEEN GALBRAITH: It is but we  
20 do not actually income qualify residents on First  
21 Nation communities. We just upgrade the housing  
22 stock, but on all other participation avenues of the  
23 program, yes.

24 However, I should qualify with our  
25 multi-unit residential building or apartment ensuite,

1 we do not income qualify each individual suite of an  
2 apartment block. Typically we're looking at if it's a  
3 in a low -- in an area that's higher incidence of  
4 lower income or if it's a social housing provider, we  
5 do not ask for an undue burden to income qualify  
6 there.

7 MS. DAYNA STEINFELD: And the process  
8 that you explained earlier this morning is that for  
9 that -- for the program ratepayers apply and if -- and  
10 if they meet that LICO125 measure where it applies,  
11 then they would be eligible; is that right?

12 MS. COLLEEN GALBRAITH: That is  
13 correct. However, we do and in more recent years have  
14 been looking at additional measures. So I -- can I --  
15 if I can answer in two (2) if you'll indulge me.

16 What we've often found and this was  
17 actually raised during the working group meeting is  
18 that using just the strict LICO125 definition. So  
19 verifying your income with income tax, you can have a  
20 large net worth. We have had customers apply where  
21 their addresses alone indicate that they are not our  
22 true target demographic. So we are considering other  
23 measures when we're income qualifying.

24 And then for those because it has been  
25 mentioned that not everybody does file their income

1 tax, we've started to accept alternative forms of  
2 income tax verification or income verification. So,  
3 for example, if a customer's on social assistance they  
4 need only provide that they are receiving that. There  
5 are other programs, the Canadian Jump -- or Canadian  
6 Tire Jumpstart program, they do income qualify some  
7 customers. So essentially, we're looking at if  
8 somebody's already been income qualified, they don't  
9 need to do it again with us.

10 MS. DAYNA STEINFELD: And I'm -- I'm  
11 not sure if this goes to Mr. Barnlund or to you, Ms.  
12 Galbraith, but does Manitoba Hydro have a position on  
13 whether the LIC0125 measure is the appropriate measure  
14 to use for bill affordability program?

15 MS. COLLEEN GALBRAITH: So echoing,  
16 again, some of the comments I've just provided, I  
17 think we need to use caution before something would be  
18 explicitly stated that it would be based on LIC0125.  
19 I think that there are other measures that we could  
20 consider. So I would say that we would have to do  
21 further work to see if that's truly the target  
22 demographic that we want to assist those customers  
23 with.

24 MS. DAYNA STEINFELD: And is -- is one  
25 (1) of the issues with using that measure that it --

1 it captures a lot of people and so there might be  
2 greater costs associated with that measure?

3 MS. COLLEEN GALBRAITH: No, I would  
4 say not. It's more so that we are aware that there  
5 are individuals who can meet our LIC0125 definition  
6 but we're not looking at assets.

7 MS. DAYNA STEINFELD: And I've heard I  
8 think a few times that Manitoba Hydro is -- has had  
9 difficulties or is continuing to have difficulties in  
10 identifying which of its customers are LIC0125.

11 So, Ms. Galbraith, this -- this may  
12 just be expanding on what you've said already but what  
13 are the ways that Manitoba Hydro can further identify  
14 which customers should be targeted for an  
15 affordability or lower income program?

16 MS. COLLEEN GALBRAITH: While I think  
17 that there are a number of ways that we can do it. I  
18 think similarly, echoing what Mr. Barnlund had said,  
19 is we really need to have an idea of who we do really  
20 need to assist and once we've identified those that  
21 are truly struggling and have higher energy burdens,  
22 then we'd need to develop and in collaboration with  
23 all stakeholders as to what is the best way to  
24 potentially identify those customers and make them  
25 eligible for any additional rate assistance.

1 MS. DAYNA STEINFELD: And if you were  
2 going to take those steps, what kind of resources  
3 would be involved at Manitoba Hydro, in a -- in a  
4 general sense, I suppose?

5 MS. COLLEEN GALBRAITH: I'm not sure  
6 that we're in a position to answer that. I'm assuming  
7 it would be similar resources that were put towards  
8 through the bill affordability collaborative process.  
9 And I guess it might depend on timelines as well.

10 MR. PAUL CHARD: If I can just add. I  
11 think there is an issue here as well that I'm not sure  
12 that Manitoba Hydro has the expertise to be -- to be  
13 doing that.

14 So I'm not sure that Manitoba Hydro has  
15 the expertise to be doing that, equally for the  
16 question about LICO125. You know, I'm not sure that  
17 we have the expertise to be deter -- determining  
18 whether that's the right level of qualification.  
19 That's the sum of the issues that Mr. Barnlund was  
20 identifying that we need some policy direction on.

21 MS. DAYNA STEINFELD: And beyond  
22 getting some policy direction, Manitoba Hydro could  
23 bring in a consultant such as Dr. Mason to assist with  
24 those kinds of issues; could it not?

25 MR. GREG BARNLUND: I may jump in at

1 this point in time. I mean, it's conceivable and, in  
2 fact, it would be -- it would be likely that we'd want  
3 to be able to retain an expert that has, you know,  
4 sufficient knowledge and experience in this area that  
5 would provide that kind of value.

6                   But, you know, as -- as with every  
7 activity that we are undertaking at Manitoba Hydro, we  
8 have to understand the priority for it. We have to  
9 understand the cost of it. We have to understand the  
10 scope of it. And we have to be able to -- we may be  
11 doing that and not doing a bunch of other things.

12                   And so it's not a limitless resource  
13 that we're speaking of here and so we would have to,  
14 again, look at all of the things that we are req --  
15 being asked to do and then prioritize those matters  
16 most important first and so on and so forth.

17                   MS. DAYNA STEINFELD: Thank you, Mr.  
18 Barnlund. Dr. Mason, I think we'll -- we'll stay on  
19 your slide since they're up and I think it's slide 59.

20                   So I'd just like to walk through. You  
21 were a bit rushed this morning and so I'm going to --  
22 let's -- let's get a little bit more time here. I  
23 think we can use your help in explaining some of these  
24 program options.

25                   So, I understand that there were,

1 essentially, three (3) programs that were looked at  
2 and the first one that is listed here is the straight  
3 rate discount.

4 Can you just give a bit more of an  
5 explanation to the Board on what that involves?

6 DR. GREGORY MASON: It's simply  
7 basically deducting the energy rate by 25/35 and 45  
8 percent. So it's a straight discount on the top of  
9 the bill.

10 The fixed charge waiver is simply  
11 getting rid of the basic charge.

12 And the percentage of income is  
13 basically capping individual's energy bill to a  
14 certain level, no matter what they are.

15 So as I said this morning that,  
16 essentially, makes it go away in some sense. It holds  
17 people at a certain level. Just by a little  
18 background, we considered five (5) or six (6) rate  
19 options and these were the three (3) the working group  
20 decided they wanted to model and look at.

21 MS. DAYNA STEINFELD: Thank you, Dr.  
22 Mason. Mr. Barnlund, if we -- if we start with maybe  
23 the fixed monthly charge waiver, does Manitoba Hydro  
24 have a position on that option?

25 MR. GREG BARNLUND: Well, I think we

1 do. I think that, again, it's going to come back to  
2 understanding who is going to make up the shortfall if  
3 we're going to waive the charge for certain customers.  
4 It is a very easy approach to take. In other words,  
5 it's easy to apply that type of approach if you have -  
6 - if you understand which customers qualify for it.

7                   And it is a -- it's a broad measure but  
8 it is not going to -- it's \$8 a month so it's not  
9 necessarily going to save a significant amount of  
10 money for somebody who may be an electric heating  
11 customers that is using 2 or 3000 kilowatt hours a  
12 month.

13                   So, I mean, that's certainly, you know,  
14 one -- one (1) of the options. Again, it comes back  
15 to these other options, a discount, which would really  
16 essentially be -- if we looked at it practically from  
17 a rate-making purpose, if there was a source of  
18 funding and if it was determined that somebody was --  
19 some household or some customer was eligible for 25  
20 percent reduction, then -- then there's basically a  
21 credit would be applied to the bill. I mean, you  
22 would charge them for their energy, charge taxes on  
23 that and then apply a credit afterward realistically  
24 speaking.

25                   So there -- the percentage of income



1 payment is significantly more onerous to administer.  
2 But all of these would require some form of funding  
3 and some form of an intake mechanism and some form of  
4 verification mechanism.

5                   And so I just want to make one (1)  
6 other point about this because when we talk about DSM  
7 programming and -- and -- and the programming that Ms.  
8 Galbraith talks about, we qualify a customer once. We  
9 go in and we install the measures, and those measures  
10 are there for the life of the building and it doesn't  
11 matter. People move in and out, but the measure is  
12 still there. We're still obtaining the benefit from  
13 the DSM measure itself.

14                   That person who was low income could  
15 move out and they could -- could be a modest income  
16 person move in and you don't have to requalify them.  
17 The measure's already in the building.

18                   But if we're talking about a rate  
19 subsidy or a bill subsidy, well, then you have to look  
20 at who currently has a level of income that qualifies.  
21 And six (6) months or twelve (12) months from now, do  
22 they still have that same level of income to qualify  
23 or were they laid-off and they're going to be working  
24 again in six (6) months.

25                   The -- the administration of a subsidy

1 provision is significant because you have to go and  
2 reverify. And then there are the other complications  
3 that Mr. Mason spoke of this morning where we don't  
4 know who all's in the household. I mean, we provide  
5 energy to the household. Are there two (2)  
6 individuals? Are there two (2) families there? And  
7 what is the, you know, income status of each of those  
8 individuals not just the bill payer.

9                   So -- so I mean, there are enormous  
10 complications in terms of this, and -- and it gets  
11 back to the issue we are saying about this morning is  
12 that -- that it -- Manitoba Hydro is -- is well-  
13 equipped to be a Utility and to deliver energy  
14 services, but we're not a social agency and we're not  
15 equipped to deliver social programming to customers.  
16 And so that's just -- I -- we want to reinforce that  
17 over and over again.

18                   MS. DAYNA STEINFELD: Thank you, Mr.  
19 Barnlund. And I -- and I'd like to pick up on one (1)  
20 of the points that you made there. If we could turn  
21 to volume 5, page 169, which is a very similar chart.

22                   But here, it also includes the -- the  
23 lost electric revenues, which vary depending on which  
24 energy burden threshold you use. But, Mr. Barnlund,  
25 for example, here if -- if we're looking at a 6

1 percent threshold and a fixed monthly charge waiver,  
2 the lost revenue to Manitoba Hydro is \$7.6 million; is  
3 that correct?

4 MR. GREG BARNLUND: Yes, I see that.

5 MS. DAYNA STEINFELD: And does that  
6 cost include the administrative costs that Manitoba  
7 Hydro would incur to administer the program?

8 MR. GREG BARNLUND: No, it would not.  
9 There are no administrative costs in this analysis.  
10 This analysis is really the -- the -- the financial  
11 value or the financial amount of the subsidy that  
12 would be provided to the customer, and it's -- it's  
13 completely irrespective of any administrative costs  
14 that -- that may be -- that may be involved.

15 MS. DAYNA STEINFELD: So we would  
16 expect that Manitoba Hydro's revenue requirement might  
17 have to go up to reflect those administrative costs,  
18 and so the -- the shortfall here might actually be  
19 greater than what's affected in this chart?

20 MR. GREG BARNLUND: Well especially  
21 when we consider -- when we consider the evidence  
22 given this morning with regards to neig -- neighbours  
23 helping neighbours. There we're partnered with this -  
24 - with an agency that's involved in the social work.

25 And as we can see from the costs that

1 are associated from the Salvation Army end of it, that  
2 it's almost a 30 or 33 percent overhead, if you would,  
3 in terms of their administration of the intake to that  
4 particular program.

5                   So, that's a bit of an example or an  
6 analogy in terms of this. And -- and so it's one  
7 thing to say here is if we had -- if we forecast we  
8 were going to have X number of customers that would  
9 qualify and here's the amount of basic charge  
10 forgiveness, that's still is irrespective of the costs  
11 that it would take to put the administrative  
12 infrastructure in place and keep -- keep on  
13 maintaining it.

14                   MS. DAYNA STEINFELD:    And, Mr.  
15 Barnlund, does Manitoba Hydro have a position on how  
16 those costs should be recovered? And maybe if I can  
17 specify is that from just the rest of the residential  
18 class, the non-low income portion, or is it from all  
19 ratepayers, all customer classes?

20                   MR. GREG BARNLUND:    Well, I think to  
21 be more -- more I guess consistent with what we've  
22 done with -- with recovery of costs in the past, if we  
23 look at prior to 164 of '16 DSM cost. So the  
24 affordable energy program was a DSM program and the  
25 costs for that would've been allocated essentially to

1 the customer class that benefitted from it. So that  
2 would be a residential customer class.

3                   So those costs would be embedded in  
4 residential rates for all residential customers, and  
5 that's very typical from our perspective as the fair -  
6 - or as the appropriate way to -- to set rates in that  
7 regard.

8                   So I think that it would be a matter of  
9 if there was a cost, if there was -- there was an  
10 agreement amongst ourselves and the Intervenors and  
11 this Utilities Board that -- that there was X number  
12 of millions of dollars that we were going to need to  
13 fund some form of assistance program and then  
14 typically we would say, if the residential customers  
15 are the beneficiaries of it then conceivably they're  
16 the ones who would have to fund it in their rates  
17 entirely.

18                   MS. DAYNA STEINFELD: And maybe if we  
19 can just look at the -- what the impact of that might  
20 look like. And this is not in the book of documents  
21 of it's Manitoba Hydro-AMC-1-3. If you have that,  
22 Kristen.

23

24                   (BRIEF PAUSE)

25

1 MS. DAYNA STEINFELD: And if we can  
2 just scroll down. Oh, it might be the attachment to  
3 it.

4 Maybe I'll ask you to take this subject  
5 to check but my understanding from this Information  
6 Request response is that if we're looking at the bill  
7 impacts for a 6 percent threshold, they range between  
8 .15 and .7 cents per kilowatt hour.

9 MR. GREG BARNLUND: So I'd like to  
10 qualify that a little bit in terms of the way the  
11 analysis was undertaken.

12 And -- and this is meant no disrespect  
13 to the consultants that were working on this, but they  
14 had a sample size of customers, and they knew the  
15 energy consumption within that sample size and they  
16 extrapolated a cost per kilowatt hour within that  
17 sample size, and that's not really how we would  
18 reflect that in terms of our rates.

19 If there was \$25 million worth of  
20 additional revenue requirement for the residential  
21 class, it would change their revenue-to-cost coverage  
22 ratio. We would have to increase rates by \$25 million  
23 to the class to maintain the revenue-to-cost coverage  
24 ratio where it was. So that \$25 million would be  
25 recovered across 475,000 customers in some way.

1 MS. DAYNA STEINFELD: And -- and just  
2 to correct the record, I am not sure this is the right  
3 Information Response. I think we need MH/AMC so  
4 Manitoba Hydro-2 AMC round one, question 3.

5

6 (BRIEF PAUSE)

7

8 MS. DAYNA STEINFELD: Maybe I'll come  
9 back to that when -- perhaps even tomorrow when we  
10 have the document. Okay so that's perfect, Kristen,  
11 thank you.

12 So, Mr. Barnlund, just to put the point  
13 on the answer that you -- you gave very adeptly  
14 without having the document in front of you but this  
15 is explaining that the energy rate increase would be  
16 1.8 percent to 8.5 percent over the -- the current  
17 energy rate; is that correct?

18 MR. GREG BARNLUND: If you assume --  
19 if you can assume that the cost of providing that  
20 subsidy is .15 cents per kilowatt hour and .7 cents a  
21 kilowatt hour, that's what you would -- that's what  
22 you would result in, yes.

23 MS. DAYNA STEINFELD: And it would be  
24 over and above the -- the proposed 7.9 rate increase?

25 MR. GREG BARNLUND: That's correct.

1 That's correct. It would be incremental to the  
2 proposed 7.9 percent increase.

3 MS. DAYNA STEINFELD: Mr. Barnlund or  
4 perhaps others on the panel, has Manitoba Hydro looked  
5 at running perhaps a pilot programs to -- to look at a  
6 low income rate?

7

8 (BRIEF PAUSE)

9 MR. PAUL CHARD: Not a low income  
10 rate, no.

11 MS. DAYNA STEINFELD: Dr. Mason, do  
12 you have any views as to whether there are things that  
13 can be done to overcome some of the issues that have  
14 been identified with implementing a low income rate?

15 DR. GREGORY MASON: I think in my  
16 view, which is looking at how the -- the resources  
17 that would be needed to do this, my view is that much  
18 closer cooperation with the provincial government and  
19 the existing programs, rent assist, social assistance  
20 or income assistance would be the smart way to go.

21 I think if the Board were to kind of  
22 direct or sort of suggest that these programs be  
23 adjusted and accommodate energy increases in the same  
24 way they accommodate inflationary increases that would  
25 be, I think, the most direct way and cost efficient



1 way to actually provide assistance.

2           The proviso, of course, is that these  
3 are difficult programs to administer anyway, and even  
4 the province would admit they probably don't target  
5 that -- that well and they miss people who would be  
6 qualified. That's just the nature of the income  
7 assistance policy sphere right now; just -- that's  
8 just the reality of these kinds of programs.

9           MS. DAYNA STEINFELD:    And, Mr.  
10 Barnlund, does Manitoba Hydro have a position on -- on  
11 what it could to work with government to create  
12 affordability measures?

13           MR. GREG BARNLUND:    Well, I think that  
14 based on the commitment that Mr. Shepherd made on the  
15 second day, that -- that Manitoba Hydro would be  
16 motivated and would be interested in working with  
17 agencies of the government to be able to explore this,  
18 explore a solution to this matter.

19           MS. DAYNA STEINFELD:    And the  
20 timeframe for that -- that Mr. Shepherd indicated  
21 would be before the next GRA?

22           MR. GREG BARNLUND:    Your time frames.  
23 Yes, he did indicate that.

24           MS. DAYNA STEINFELD:    Thank you, Mr.  
25 Barnlund. And you -- you mentioned this morning how

1 Ontario has done things. Has Manitoba Hydro done a  
2 survey, or perhaps ask Mr. Mason a survey of how this  
3 is being done in other jurisdictions beyond Ontario,  
4 the work -- the Utility working with government?

5 MR. GREG BARNLUND: Well, I'll start  
6 and I'll let Mr. Mason chime in. But for the most  
7 part, to our knowledge, Ontario is really the -- the I  
8 think the most advanced or most furthest along in this  
9 -- in this regard. And -- and in fact, there are very  
10 few jurisdictions in Canada that have an assistance  
11 program that would be -- in fact, I don't imagine  
12 there are any other jurisdictions other than Ontario  
13 that have an assistance program as -- as they have for  
14 ratepayers.

15 Now, what has happened in Ontario is  
16 that there's been a significant amount of work  
17 undertaken in the last five (5) years in developing  
18 the -- the energy bill assistance program that  
19 initially was rate fair -- ratepayer funded and so  
20 there was money collected on the bills from  
21 residential customers to be able to fund the subsidy  
22 and assistance to -- to customer recipients that were  
23 -- met the criteria.

24 That has now changed with the passage  
25 of the Fair Hydro Act this -- this spring in Ontario

1 where the government is funding that instead of  
2 ratepayers and has gone further to waive sales tax on  
3 certain customers and to provide an additional direct  
4 subsidy to qualifying customers in Ontario.

5           So -- so that program is -- is -- is  
6 fairly extensively developed and is now being funded  
7 by taxpayers in Ontario. And, Mr. Mason, if you can  
8 add anything further to that.

9           DR. GREGORY MASON: I'll try and  
10 separate my comments as an economist and as someone who  
11 does political analysis once in a while.

12           What they did in Ontario was basically  
13 bunt it forward. Essentially that's what they've  
14 done. They've passed the bill forward, you know, in  
15 the sense it's government funded but it's funded over  
16 a very long time horizon, and they got themselves  
17 into, I think, a very difficult situation and so this  
18 was the way to get them out of the situation.

19           I don't think it was motivated so much  
20 by a concern for energy increases, that was an  
21 immediate political issue that there are various  
22 decisions over a long period of time had kind of  
23 forced them into a corner. I would hesitate to use  
24 the word 'advanced' in terms of calling that policy.  
25 Again, I'm trying not to be too editorial.

1                   But I -- I think it is, in fact, very  
2 much debt-financed and it basically, as I say, moved  
3 it into the future. I don't think that is sound  
4 policy in terms of sound economic policy.

5                   MS. DAYNA STEINFELD: Thank you, Dr.  
6 Mason. Mr. Barnlund, if we can shift slightly to look  
7 at this from the perspective of First Nations issues.

8                   Do you recall that your president gave  
9 evidence that a reduced rate for Manitoba Hydro First  
10 Nations ratepayers may be part of the solution to the  
11 affordability problem?

12                  MR. GREG BARNLUND: You'd have to  
13 direct me to the transcript because I'm not exactly  
14 sure exactly how he worded the commitment.

15                  MS. DAYNA STEINFELD: Certainly.  
16 Kristen, if we can put transcript page 563, please.  
17 And we may have to scroll down. Sorry, we have to  
18 scroll up. Okay, so if we just scroll up a page we  
19 can see the context of the question and this is, I  
20 believe, Mr. Shefman asking Mr. Shepherd about this  
21 affordability issue and if we scroll down the page  
22 with that context.

23                  This is where, right there at line 9,  
24 he says, "maybe it's part of a solution." If you need  
25 to read a little slower, that's fine, we can go back.

1                   MR. GREG BARNLUND:    Yeah, this was a -  
2 - this is sort of a complex part of the testimony here  
3 and -- and I believe what -- what our president was  
4 committing to was -- was a willingness to work with  
5 parties and to explore different options and explore  
6 solutions.

7                   So, that was my understanding of the  
8 commitment that he made.

9                   MS. DAYNA STEINFELD:    And, Mr.  
10 Barnlund, perhaps you can help in understanding, what  
11 is Manitoba Hydro's position on whether there should  
12 be a separate First Nations rate class.

13                  MR. GREG BARNLUND:    Well, you know, I  
14 reflect on what we discussed in terms of rate-making  
15 principles and -- and largely being cost of service  
16 base. This Board does have the ability to take other  
17 overriding -- or policy matters into consideration  
18 but, you know, it -- it really begs the question of  
19 what is unduly preferential and unduly discriminatory.

20                  And if we're, you know, setting rates  
21 on the basis of cost with some accommodation for other  
22 policy considerations, I think that's reasonable. But  
23 if we deviate too far off of a cost of service base I  
24 think that it becomes more and more difficult to -- to  
25 really determine what is just and reasonable rates.

1 MS. DAYNA STEINFELD: And this is fine  
2 to -- to answer this generally. I wouldn't expect you  
3 to know any precise numbers, but would you expect that  
4 there would be costs to the Utility associated with  
5 establishing a separate First Nations rate class?

6 MR. GREG BARNLUND: Well, there  
7 certainly would be and, I mean, I just don't know what  
8 the criteria would be. Again, I'm extremely cautious  
9 about -- about this type of thing, because I -- I have  
10 no idea what criteria you would -- you would rely upon  
11 for setting rates on that basis. I mean, we're --  
12 we're now talking about almost like a constitutional  
13 issue here in terms of this, and I'm going to be  
14 treading into an area that Mr. Bedford is going to  
15 have to elbow me in a minute.

16 So -- so I think that's as far as I can  
17 go on that regard. It's -- it's really outside of the  
18 realm of normal rate-making, far outside of the realm.

19 MS. DAYNA STEINFELD: Thank you, Mr.  
20 Barnlund. I'm -- I'm -- I can see your counsel  
21 getting antsy so I'm happy to move on from that  
22 constitutional discussion.

23 If we could maybe go back to page 162,  
24 of volume 5, and if we just scroll down to under  
25 number 9 here. This is just for -- to refresh our

1 memories.

2 But you'll see, Mr. Barnlund, there's a  
3 reference here to the Needs For and Alternatives To  
4 recommendation of using a portion of the incremental  
5 capital taxes and water rental fees from the  
6 development of the Keeyask project to mitigate the  
7 impact of rate increases on lower income consumers,  
8 northern and Aboriginal communities.

9 Do you see that there?

10 MR. GREG BARNLUND: Yes, I do.

11 MS. DAYNA STEINFELD: And if we just  
12 look at the First Nations element of that, does  
13 Manitoba Hydro have a position on -- on that?

14 MR. GREG BARNLUND: I'm sorry, can you  
15 --

16 MS. DAYNA STEINFELD: Does Manitoba  
17 Hydro have a position on using the incremental capital  
18 taxes and water rental fees from Keeyask to mitigate  
19 the impact of rate increases on Aboriginal ratepayers?

20 MR. GREG BARNLUND: Well, I don't  
21 believe we have an official position on that. I don't  
22 believe that that's a matter that has been before our  
23 Board of directors to this point.

24 MS. DAYNA STEINFELD: Thank you, Mr.  
25 Barnlund. And is it -- the answer again, in terms of

1 looking at specific affordability measures for First  
2 Nations communities related to the level of the rate  
3 increases and -- and how that might cause other  
4 ratepayers to have to pay even more?

5 MR. GREG BARNLUND: Well -- and I  
6 don't want to at all create the impression that --  
7 that -- that we shouldn't be doing something with  
8 First Nation communities, but I think that it's  
9 difficult to say you're only going to do something for  
10 First Nation communities.

11 I view it from a rate-making  
12 perspective as saying that we need to come up with  
13 something that is -- that is broadly applicable, and  
14 that doesn't -- that is not unduly preferential or  
15 unduly discriminatory.

16 So it would -- it would require us to  
17 not necessarily look within the confines of First  
18 Nation communities, but -- and again, this is where we  
19 were sort of headed with our electric heating rate is  
20 that, you know, as a byproduct of this most First  
21 Nation communities they have homes that are electrical  
22 heated. So the development of an electric heating  
23 rate that -- that shields them from some level of  
24 increase benefits them.

25 It also benefits their neighbours who



1 don't live on reserve, and it benefits people that  
2 lived in either the north or south of the province.  
3 So it doesn't benefit -- it doesn't create a  
4 distinction on the basis of geography.

5                   So -- so there's -- there's things to  
6 do to achieve, you know, some outcomes here without  
7 tripping up, you know, on too many of the  
8 technicalities if you would like in that regard. So I  
9 think that's our position in terms of how we would  
10 view rate design on that matter.

11                   MS. DAYNA STEINFELD:     And, Ms.  
12 Galbraith, in terms of -- of programming is there a  
13 way to tie new programming to the affordable energy  
14 program measures that are offered to -- to First  
15 Nations on reserve?

16                   MS. COLLEEN GALBRAITH:    Could you give  
17 an example?

18                   MS. DAYNA STEINFELD:     I was -- I was  
19 hoping you might. Could -- could there be a pilot  
20 project or some kind of new program that could be,  
21 perhaps, more administratively easy to -- to try out  
22 because of the way the affordable energy program is  
23 already offered.

24                   MS. COLLEEN GALBRAITH:    I suppose  
25 anything's possible. I noted earlier that we do not

1 income verify anybody on reserve. So if we were to  
2 look at a rate design that was based on income, then  
3 that would add a level of complexity to that  
4 component.

5                   And I think truthfully, what we would  
6 need -- while we have some knowledge in our  
7 Corporation is those stakeholders to come to the table  
8 and help us figure out what the best optimal solution  
9 would be.

10                   MS. DAYNA STEINFELD: Mr. Chair, I --  
11 I am about to move into another area and I think it  
12 would make sense to -- to keep going today if the  
13 panel is amenable to that, but, we could take a short  
14 break now.

15                   THE CHAIRPERSON: We'll take ten (10)  
16 minutes. When I come back up -- when we come back up,  
17 I have got two (2) questions for Mr. Mason.

18                   MS. DAYNA STEINFELD: Certainly.

19                   THE CHAIRPERSON: Or Dr. Mason. Okay,  
20 ten (10) minutes. Thank you.

21

22 --- Upon recessing at 4:09 p.m.

23 --- Upon resuming at 4:21 p.m.

24

25                   THE CHAIRPERSON: Okay, if we could

1 start. Dr. Mason, have you looked at any other  
2 countries in terms of bill affordabilities, that kind  
3 of program, and what would have been instituted in  
4 other countries?

5 DR. GREGORY MASON: We did. The  
6 report does include a review of other --

7 THE CHAIRPERSON: Okay.

8 DR. GREGORY MASON: -- jurisdictions  
9 and other areas, but it's not an in-depth review, no.

10 THE CHAIRPERSON: Okay. Are there any  
11 -- I went through the report quite a while ago, quite  
12 quickly, but are there any countries we should be  
13 looking at?

14 DR. GREGORY MASON: Can I just take a  
15 notice on that? I'll go through the report in --

16 THE CHAIRPERSON: Sure.

17 DR. GREGORY MASON: -- detail --

18 THE CHAIRPERSON: If you could.

19 DR. GREGORY MASON: -- and then give  
20 an answer tomorrow?

21 THE CHAIRPERSON: That'd be great.

22 The second --

23 DR. GREGORY MASON: Yes, I'll und --  
24 I'll undertake to do that.

25

1 --- UNDERTAKING NO. 16: Dr. Mason to respond to  
2 what other countries have  
3 instituted bill  
4 affordability programs  
5

6 THE CHAIRPERSON: Yeah. The second  
7 thing is, you -- you talked about Ontario, and you  
8 said, Ontario -- what the -- they're doing is not  
9 sound economic policy. And I'm just wondering if  
10 we're dealing -- if we're looking at a provincial  
11 government program, or involving the provincial  
12 government, what would be sound economic policy from -  
13 - from that vantage point?

14 DR. GREGORY MASON: Yeah. I think  
15 that's one (1) of the issues, and I think this is --  
16 this is where, I guess, a certain value judgment comes  
17 in into how one should imagine paying for certain  
18 items. One can imagine paying for capital goods and  
19 infrastructure that kind of bear a -- a return to  
20 society over a long period of time. One can see  
21 undertaking that using essentially a bond or a  
22 mortgage of some kind, and financing it into the  
23 future.

24 When you're looking at current  
25 shortfalls in revenue, to use the same kinds of

1 techniques, basically a long-term technique for  
2 financing, to my mind, has always been much less sound  
3 than financing out of current tax revenue. And that  
4 was, essentially, I think the difficulty the  
5 provincial government faced is that they've given tax  
6 relief for people on their energy bills, and they  
7 didn't feel they had tax room to actually come out of  
8 current taxes in order to finance this challenge they  
9 had with their energy -- with their most recent energy  
10 and decisions. And they made a decision that the only  
11 feasible way politically to manage it was to, in fact,  
12 going to bond financing.

13                   As I say, that was a political decision  
14 deal -- to deal with a political problem. But in most  
15 cases, I believe things like current expenditures are  
16 kind of a -- an ongoing expenditure should be revenue-  
17 based financed, and not bond fai -- financed or  
18 mortgage financed. That's the distinction I was  
19 attempting to make.

20                   THE CHAIRPERSON:    Okay. Thank you. I  
21 believe Ms. Kapitany has a question as well.

22                   THE VICE-CHAIRPERSON:    Dr. Mason, on  
23 slide 51, you said, "Few customers are poor payers and  
24 energy poor," and then on slide 53, you said, "Energy  
25 positive -- poverty is not a prime cause of arrears."

1                   Could you give some insights into what  
2 are the prime causes of arrears and what elements  
3 might make someone a poor payer when they're not  
4 energy poor? And --

5                   DR. GREGORY MASON:    No --

6                   THE VICE-CHAIRPERSON:   -- and perhaps  
7 it -- Manitoba Hydro has a sense from knowing their  
8 customer base as well, but this isn't -- certainly  
9 wasn't intuitive when I read the report, so I just  
10 wondered what you might be able to add, there.

11                  DR. GREGORY MASON:    It certainly  
12 wasn't intuitive to me either. And -- and honestly, I  
13 think the best information does come from Manitoba  
14 Hydro, which can characterize the nature of arrears  
15 they face.

16                  But typically in arrears, there are a  
17 whole variety of people that might choose to defer a  
18 bill. And they can choose to defer a bill often about  
19 who they think they could defer this month compared to  
20 all the other bills they have to deal with. And there  
21 also some people that basically just choose not to pay  
22 for a whole variety of reasons, and it's pretty broad  
23 spectrum of reasons people would choose not to pay.

24                  So I -- I think I'm going to defer  
25 this. I think other people on Hydro who know much

1 more about the characteristics of the arrears could  
2 offer more insight.

3 THE VICE-CHAIRPERSON: Sure, but you  
4 said some people would choose not to pay a Hydro bill,  
5 thinking that they could more easily do that than not  
6 pay another bill.

7 DR. GREGORY MASON: That's right.

8 THE VICE-CHAIRPERSON: But that would  
9 still indicate some level, potentially, of --

10 DR. GREGORY MASON: It might.

11 THE VICE-CHAIRPERSON: -- of --

12 DR. GREGORY MASON: It might indicate  
13 that, or it just might indicate people who just think  
14 they can get away with it for a while, because, I  
15 mean, arrears is actually -- for people can be a  
16 strategic issue, I'm just simply not going to pay this  
17 now. I'm going to pay -- do other things with my  
18 money. I think I can get away with it.

19 So it's very hard to actually conclude  
20 until you actually look at the pattern of payment, who  
21 the individual is, and then ask them why they are in  
22 arrears. And I think collection agencies have -- have  
23 much more insight on -- on this dynamic than I would.

24 THE VICE-CHAIRPERSON: So there was  
25 nothing specific you found in the data, then, that --

1 DR. GREGORY MASON: No, there's noth -  
2 - there's nothing. It's just that they -- there is  
3 such a low correlation, I said, Well, there's got to  
4 be something else driving the arrears, then, just  
5 straight poverty.

6 MR. PAUL CHARD: One (1) thing I might  
7 add, just to put in context this concept of poor payer  
8 as it shows up in the research, the way we determined  
9 that is Manitoba Hydro, within its billing system, has  
10 what we call payment ratings for customers. So that  
11 is -- there's three (3) different payment ratings,  
12 there's excellent, satisfactory, and poor. So we took  
13 anyone with less than an excellent/satisfactory  
14 payment rating and put them into that arrears -- or  
15 into the -- the group from which the arrears subsample  
16 was pulled.

17 So a -- a customer could miss two (2)  
18 payments in a twenty-four (24) month period and  
19 maintain an excellent payment rating. Anything more  
20 than that, likely, in terms of missed bills is going  
21 to slide them into satisfactory, and then further on  
22 into the poor category, just so -- just to give you a  
23 sense of -- of who shows up in that -- in that group.

24 The other thing, I think we see it from  
25 the research, and I think we see it from experience,



1 that people at all income levels get themselves  
2 overstretched and have to make choices about which  
3 bills they're going to pay this month. And -- and as  
4 Dr. Mason identifies, sometimes the Hydro bill is --  
5 is the -- particularly with our disconnection  
6 moratoriums during the wintertime, it's -- it can be  
7 the bill of choice for a period of time. Customers  
8 who go down that road understand that in the  
9 springtime, activity is going to ramp up, and they're  
10 going to kind of get on top of that and -- and pay  
11 those bills. So that's a -- a bit of insight from our  
12 point of view.

13 THE VICE-CHAIRPERSON: And from your  
14 role in customer care, have you spoken with customers  
15 that gave you any more insight? And I guess my second  
16 question would be: In terms of a program, is there  
17 anything that then you could use to design around this  
18 kind of behaviour as opposed to people who fall in the  
19 6 or 10 percent threshold that legitimate --  
20 legitimately probably can't pay?

21 MR. PAUL CHARD: We haven't really  
22 done any customer research on that customer segment,  
23 no.

24 THE VICE-CHAIRPERSON: Okay. Thank  
25 you.

1 (BRIEF PAUSE)

2  
3 DR. GREGORY MASON: I'm going to do  
4 that. A little more insight, the -- we often think of  
5 poor -- low income kind of like, 40, \$50,000. But  
6 often, people who have much higher incomes are  
7 juggling quite complex bills, and even though they  
8 could have a hundred thousand income, but they had to  
9 go away to a Mexican holiday, they got, you know,  
10 tuition fees, they -- they have a whole series of  
11 expenditures in which they're trying to keep up with a  
12 lifestyle.

13 And those are the people who typically  
14 get into trouble paying, because they're man --  
15 managing a complex set of expenditures. Objectively,  
16 they're not poor, but in fact, they're kind of running  
17 to stay ahead, and that's not an uncommon phenomenon.

18 THE CHAIRPERSON: Sorry, following up  
19 on your comment, Mr. Chard, where do you move from  
20 satisfactory to poor? You mentioned satisfactory was  
21 -- I think you said two (2) out of twenty-four (24)  
22 months, you're still at excellent. So I guess  
23 anything worse than that, you move to satisfactory,  
24 but what's the delineation between satisfactory and  
25 poor?

1                   MR. PAUL CHARD:    I would have to check  
2 that for you, and it -- and it's not a straightforward  
3 answer.  It's a point system --

4                   THE CHAIRPERSON:    Okay.

5                   MR. PAUL CHARD:    -- where different  
6 points are assigned for different delinquency events.

7                   THE CHAIRPERSON:    Yeah.  Okay.  Thank  
8 you.

9                   BOARD MEMBER GRANT:    Could I --  
10 because you're making follow-up, and I may be taking  
11 you out of scope here, so someone will be slapping me  
12 on the wrist if I do, so.

13                   I got the sense that you wanted to  
14 comment more extensively on sort of policy matters, or  
15 you were restraining yourself.  I -- I -- let me go  
16 back.  I -- I -- my, you know, if I dust off my  
17 lecture notes, I remember that -- where that LICO  
18 comes from, and do you remember the old seventy (70) -  
19 - if you spent 70 percent of your income on food,  
20 clothing, and shelter, and that's been adjusted many  
21 times, but essentially, though, you're dealing with  
22 these two (2) interesting definitions.  Energy poverty  
23 is energy expenditures divided by income, and then  
24 your LICO measures, essentially, this larger pool of  
25 food, clothing, shelter, divided by your income or

1 expenditures on them.

2                   And so if including in shelters your  
3 energy costs, it's sort of this odd situation. So I  
4 guess I wanted to put it this way. You know, there  
5 could be three (3) people living beside each other.  
6 They're all underneath the LICO. One (1) is energy  
7 poor. The other is food poor, and the other one is  
8 clothing poor.

9                   The point is, they're -- they're poor,  
10 and I guess the issue of addressing poverty one (1)  
11 sort of commodity at a time seems like an odd notion.  
12 And -- and do you have any thoughts about how -- how  
13 you address that from a policy perspective?

14                   DR. GREGORY MASON: You're just  
15 summarizing my reaction to when I first saw the RFP.  
16 I said, People are poor. I happened to be -- I mean,  
17 I -- there are things which I can't afford, though.  
18 Does that make me poor? No, it doesn't.

19                   The issue is is that we define a series  
20 of necessities. And typically in colder climates, we  
21 look at something like energy and heating a home, and  
22 in which case, if you can't afford it, or choose not  
23 to be able -- or choose not to spend on it that month,  
24 there could be some degree of risk, not just to  
25 lifestyle, but to health.

1                   So that's one (1) of the reasons why  
2 the energy poverty has come up and has been singled  
3 out. And it's particularly important for countries --  
4 northern countries such as Canada, where there's some  
5 kind of threat.

6                   So that's my imagination on why people  
7 have defined something called energy or fuel poverty.  
8 Fuel poverty is another common term. But I still  
9 think that fundamentally, we are talking about low  
10 income people who have a whole series of necessities,  
11 and they are juggling those necessities, and in one  
12 (1) month, if the one (1) bill goes up, that creates a  
13 degree of pressure within the household.

14                  If the bill is systemically going up,  
15 then they're going to have to displace other things  
16 which we may call necessities. But there is such a  
17 thing as food poverty. But when you start parsing it  
18 down into different commodities, I still think we've  
19 got to go back, and that's why I've always personally  
20 favoured this very simple measure of energy burden,  
21 the percentage of your income that you're spending on  
22 energy, because that aligns with Stats Canada -- or  
23 CMHC's policy about what poor housing is, and housing  
24 affordability.

25                  It's very much a proportion of your

1 income that you're devoting to a certain necessity. I  
2 think that's a much cleaner definition, and I've  
3 always been fairly uncomfortable with the LIC0125. So  
4 that's just now me speaking as an academic.

5 BOARD MEMBER GRANT: But -- but just  
6 to -- there's nothing wrong with that --

7 DR. GREGORY MASON: Yeah.

8 BOARD MEMBER GRANT: -- but --

9 DR. GREGORY MASON: I'm trying not to  
10 be defensive, here.

11 BOARD MEMBER GRANT: -- but just --  
12 that -- go one (1) step further, though. You said  
13 earlier about the administrative costs of targeting,  
14 you know, a low income program. And on the other  
15 hand, there's a well-known view that addressing low  
16 income through prices or rate changes is -- can cause  
17 distortions in an -- an efficient method.

18 And so does -- is there a third  
19 consideration, or where -- where does that take you, I  
20 guess?

21 DR. GREGORY MASON: Well, I think what  
22 I -- what we're learning through designing the basic  
23 income is that it's complex, but it can be done. But  
24 one (1) of the what I call societal costs to something  
25 like a basic income or using income means-tested

1 programs is that Canada Revenue Agency starts to loom  
2 large in our life, because we're using that as the  
3 verification process, and part of verica --  
4 verification is enforcement. So one (1) of the things  
5 that's going to happen when we start reaching out to  
6 these programs is that we are actually creating a  
7 fairly large mechanism that's going to be much more  
8 important in most people's lives.

9                   And the other point I think was raised  
10 earlier that's very important, which is what I call  
11 income assistance dirty little secret, and that's the  
12 whole idea of wealth. We all talk about income, but  
13 we don't talk about wealth, and we have a lot of  
14 wealthy poor people in the country, and they're called  
15 seniors. They have assets, but they have low income,  
16 and that's very common.

17                   So throughout our lifespan, our income  
18 and our wealth fluctuate depending upon which stage of  
19 our life cycle we're at. And so designing policies  
20 that apply to people at various stages of their income  
21 and wealth life cycle is very tricky. But you know, I  
22 think most Canadians would accept the fact that an  
23 income-tested program that referenced income tax data  
24 is probably still the best way to go, but we're going  
25 to always have to deal with these anomalies where we





1                   And the other thing I wanted to offer,  
2 I have a really difficult time believing there isn't a  
3 correlation between the arrears and low income  
4 families that are chil -- challenged by their income  
5 levels. And I don't know what your sampling is for  
6 isolated northern communities without road access as  
7 to how they participated. I don't know if food  
8 prices, you know, in those communities were  
9 considered, because that all -- like I know part of  
10 that, it sounds like LIC0125 considers part that, but  
11 I don't know if that's the accurate picture that it  
12 contained. Let's say for a community like Shamattawa  
13 or -- or Brochet or Tadoule Lake, you know.

14                   DR. GREGORY MASON: I would agree with  
15 you totally. I don't think the survey does cover  
16 those populations at all well. That was simply a  
17 decision that was made in terms of what we're going to  
18 do and how we were going to look at this.

19                   I think there is a case to be made for,  
20 if not a general sample of First Nations communities,  
21 at least a representative sample to increase that  
22 insight and that would be something I would suggest as  
23 a next step if you -- you wanted to drill down on  
24 this.

25                   And I agree with you, Social Assistance

1 does in fact qualify for income. I'm just saying you  
2 don't have to build a parallel system to it. It's  
3 already there.

4 BOARD MEMBER MCKAY: It's a phone  
5 call.

6 DR. GREGORY MASON: Phone call, right.

7 THE CHAIRPERSON: Ms. Steinfeld...?  
8

9 CONTINUED BY MS. DAYNA STEINFELD:

10 MS. DAYNA STEINFELD: Thank you, Mr.  
11 Chair. Mr. Barnlund, I'm sure you woke up this  
12 morning and thought I'd sure like to use the 4:30 to  
13 5:30 time slot to talk about implementation of the  
14 cost of service study, so, we're going to do just  
15 that.

16 MR. GREG BARNLUND: I've been waiting  
17 all day.

18 MS. DAYNA STEINFELD: And we -- we  
19 spoke about this a bit this morning but just to  
20 refresh our memories and -- any maybe simplify what  
21 was a fairly com -- complex process but, Mr. Barnlund,  
22 in essence, the cost of service study is the means by  
23 which Manitoba Hydro determines how the Utilities'  
24 costs should be apportioned or allocated among the  
25 various customer classes; is that correct?

1 MR. GREG BARNLUND: Yes, that's  
2 correct.

3 MS. DAYNA STEINFELD: So if we put it  
4 another way, the cost of service study is an effort to  
5 have a customer class allocated only those costs or  
6 shares of costs that it caused Manitoba Hydro to  
7 incur?

8 MR. GREG BARNLUND: I think, generally  
9 speaking, that's correct, yes.

10 MS. DAYNA STEINFELD: And if we  
11 summarize it very simply, the -- the steps are -- are  
12 to first functionalize the costs according to the  
13 functions that are performed by the electrical system.

14 MR. GREG BARNLUND: Yes.

15 MS. DAYNA STEINFELD: So we have  
16 functionalization to generation, transmission,  
17 subtransmission, distribution and customer service; is  
18 that correct?

19 MR. GREG BARNLUND: Correct.

20 MS. DAYNA STEINFELD: And then once  
21 you functionalized costs, you classify them according  
22 to the system design and operating characteristics of  
23 energy, demand and customer?

24 MR. GREG BARNLUND: Yes, you'd  
25 classify them to those three (3) categories, yes.

1 MS. DAYNA STEINFELD: And once you've  
2 done that step, you can move on to the final step,  
3 which is to allocate the functionalized and classified  
4 costs among the customer classes; correct?

5 MR. GREG BARNLUND: Right. So I think  
6 the other consideration, when you do allocation, is  
7 may do a direct assignment of costs where you have  
8 costs that are known and -- and can be tracked  
9 directly to a particular customer class, like area and  
10 roadway lighting or diesel that you can direct assign  
11 costs. But --

12 MS. DAYNA STEINFELD: And if you are  
13 not able to direct assign then you use the allocation  
14 method to apportion the share across the customer  
15 classes?

16 MR. GREG BARNLUND: Yes, that's  
17 correct.

18 MS. DAYNA STEINFELD: And we discussed  
19 earlier that the -- the review that happened last year  
20 ultimately resulted in Order 164 of '16 and so what  
21 the Board has before it now in this rate application  
22 is the perspective cost of service study 18; correct?

23 MR. GREG BARNLUND: That's correct,  
24 yes.

25 MS. DAYNA STEINFELD: And that's an

1 embedded cost of service study because it's based on  
2 forecast financial costs for a single test year period  
3 in the integrated financial forecast?

4 MR. GREG BARNLUND: That's correct.

5 MS. DAYNA STEINFELD: And, Mr.  
6 Barnlund, I think I referenced this earlier that I  
7 understand that Ms. Doerksen testified before the  
8 Board in the cost of service study review but it is  
9 appropriate to put these questions to you on cost of  
10 service study matters?

11 MR. GREG BARNLUND: Yes, it is.

12 MS. DAYNA STEINFELD: I will do so  
13 then. I'd to spend some time talking about the  
14 customer services function. And perhaps you can  
15 confirm for me that the -- the costs in this function  
16 relate to serving and communicating with customers  
17 after the delivery of energy. So, so it would include  
18 things like metre reading or billings or collections;  
19 is that right?

20 MR. GREG BARNLUND: Yes, there's --  
21 there's a number of different activities that would be  
22 captured in that category, yes.

23 MS. DAYNA STEINFELD: And in Order 164  
24 of '16 the Board agreed with Manitoba Hydro that  
25 services costs should be classified in the customer

1 classification as the costs vary with the number of  
2 customers; is that right?

3 MR. GREG BARNLUND: That's correct.

4 MS. DAYNA STEINFELD: And at the time  
5 of that review Manitoba Hydro allocated costs related  
6 to customer service departments; is that right?

7 MR. GREG BARNLUND: Yes.

8 MS. DAYNA STEINFELD: And -- and one  
9 (1) of those departments was a consumer consultation  
10 and information department?

11 MR. GREG BARNLUND: That would be an  
12 activity, but yes, that -- they were on a department  
13 base so we've now -- we've now disaggregated those  
14 into -- into activities themselves.

15 MS. DAYNA STEINFELD: And we'll --  
16 we'll go there and look at the disaggregation in a  
17 moment but the -- the allocator used was called the C-  
18 10 (phonetic) allocator?

19 MR. GREG BARNLUND: That's correct.

20 MS. DAYNA STEINFELD: Is there a brief  
21 explanation that you can provide for what the C-10  
22 allocator is?

23

24 (BRIEF PAUSE)

25

1 MR. GREG BARNLUND: So C-10 is  
2 basically the collection of -- of general customer  
3 service costs. So it's not meter reading, it's not  
4 billing, it's not collections. There's a number of  
5 other activities that are involved and that's captured  
6 in the C-10 category.

7 MS. DAYNA STEINFELD: And previously,  
8 there was an allocation that was weighted by the  
9 budget for each of the areas, is that right?

10 MR. GREG BARNLUND: Yes, that's  
11 correct.

12 MS. DAYNA STEINFELD: And now Manitoba  
13 Hydro is allocating to the customer classes  
14 proportionately by revenue for the class?

15 MR. GREG BARNLUND: That's correct.

16 MS. DAYNA STEINFELD: So let's turn to  
17 what you were just referencing, Mr. Burnlund, which I  
18 believe is at book of documents, volume 5, tab 106,  
19 page 8.

20 And so this is where we see what --  
21 what you just mentioned, this segregation of the  
22 customer service activity in -- in -- into different  
23 activities?

24 MR. GREG BARNLUND: Yes, that's  
25 correct.

1 MS. DAYNA STEINFELD: And am I right  
2 that what we would have talked about in the cost of  
3 service study review that was referred to as key and  
4 major accounts now fits within that industrial and  
5 commercial solutions that we see in blue?

6 MR. GREG BARNLUND: Yes, that's right.

7 MS. DAYNA STEINFELD: So if we -- if  
8 we look at that blue line, that's an activity that is  
9 allocated to the general service large customers only,  
10 if we follow that through?

11 MR. GREG BARNLUND: Yes, that's  
12 correct because we have key account reps that deal  
13 specifically and solely with those particular  
14 customers.

15 MS. DAYNA STEINFELD: Thank you. And  
16 -- and if we look at the -- the green highlighting,  
17 which covers activities like community -- or sorry,  
18 customer and community service work, general  
19 inquiries, power quality and service extensions, these  
20 costs are allocated only to the non-general service  
21 large classes?

22 MR. GREG BARNLUND: That's correct,  
23 yes.

24 MS. DAYNA STEINFELD: And we see that  
25 if we just follow those rows through, there's blank or



1 dashes for the general service large classes?

2 MR. GREG BARNLUND: Right. So you can  
3 see that under the general service 0 to 30, 30 to 100  
4 and greater than 100 that there is no costs of those  
5 categories be allocated to those customer classes.

6 MS. DAYNA STEINFELD: And what we see  
7 highlighted in yellow here are activities where the  
8 costs are allocated to all of the classes?

9 MR. GREG BARNLUND: That's right. The  
10 thinking there is that those activities are relevant  
11 to the system and -- and in general in its entirety  
12 and that all customers have some cost responsibility  
13 for those activities.

14 MS. DAYNA STEINFELD: And am I correct  
15 in understanding that some of these activities that we  
16 see here in yellow would have been included in the  
17 former consumer consultation and information  
18 subcategory?

19 MR. GREG BARNLUND: Yes, that's  
20 correct.

21 MS. DAYNA STEINFELD: And can you tell  
22 me, Mr. Barnlund, is there any double counting of the  
23 costs we see in yellow that are allocated to all  
24 classes because some of these costs are already in the  
25 industrial and commercial solutions costs?

1 MR. GREG BARNLUND: No, these are not  
2 double counted. Those have been separated and  
3 distinguished.

4 MS. DAYNA STEINFELD: And can you  
5 explain how the Board and -- any maybe it's not on  
6 this chart, but is there a way to see that on this  
7 chart?

8 MR. GREG BARNLUND: Well, I think that  
9 we're seeing is that the activity that industrial  
10 commercial solutions performs, there are some elements  
11 of -- of -- like, for example, inquiries and so on and  
12 so forth that -- that those key account reps perform  
13 with those GSL customers.

14 So that activity is being reflected in  
15 the C-23 line. They're not being charged for the  
16 other general inquiries or for the other service  
17 extension work, for example, that occurs with other  
18 classes of customers, so there's been a separation of  
19 those activities that -- that is represented here on  
20 this chart.

21 MS. DAYNA STEINFELD: Thank you for  
22 that. And if we look at page 6 of Board counsels'  
23 book of documents, volume 5, you'll see here that in  
24 Order 164 of '16, the Board directed that the costs  
25 that were formally in that customer consultation and

1 information category should not needed be allocated to  
2 the 3200 kV or greater than 100 kV customers, unless  
3 and until, among other things, Manitoba Hydro  
4 justifies the customer weightings.

5 Do you agree with that, that that was  
6 the Board's direction?

7 MR. GREG BARNLUND: Yes.

8 MS. DAYNA STEINFELD: Has Manitoba  
9 Hydro done that justification exercise?

10

11 (BRIEF PAUSE)

12

13 MR. GREG BARNLUND: Well, I think that  
14 what we're saying here is that we've probably haven't  
15 explicitly pointed that out to the Board, but, you can  
16 see it represented in the other Information Requests  
17 we've -- that we've been speaking of here.

18 MS. DAYNA STEINFELD: Sorry, Mr.  
19 Barnlund, let's turn back to what's on page 8.

20 The activities that are highlighted in  
21 yellow, would I be correct in understanding that the  
22 general service large classes being allocated a  
23 greater proportion of these costs because they are now  
24 being allocated on the basis of the proportion of  
25 domestic revenue?

1 MR. GREG BARNLUND: If they're  
2 allocated on revenue it will be a different outcome  
3 than if they were allocated on the basis of, say, a  
4 weighted customer for example.

5 MS. DAYNA STEINFELD: And so just -- I  
6 don't know these numbers, but let's use them as an  
7 illustrative example. If -- if the GSL class  
8 contributes 25 percent of total domestic revenue then  
9 allocating on the basis of revenue would mean it would  
10 allocated 25 percent of these customer service costs?

11 MR. GREG BARNLUND: Yep, that's an  
12 accurate depiction.

13 MS. DAYNA STEINFELD: So would it be  
14 fair to say that when we look at these activities in  
15 yellow, the general service large classes are now  
16 being allocated a greater portion of these costs, even  
17 though we might expect they only contribute or are  
18 responsible for a small amount of those costs?

19 MR. GREG BARNLUND: Well, I think that  
20 what we're saying with regards to these cost  
21 categories is that -- let's say education and safety.  
22 That this is a -- a general cost to the system, and  
23 that a reasonable way to allocate it is on the basis  
24 of revenue for each of these customer classes.

25 So, it's not like you're -- you know,

1 you're specifically using particular services by  
2 customer class here, but these are -- are activities  
3 that are undertaken overall for the system and there  
4 is a -- a, you know, a way to be able to attribute  
5 those costs to each of the customer classes and -- and  
6 we have elected to do so on the basis of revenue.

7 MS. DAYNA STEINFELD: And for the --  
8 the general service customer, there might be one (1)  
9 key accounts manager that -- that handles things like  
10 education and safety, regardless of the size of the  
11 class; is that fair?

12 MR. GREG BARNLUND: Well, education  
13 and safety, I'm not sure about because we may have  
14 education and safety activities that a key account  
15 manager would if a customer had an inquiry about that  
16 or -- or was involved in it that they would direct  
17 them to that particular person or department that was  
18 conducting that activity.

19 So -- so the industrial/commercial  
20 solutions may be a -- a point of contact that would  
21 then serve to be able to direct that customer to  
22 access other activities within the Corporation.

23 MS. DAYNA STEINFELD: Is it harder to  
24 reach the -- the customers that make up the  
25 residential class when we're talking about education

1 and safety than it might be for a general service  
2 large customer?

3 MR. GREG BARNLUND: Well, I'm not  
4 sure. I think that it depends on what we capture  
5 within education and safety and we're -- we're  
6 drilling down into a fairly deep level of detail here.

7 So -- so when I think of education and  
8 safety, I think of our public programs where we're --  
9 where we're basically providing customer warnings that  
10 you, you know, be -- be careful you don't contact our  
11 plan, that type of thing, and that applies to all  
12 customers. That's a general benefit that -- that  
13 benefits the system that -- that nobody is going to  
14 come into contact with our plant.

15 So -- so that's really, you know, a  
16 message that's provided to all customers. We take out  
17 advertising and billboards to do that. And there's  
18 got to be some way of recovering that money from our  
19 customers for that particular activity and it's  
20 reasonable that all customers bear some share of  
21 responsibility for that.

22 MS. DAYNA STEINFELD: So is this an  
23 area where there might be some double counting because  
24 we have key account reps doing at least a portion of  
25 that work that's also being allocated under the

1 education and safety activity?

2 MR. GREG BARNLUND: Well, you know, I  
3 happen to know fairly well what key account reps do  
4 and I can assure you that for the most part they're  
5 working directly with those customers trying to solve  
6 problems in terms of plant expansion or in terms of  
7 dealing with issues in terms of maybe some part of our  
8 service somewhere, or managing outages where -- where  
9 we have to take it an outage and they have to shut a  
10 plant down.

11 So -- so it's the items we're talking  
12 about here are -- would be insignificant in the work  
13 year of a key and major account rep.

14 MS. DAYNA STEINFELD: And if we move  
15 on to the next slide, contact centre outages. Do you  
16 know what portion of outages calls are attributable to  
17 general service large customers?

18 MR. GREG BARNLUND: Well, again, I  
19 don't think that we're -- we're tracking it in that  
20 particular fashion. I mean, if we have -- this is --  
21 this is something that we're doing to manage the  
22 integrity of the system overall. And so all customers  
23 are expected to -- to basically participate in funding  
24 that particular activity.

25 MS. DAYNA STEINFELD: And -- and maybe

1 I'll skip a few lines down because this is my  
2 favourite one. Building moves.

3 MR. GREG BARNLUND: Yep.

4 MS. DAYNA STEINFELD: And I understand  
5 that this was something I didn't know before but this  
6 refers to when a building is -- is physically moved to  
7 a different location which requires Manitoba Hydro to  
8 do certain activities like raising transmission lines?

9 MR. GREG BARNLUND: That's correct.

10 So if you ever go down the highway and you see a truck  
11 moving a prebuilt house, we are involved. We're  
12 involved having to raise lines and to be able to clear  
13 a passageway for -- for those -- for those people to  
14 move a building down the highway to its destination.  
15 And so that's -- that's something that we do.

16 Safety watches is different. Safety  
17 watches is when there's construction that's being  
18 undertaken adjacent to our plant, and we will have a  
19 personnel out there who's ensuring that -- that the  
20 excavator is not going to come within a certain  
21 distance of our transmission line. And there would be  
22 a flashover occur, for example. So -- so both of  
23 those things are sort of accumulated together in that  
24 particular category.

25 MS. DAYNA STEINFELD: And -- and I



1 understand and you can take this subject to check that  
2 50 percent of the costs under this activity are  
3 allocated directly to the individual customer.

4                   But why allocate the remaining 50  
5 percent to all customer classes proportionately on  
6 revenue?

7                   MR. GREG BARNLUND: Well, again,  
8 that's -- that's the approach that we've taken with  
9 these and -- and, you know, it -- we're -- we're also  
10 talking about \$150,000 here, you know, in different  
11 places. We're not talking tens of millions of dollars  
12 here. There's an argument, obviously, to make -- to  
13 be made that it could be handled differently. We've -  
14 - we've proposed to handle it in this particular  
15 fashion and -- and that's where we find ourselves here  
16 today.

17                   MS. DAYNA STEINFELD: And would it be  
18 more in accordance with the principle of  
19 cost/causation to allocate on the basis of weighted  
20 customer account as opposed to revenue?

21                   Is that why that's another way of doing  
22 that?

23                   MR. GREG BARNLUND: Well, I mean, the  
24 problem with weighted customer account is you've got  
25 475,000 residential customers and fourteen (14) GSL

1 greater than a hundred. So -- so we have -- you -- we  
2 have a huge size difference between customers on our  
3 system.

4 And so customer weighting has its  
5 limitations. And obviously allocation based on  
6 revenue is -- is an approach that we've taken here.  
7 Some may argue that it has its limitations too.

8 MS. DAYNA STEINFELD: Thank you, Mr.  
9 Barnlund. Let's -- let's move on to another area.  
10 I'd like to spend some time talking to you about  
11 service drops.

12 MR. GREG BARNLUND: Yes.

13 MS. DAYNA STEINFELD: And, again, just  
14 to refresh our memories, service drops are the wires  
15 that connect individual homes and businesses to either  
16 the primary or secondary voltage systems; is that  
17 right?

18 MR. GREG BARNLUND: That's correct.

19 MS. DAYNA STEINFELD: And for multi-  
20 unit buildings such as an apartment building, there's  
21 usually a single service drop serving the building as  
22 a whole, is that right?

23 MR. GREG BARNLUND: Yes.

24 MS. DAYNA STEINFELD: So many  
25 customers, in that scenario, would be served from one

1 (1) service drop, correct?

2 MR. GREG BARNLUND: That's correct,  
3 yes.

4 MS. DAYNA STEINFELD: And previously  
5 Manitoba Hydro allocated the cost of service drops on  
6 the basis of the number of customers served by the  
7 service drop; is that correct?

8 MR. GREG BARNLUND: Yes.

9 MS. DAYNA STEINFELD: And we'll turn  
10 to volume 5, page 10. And we'll see a highlighted  
11 portion of Order 164-16. The Board found that an  
12 allocator that reflects the number of service drops  
13 and not the number of customers would better reflect  
14 cost/causation; is that correct?

15 MR. GREG BARNLUND: Yes, that's  
16 correct, yep.

17 MS. DAYNA STEINFELD: And the  
18 direction was for Manitoba Hydro to update its service  
19 drops cost allocator but there was an interim  
20 methodology set out that essentially involved pro-  
21 rating the residential customers who shared service  
22 drops?

23 MR. GREG BARNLUND: Right. So we took  
24 the prorated approach in terms of preparation of  
25 prospective cost to serve service study 18. It's a

1 pending item for us to be able to do the review of the  
2 service drops. We have do a separate study for that.  
3 And that's something that we'll have to address here  
4 when we're done our General Rate Application.

5 MS. DAYNA STEINFELD: So I take it  
6 from that answer that Manitoba Hydro is still  
7 currently using the weighting factors that were  
8 developed in 1991 and that were in place at the time  
9 of this review?

10 MR. GREG BARNLUND: Well, more  
11 appropriately, I think we're using the interim  
12 approach as described by the Board in 164-16.

13 MS. DAYNA STEINFELD: And is the  
14 interim approach to continue using those same  
15 weighting factors after Manitoba Hydro looked at it  
16 and determined it was appropriate.

17 MR. GREG BARNLUND: Well, I think what  
18 we would do and I think what I was trying to describe  
19 was that we have yet to undertake that work and we're  
20 going undertake a study which is going to update the -  
21 - the number of service drops and then with that  
22 updated information, our next cost of service study  
23 would be reflecting new information as opposed to the  
24 interim approach that we used under the Board's  
25 guidance in -- in this particular rate case.

1 MS. DAYNA STEINFELD: I'm going to ask  
2 my favourite question now, Mr. Barnlund. What's the  
3 timeframe for that study?

4 MR. GREG BARNLUND: Before the next  
5 General Rate Application.

6 MS. DAYNA STEINFELD: Thank you. And  
7 -- and just so that we understand, we've already  
8 discussed that there has been a head count reduction  
9 at Manitoba Hydro.

10 How many were reduced from the cost of  
11 service department?

12 MR. GREG BARNLUND: Well, I think that  
13 it's fair to say that -- we look at it from a  
14 divisional level, and between retirements and -- well,  
15 we've gone from a division of probably about twenty-  
16 five (25) people to a division of about eleven (11)  
17 right now but some of those were responsibilities that  
18 were transferred to other areas of the company.

19 So -- so we have less, you know, people  
20 directly involved in rates and regulatory and cost of  
21 service than we did previously, but we're -- we're at  
22 a level where we're managing that.

23 MS. DAYNA STEINFELD: And so despite  
24 those reductions you're -- you're confident that you  
25 have the required staffing to do this further analysis

1 in -- in time for the next GRA?

2 MR. GREG BARNLUND: Well and -- and  
3 part of this analysis requires the cooperation of  
4 other operating areas of the Company, because it's  
5 going to be operational people that will assist us  
6 with this.

7 But, in terms of the service drops it's  
8 not necessarily a significant amount of study that we  
9 have to do in that regard but, you know, it's  
10 something that I'm -- I'm quite confident we can  
11 undertake and have completed for the next cost of  
12 service study.

13 MS. DAYNA STEINFELD: Thank you, Mr.  
14 Barnlund. Let's move -- move on to some other areas  
15 for further study. We've already spoken about service  
16 drops but there were some other aspects of the Order.

17 And I understand and -- and you can  
18 confirm for me, that Manitoba Hydro has further to  
19 Order 164-16 already updated the supervisory control  
20 and data acquisition or SCATA (phonetic) and meter  
21 your investment; is that correct?

22 MR. GREG BARNLUND: That's correct,  
23 yes.

24 MS. DAYNA STEINFELD: Another area  
25 that was ordered for further study was -- was common

1 costs, do you recall that?

2 MR. GREG BARNLUND: Well, I think that  
3 the Board accepted the approach that we were taking to  
4 the treatment of common costs and encouraged us to --  
5 to see if there was any other method that would  
6 provide better cost/causation.

7 But, maybe I'd like to speak to that  
8 just for a second because the method that we're  
9 currently using is, essentially, an allocator that is  
10 pretty much reflective of labour costs. So in other  
11 words, when we're functionalizing so of these common  
12 costs, we're going to use an allocator that -- that is  
13 derived by the labour charges, in other words, what  
14 labour is charged to which function.

15 And when you look at these common  
16 costs, take for example, 360 Portage Avenue are  
17 buildings, right. So you've got -- is that -- how  
18 much of that building is related to generation, how  
19 much is it for transmission, subtransmission, so on  
20 and so forth.

21 Well, what we would say is, if we've  
22 got a workforce and -- and if X amount of labour is  
23 being involved in generation, Y amount is being  
24 involved in transmission and so on and so forth that  
25 that's a, you know, a reasonable allocator to use in

1 terms of allocating space costs or common costs in  
2 that regard.

3                   And so that's what we do. And so while  
4 the Board had encouraged us to look to see if there's  
5 other methods which conceivably could be more  
6 cost/causal, our current view is that the interim  
7 approach that we are us -- that we are using, and I  
8 would say this is the approach that we've been using  
9 for twenty (20) years. So, you know, it's not like  
10 this is something that we have -- have not used in the  
11 past. We have used this all the time.

12                   And -- and it's a reasonable way of  
13 allocating common costs. Your activities relate to a  
14 function, right. And so you can use that as being the  
15 driver to be able to drive common costs, and that's  
16 what we currently do.

17                   Now, which isn't to say that we're not  
18 going to take a look at this from that perspective  
19 because the Board has asked us to look at it and we  
20 will do that. But, you know, I -- I don't want to  
21 leave this discussion with the impression that the way  
22 of allocating common costs is -- is lacking something.  
23 No, it's a valid allocator and it's an allocator  
24 that's been in use for over twenty (20) years here  
25 with Manitoba Hydro.



1 MS. DAYNA STEINFELD: Thank you, Mr.  
2 Barnlund. If we can group the remaining ones, I  
3 understand there was further areas of study that were  
4 directed where on meter maintenance subfunctionalizing  
5 of distribution poles and wires and distribution  
6 substations.

7 Are you able to speak to the -- the  
8 status of the studies of those.

9

10 (BRIEF PAUSE)

11

12 MR. GREG BARNLUND: The short answer  
13 is, we would view ourselves as being compliant. The  
14 long answer is, we'll do an undertaking to write out  
15 the details because it is a fairly technical  
16 explanation in terms of what we've done in that  
17 regard.

18 MS. DAYNA STEINFELD: Sure, I'll take  
19 that as an undertaking.

20 MR. GREG BARNLUND: Okay, thank you.

21

22 --- UNDERTAKING NO. 17: Manitoba Hydro to speak to  
23 the study of the studies  
24 re: meter maintenance  
25 subfunctionalizing of

1 distribution poles and  
2 wires and distribution  
3 substations.

4

5 CONTINUED BY MS. DAYNA STEINFELD:

6

MS. DAYNA STEINFELD: And, Mr.

7 Barnlund, I believe that Mr. Chernick has said in his  
8 evidence that the Board should direct Manitoba Hydro  
9 to develop the data necessary to address what he calls  
10 deficiencies in the cost of service study methodology  
11 around substation loads, primary, secondary lines and  
12 distribution line and pole costs.

13

Does Manitoba Hydro have a position on

14 that?

15

MR. GREG BARNLUND: I think if we

16 reflect on the conversations we had in the cost of  
17 service study, certainly, if we look at primary and  
18 secondary. I mean, we've over the course of decades,  
19 we've installed primary and secondary across the  
20 system.

21

Over the course of decades, we have not

22 recorded it in a way that allows us to be able to  
23 evaluate those two (2) sets of plant differently. So -  
24 - so it would be, if we had the data that will be  
25 something, but over the course of time our plant

1 records do not distinguish those things. And so,  
2 therefore, it's -- it's -- it's unavailable, that data  
3 is not available.

4           So -- so I think that that's sort of a  
5 general -- general theme with some of those items is  
6 that where data is available, we have already  
7 addressed it; but if data is not available, we are --  
8 we're really not in a position to address it.

9           So -- so I guess the other point I  
10 wanted to mention because you know what, we talked  
11 about the review this year and -- and -- and I have to  
12 say that this cost of service review was extensive.  
13 We've drilled into levels of detail that have never  
14 been examined in the cost of service study.

15           So I think parties can come away from  
16 this with a level of confidence in terms of the  
17 integrity of the cost of service study because it has  
18 been very extensively reviewed and there's been a lot  
19 of effort in terms of trying to make sure that all of  
20 the directives have been adhered to and we're  
21 compliant as -- as we can possibly be with regards to  
22 the cost of service study, with the exception of these  
23 -- these -- a few of these items we were discuss --  
24 discussing here this afternoon.

25           MS. DAYNA STEINFELD:     Thank you, Mr.

1 Barnlund. If we can talk, perhaps briefly, about  
2 tariffable and nontariffable transmission. Let's  
3 first start at a high level.

4 Total transmission costs include what  
5 we would call both a tariffable and a nontariffable  
6 transmission; is that correct?

7 MR. GREG BARNLUND: That's correct.

8 MS. DAYNA STEINFELD: Are you able to  
9 briefly explain the difference to the Panel between  
10 those two (2) things?

11 MR. GREG BARNLUND: Certainly. So our  
12 transmission system involves assets that are involved  
13 in the transportation of power across the province,  
14 which can be used in terms of exporting and importing  
15 power and there is an open access transmission tariff  
16 that Manitoba has -- Manitoba Hydro has that enables  
17 it to facilitate transactions across the border.

18 There are other assets, though, that  
19 are what we would call radial transmission lines. So  
20 we think of a line from a -- from a station in the  
21 north up to Churchill, that -- that line doesn't serve  
22 the purpose of allowing or facilitating an export of  
23 power across the border. So while it's a transmission  
24 line from the purpose or the definition of the open  
25 access transmission tariff, it's not tariffable. So

1 it's not in the category of -- of the plant that's  
2 used to be able to transmit power back and forth  
3 across the border.

4           So -- so there's a distinction or a  
5 categorization or subcategorization we have of that  
6 plant to say, these plants that are radial lines that  
7 -- that aren't involved in -- in transborder commerce  
8 are not in the tariff; whereas the rest of the assets,  
9 transmission assets, would be in the tariff and -- and  
10 taken into consideration in that regard.

11           And so that's one (1) of the activities  
12 that we did here with regards to the cost of service  
13 study is to more carefully separate those items.

14           MS. DAYNA STEINFELD:    To separate out  
15 the tariffable on the nontariffable transmission?

16           MR. GREG BARNLUND:    Correct.

17           MS. DAYNA STEINFELD:    And let's --  
18 let's take a step -- step back and go back to Order  
19 164 of '16.  So there the Board determined that export  
20 revenues should be allocated too the customer classes  
21 on each class's share of total generation and  
22 transmission costs.

23           MR. GREG BARNLUND:    Correct.

24           MS. DAYNA STEINFELD:    And that to --  
25 to summarize what the Board was saying in that Order

1 that was because it's those assets that give rise to  
2 the revenues?

3 MR. GREG BARNLUND: Yes.

4 MS. DAYNA STEINFELD: So is the -- is  
5 the issue here between the distinction of  
6 nontariffable and nontariffable because the  
7 nontariffable transmission cannot be used to give rise  
8 to export revenues?

9 MR. GREG BARNLUND: That is the issue  
10 in that -- that there is a certain amount of our  
11 assets and it's a small amount of our assets is  
12 nontariffable transmission that -- that is not used to  
13 facilitate an export.

14 So if you look at the strict  
15 application of what the Board had found is that --  
16 that exports should be applied against generation and  
17 transmission assets as those assets are the -- are  
18 used to facilitate that export sale. It -- it calls  
19 into question then the status of the non-tariffable  
20 transmission.

21 MS. DAYNA STEINFELD: And this isn't  
22 an area that -- that the Board dealt with in Order 164  
23 of '16, it was looking at export revenues and being  
24 credited to generation and transmission, and that  
25 distinction between tariffable and nontariffable

1 wasn't drawn; is that correct?

2 MR. GREG BARNLUND: Well, I think that  
3 -- that it was a generalization in terms -- like, you  
4 know, we looked at transmission in the cost of service  
5 review, certainly. But -- and I think that the --  
6 that the Board in its -- in its decision, you know,  
7 identified that generation and transmission assets  
8 were used to facilitate the export.

9 But, you know, the other way to finish  
10 the sentence is, and there is some additional  
11 transmission that isn't used to facilitate the export.

12 MS. DAYNA STEINFELD: Can you confirm  
13 that the crediting of export revenues, as Manitoba  
14 Hydro is doing it, would currently include the  
15 nontariffable transmission costs?

16 MR. GREG BARNLUND: Yes, it does.

17 MS. DAYNA STEINFELD: Am I right in  
18 saying that the costs of the nontariffable  
19 transmission and the revenue requirements are in the  
20 area of \$7 million?

21 MR. GREG BARNLUND: Yes, that's  
22 correct.

23 MS. DAYNA STEINFELD: And the  
24 tariffable transmission costs would be in the area of  
25 \$120 million?

1 MR. GREG BARNLUND: Yes. Subject to  
2 check, yes.

3 MS. DAYNA STEINFELD: And so if -- if  
4 this distinction was -- was made between tariffable  
5 and nontariffable transmission for the purposes of  
6 crediting export revenue, do we know how that might  
7 change revenue-to-cost coverage ratios?

8 MR. GREG BARNLUND: It rounds to zero.

9 MS. DAYNA STEINFELD: Okay, you'll  
10 have to explain that to me, it's getting late in the  
11 day.

12 MR. GREG BARNLUND: It's  
13 inconsequential. It wouldn't -- it would not move the  
14 revenue-to-cost ratios for any classes.

15 MS. DAYNA STEINFELD: Okay, thank you,  
16 that -- that I can understand.

17 MR. GREG BARNLUND: Okay.

18 MS. DAYNA STEINFELD: Just briefly on  
19 generation outlet transmission, my understanding, and  
20 we can pull up the rebuttal evidence if -- if that's  
21 helpful, but my understanding is that Manitoba Hydro  
22 has reviewed all transmission facilities to identify  
23 which would be eligible to be functional as this  
24 generation outlet transmission; is that correct?

25 MR. GREG BARNLUND: We have reviewed



1 those facilities and we have added to the list of  
2 generation outlet transmission.

3 MS. DAYNA STEINFELD: Thank you.

4 Turning to MISO or midcontinent independent system  
5 operator costs, these were previously functionalized to  
6 both generation and transmission; is that right?

7 MR. GREG BARNLUND: Correct.

8 MS. DAYNA STEINFELD: And in PCOS18  
9 the Utility is functionalizing 5 million of the total  
10 approximately 6 million MISO related costs to  
11 transmission; is -- is that correct?

12 MR. GREG BARNLUND: Yes, that's  
13 correct.

14 MS. DAYNA STEINFELD: Can you explain  
15 why the \$5 million is -- is being functionalized in  
16 that way?

17 MR. GREG BARNLUND: Sure. So I think  
18 that, you know, we've got \$5 million is functionalized  
19 in that regard. \$1 million that is related to the  
20 trans -- you know, transaction of power into MISO.  
21 And so the 5 million is related to the operation of  
22 the transmission system and the open access  
23 transmission tariff and, therefore, it would be  
24 functionalized as being transmission, and allocated on  
25 the basis of peak.

1                   And so the remainder of those costs  
2 than would be functionalized transmission...

3

4                   (BRIEF PAUSE)

5

6                   MR. GREG BARNLUND:    It's  
7 functionalized, sorry, as US interface and allocated  
8 on the same basis as transmission.  So at the end of  
9 the day, the result is -- it's pretty much the same.

10                  MS. DAYNA STEINFELD:   And maybe if we  
11 can just put up page 18.  My understanding, if we  
12 scroll down a bit, is that this treatment resulted  
13 from correspondence from the Board following Order 164  
14 of '16.  Is that correct?

15                  MR. GREG BARNLUND:    I believe so, yes.

16                  MS. DAYNA STEINFELD:   But the  
17 remaining \$1 million of the \$1 million of the costs  
18 are functionalized as generation consistent with the  
19 original direction in 164 of '16?

20                  MR. GREG BARNLUND:    Yes.

21                  MS. DAYNA STEINFELD:   And is this --  
22 and it rounds to zero --

23                  MR. GREG BARNLUND:    Yes.

24                  MS. DAYNA STEINFELD:   -- result as  
25 well?

1 MR. GREG BARNLUND: Yes.

2 MS. DAYNA STEINFELD: Let's turn to  
3 Board counsel book of documents, volume 5, at page 20,  
4 near the bottom of the page.

5 And here the -- the Board findings that  
6 generation costs should be classified as -- as both  
7 energy and -- and demand but sets out exceptions which  
8 included wind generation. And if we just go over the  
9 page, page 21, we'll see that the Board found that  
10 wind generation should be classified as 100 percent  
11 energy.

12 Is that your understanding?

13 MR. GREG BARNLUND: Yes, that's  
14 correct.

15 MS. DAYNA STEINFELD: And that was,  
16 essentially, an acceptance of the position that  
17 Manitoba Hydro put forward in the proceeding that  
18 because wind could not be relied on to peak demand and  
19 capacity needs, it should be classified as 100 percent  
20 energy?

21 MR. GREG BARNLUND: Oh, there's some  
22 other reasons there to. I think that -- that  
23 basically how it's transacted is on an energy basis  
24 and a few things like that so. So, I mean, we  
25 accepted the fact that -- that wind, you know, could

1 receive a little different treatment than the rest of  
2 the generation pool.

3                   The rest of the generation pool is  
4 going to be allocated on the basis of load factor. So  
5 there's a demand and capacity split on -- or demanded  
6 energy split on that.

7                   MS. DAYNA STEINFELD:    And in this  
8 proceeding Mr. Miles told Mr. Peters, that Manitoba  
9 Hydro now counts wind towards its peak capacity and --  
10 and considers it a dependable resource.

11                   Are you familiar with that testimony?

12                   MR. GREG BARNLUND:    Yes, I did hear  
13 that testimony.

14                   MS. DAYNA STEINFELD:    And maybe if we  
15 flip over to page 24, we'll see that reflected -- this  
16 document Manitoba Hydro's resource planning  
17 assumptions and analysis document. And where it's  
18 highlighted we'll see that wind is now being included  
19 in Manitoba Hydro's resource planning for capacity  
20 purposes; is that correct?

21                   MR. GREG BARNLUND:    Yes, that's  
22 correct. There is some recognition of it for winter  
23 and summer peak both.

24                   MS. DAYNA STEINFELD:    So should this  
25 Panel understand that Manitoba Hydro is now saying

1 that wind can be used to meet peak demand?

2 MR. GREG BARNLUND: From a resource  
3 planning perspective, Mr. Miles testified to how we  
4 would attribute it in the resource plan. From a cost  
5 of service perspective we're not -- we're not seeking  
6 to vary anything that is -- that has been approved  
7 here in that respect.

8 MS. DAYNA STEINFELD: If we look at  
9 this from a cost/causation approach, should the Panel  
10 understand that Manitoba Hydro is now planning for and  
11 investing in wind for reasons associated with both  
12 peak demand and dependable energy?

13 MR. GREG BARNLUND: Well, we're not  
14 investing in wind. We have existing wind contracts  
15 which, if you look further down the chart, expired at  
16 a given point in time. So I'm not sure that we're  
17 overly excited about dealing with the treatment of  
18 wind in any other way than the Board has approved in  
19 164-16.

20

21 (BRIEF PAUSE)

22 MS. DAYNA STEINFELD: Would it be  
23 correct, Mr. Barnlund, that if this information had  
24 been put before the Panel at the cost of service study  
25 hearing that wind would have been included with the

1 rest of the generation resources pooled and classified  
2 to both energy and demand?

3 MR. GREG BARNLUND: Well, it's  
4 conceivable that that would -- that could have been  
5 the outcome it. It's conceivable.

6 MS. DAYNA STEINFELD: Thank you. And  
7 I think that would now take me into another area so I  
8 would suggest, Mr. Chair, that this would be a good  
9 place to adjourn.

10 THE CHAIRPERSON: Thank you, Ms.  
11 Steinfeld, we'll adjourn until nine o'clock tomorrow  
12 morning. Have a good evening. Thank you.

13

14 (PANEL RETIRES)

15

16 --- Upon adjourning at 5:16 p.m.

17

18

19 Certified Correct,

20

21

22 \_\_\_\_\_

23 Sean Coleman, Mr.

24

25