



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re :

MANITOBA HYDRO

2017/18 and 2018/19

GENERAL RATE APPLICATION

PRE-HEARING CONFERENCE

Before Board Panel:

Robert Gabor - Board Chairperson

Marilyn Kapitany - Board Member

Larry Ring - 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

June 12, 2017

Pages 1 to 275

APPEARANCES

1
2 Bob Peters) Board Counsel
3 Dayna Steinfeld)
4
5 Patti Ramage) Manitoba Hydro
6 Odette Fernandes)
7
8 Byron Williams) CAC (Manitoba) &
9 Katrine Dilay) Winnipeg Harvest
10
11 William Gange) Green Action
12 Peter Miller) Centre
13 David Cordingley)
14
15 Antoine Hacault) MIPUG
16 Patrick Bowman)
17
18 George Orle) MKO
19 Michael Anderson)
20
21 Corey Shefman) Assembly of
22) Manitoba Chiefs
23
24
25

1 LIST OF APPEARANCES (cont'd)

2 James Battershill)Keystone

3 Alana Gray)Agricultural

4)Producers

5

6 Kevin Williams)Business Council

7 Don Leitch)of Manitoba

8 Matt Nordlund (summer student))

9

10 Christian Monnin)General Service

11 Tom Thiessen)Small, General

12 Ron Koslowsky)Service Medium

13 Jill Knaggs)Customer Classes

14

15 Gerald Finkle) Private citizen

16 John Gray) Private citizen

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

2

3 OPENING COMMENTS BY THE CHAIRPERSON:

4 THE CHAIRPERSON: Morning, everyone.
5 Welcome to the Public Utilities Board pre-hearing
6 conference for Manitoba Hydro's 2017/'18 and 2018/'19
7 General Rate Application.

8 My name's Robert Gabor. I'm the
9 Chairman of the Public Utilities Board. This is my
10 first pre-hearing conference related to Manitoba
11 Hydro.

12 With me are Board members Marilyn
13 Kapitany, Larry Ring, Shawn McCutcheon, Sharon McKay,
14 and Hugh Grant. Brief bios of each Board member are
15 available on the Board's web page. Both Marilyn and
16 Hugh have prior experience for Manitoba Hydro's last
17 General Rate Application. As -- as well, Larry Ring
18 sat with Marilyn and Hugh on the Manitoba Hydro Cost
19 of Service Study Methodology Review. This is the
20 first General Rate Application for Sharon, Shawn, and
21 me.

22 The panel is assisted in this hearing
23 by associate secretary Kurt Simonsen, judicial hearing
24 assistant Diana Villegas. Bob Peters and Dayna
25 Steinfeld will act as Board counsel. They're sitting

1 there.

2 As in prior hearings, the Board is also
3 assisted by technical advisors from Ryall Engineering
4 and Cathcart advisors. The Board would like to
5 welcome Alex McQuarrie, who has recently joined
6 Cathcart Advisors.

7 I would also like to pause for a moment
8 to mention the passing of Larry Buhr earlier this
9 year. Larry was a long-time and valued engineering
10 advisor to the Board and he is missed by all of us at
11 the Board and our advisors. His absence will surely
12 be keenly felt by us all throughout this general rate
13 application process.

14 On behalf of the panel I would also
15 like to welcome Manitoba Hydro and the perspective
16 Intervenors. This pre-hearing conference is scheduled
17 for today with Wednesday available as an overflow day
18 if we need it. However, we are going to try and push
19 the matters through today, as there is a scheduling
20 conflict with a number of people. So if we can fit it
21 in today, and if it requires us to go late, we will do
22 so if we can complete it.

23 The Public Utilities Board's mandate is
24 to set just and reasonable rates that are in the
25 public interest. The public interest has been defined

1 by the Manitoba Court of Appeal as balancing the
2 impacts of rate increases on consumers with the fiscal
3 health of the Utility.

4 In order to set just and reasonable
5 rates that are in the public interest, the Board will
6 need to hear and consider all of the evidence that is
7 adduced on the record of this proceeding and hear
8 submissions from Manitoba Hydro and all approved
9 Intervenors.

10 On May 5th, 2017, Manitoba Hydro filed
11 its letter of application for its 2017/'18 and
12 2018/'19 general rate application. Manitoba Hydro
13 filed its revenue requirement materials on May 12th,
14 2017, and its cost of service, and proposed rates,
15 and customer impact materials on May 26, 2017.

16 Also on May 26, 2017, Manitoba Hydro
17 provided its responses to minimum filing requirements
18 from the Board and passed the Intervenors of record,
19 excluding the Board's capital related minimum filing
20 requirements. The capital related responses are
21 expected on or around June 21st, 2017.

22 Both Manitoba Hydro and approved
23 Intervenors are to assist this panel in understanding
24 the issues and options that relate to Manitoba Hydro's
25 request to finalize the existing August 1st, 2016,

1 interim rate, as well as Manitoba Hydro's request for
2 an interim rate to increase consumer rates by 7.9
3 percent effective August 1st, 2017; to finalize that
4 August 1st, 2017, interim rate in the general rate
5 application, and to increase consumer rates by a
6 further 7.9 percent in 2018.

7 That leads me to the main purposes of
8 this pre-hearing conference, which are (a) to identify
9 and approve appropriate Intervenors, (b) to identify
10 which issues are included in the scope of this public
11 hearing, and (c) to finalize a timetable for the
12 orderly exchange of evidence and the conduct of the
13 public hearing.

14 At this time, the Board has received
15 written applications for Intervenor status from the
16 Consumers' Coalition, which is a coalition of the
17 Consumers' Association of Canada (Manitoba) and
18 Winnipeg Harvest; the Green Action Centre; Manitoba
19 Industrial Power Users Group; the general service --
20 small general service medium customer class; Manitoba
21 Keewatinowi Okimakanak; the Assembly of Manitoba
22 Chiefs; Keystone Agricultural Producers, the Business
23 Council of Manitoba; and individuals Mr. Gerald Finkle
24 and Dr. John Gray.

25 While this pre-hearing conference needs

1 to be conducted in an orderly and efficient manner,
2 please remember that these proceedings are to be
3 informal, even if the technology makes it appear
4 otherwise.

5 The Board will hear from all proposed
6 Intervenors seeking to be involved in this hearing,
7 and we may have questions of you to help our
8 understanding of your requests for Intervenor
9 standing.

10 Please note today is not an evidentiary
11 hearing. Today is to deal with the process.

12 In a letter dated May 26, 2017, the
13 Board advanced questions for the proposed Intervenors
14 to address at today's pre-hearing conference. This
15 letter has been provided to all proposed Intervenors.
16 The Board requests that all proposed Intervenors
17 provide answers to the matters set out in the May 26
18 letter.

19 Before I call on Board counsel, the
20 panel has specific requests of the parties. The Board
21 welcomes public participation, and there are several -
22 - several ways for the public to participate and to
23 communicate with the Board.

24 At one (1) of -- end of the spectrum,
25 Intervenors representing a significant number of

1 ratepayers may be approved, and if so, are expective -
2 - expected to actively participate throughout the
3 hearing process, including reviewing Manitoba Hydro's
4 application, asking Information Requests to fully
5 understand the position of the Utility, perhaps file
6 expert evidence, attend the public hearing to cross-
7 examine witnesses of other parties, and to provode --
8 to provide closing submissions. Pardon me.

9 At the end -- at the other end of the
10 public participation spectrum, individuals or groups
11 may have written comments to be made to the Board, as
12 many have already done on the Board's web page.
13 Another method of communicating comments to the Board
14 would be by attending before the Board to provide an
15 oral presentation.

16 The Board is currently working on a
17 process for public participation, and the Applicant
18 and the Intervenors as well as the public will be
19 notified once that process is determined.

20 All parties and their representatives
21 and consultants should be aware that the Board intends
22 to live stream the public hearing proceedings through
23 a link accessible on the Board's website.

24 The use of acronyms is to be
25 discouraged. This would be not only for the benefit

1 of persons who will soon be able to watch live
2 streaming of the proceedings, but also for the benefit
3 of Board members. It will assist in the panel's and
4 public's understanding of the issues and evidence if
5 acronyms are avoided.

6 The Board appreciates that most
7 potential Intervenors which will be seeking cost
8 awards have not at this time provided detailed
9 budgets, as the approval of Intervenor status and
10 approval of the issues for each Intervenor have not
11 been given.

12 After the Board has issued its
13 procedural order approving Intervenor status and
14 issues, approved Intervenors will be required to file
15 their detailed budgets. The date for filing will be
16 discussed when we talk about the schedule later today.

17 When it comes time to file detailed
18 budgets, approved Intervenors are to divide the
19 proposed budgets by the lawyer, consultant, and expert
20 witness, as well as divide the budgets into three (3)
21 separate time frames, being prior to the oral
22 evidentiary hearing, the oral evidentiary hearing, and
23 post-evidentiary hearing.

24 Should any approved Intervenor seeking
25 an award of cost determine that their approved budget

1 will be exceeded by 10 percent or more, that
2 Intervenor is to immediately notify the Board, explain
3 the reason for the need to revise the budget, and also
4 propose the amount of additional funding being sought.

5 For Intervenors seeking an award of
6 costs, please, also undertake to file with the Board
7 within two (2) business days from today a
8 demonstration of the Intervenor's financial need for
9 assistance -- assistance to Intervenor, including
10 filing the Intervenor's most recent financial
11 statements.

12 With respect to the interim rate
13 request, the Board issued a letter to Manitoba Hydro
14 and po -- potential Intervenors on June 9th, 2017,
15 stating that the Board will convene a process to
16 review the interim rate request. Manitoba Hydro has
17 been directed to file its written submissions on the
18 merits of its request by June 20th, 2017.

19 Following receipt of Manitoba Hydro's
20 written submissions, the Board will hold a one (1) day
21 oral hearing on the interim rate request, at which
22 time approved Intervenors will have the opportunity to
23 make submissions and Manitoba Hydro will have the
24 opportunity to reply. The Board requests that the
25 parties address the scheduling of the oral hearing on

1 the interim rate request in their comments on the
2 hearing timetable.

3 Expert witnesses will no longer be need
4 -- will no longer need to be qualified when
5 introduced, although it will be helpful for counsel to
6 explain the area of expertise for which the witness is
7 appearing. Expert witnesses can still be cross-
8 examined as to their qualifications and expertise.
9 The Board will determine what weight, if any, to
10 attach to each witne -- to each expert's testimony.

11 Likewise, members of the public who
12 appear before the Board as presenters will be afforded
13 the opportunity to testify as to the facts of their
14 specific circumstances and issues related to Manitoba
15 Hydro's General Rate Application. The Board will
16 determine what weight, if any, to attach to the
17 presentations from members of the public. Parties can
18 expect more direction from the Board on this topic in
19 the near future and, as always, we welcome your
20 comments.

21 At this time, I would like to turn the
22 microphone over to Board counsel to discuss the
23 procedure for today. Mr. Peters and Ms. Steinfeld?

24

25 OPENING COMMENTS BY BOARD COUNSEL:

1 MR. BOB PETERS: Thank you, and good
2 morning, Mr. Chair, Board members Kapitany, McKay,
3 McCutcheon, Ring, and Grant, ladies and gentlemen,
4 including Ms. Davies, who is on the conference line.

5 For the record, my name is Bob Peters,
6 and together with Dayna Steinfeld, we are counsel to
7 the Board in this public hearing process to consider
8 Manitoba Hydro's 2017/'18 and 2018/'19 General Rate
9 Application.

10 The Board is further assisted by its
11 accounting advisors, Roger Cathcart and Alex
12 McQuarrie, and its engineering advisor Brady Ryall.
13 We echo the Chair's comments on the loss of Larry Buhr
14 from our advisory team. He is missed.

15 As the chairman has indicated, the
16 purposes of the pre-hearing conference are to
17 determine who will be Intervenors, to determine the
18 issues that the Board considers should be included in
19 the scope of this hearing process, and to determine a
20 timetable for the orderly exchange of evidence and
21 conducting the oral public hearing.

22 We have prepared and circulated three
23 (3) documents, one (1) is an outline of procedures,
24 one (1) is a proposed issues list, and the other are
25 the timetables that have been drafted to date, none of

1 them approved.

2 When you look at the outline of
3 procedures that we suggest be followed by the Board,
4 we have indicated that after my opening comments we
5 would have attendance and brief introductions by all
6 those in attendance. This would allow the Board to
7 familiarize yourself with who is appearing. It would
8 allow other Intervenors to -- to also see who is here,
9 so I will walk us through that in a few minutes.

10 I will echo the Chairman's comments
11 because also included in the outline of procedures is
12 an opportunity for each party to make a presentation.
13 The presentation would focus on -- in Manitoba Hydro's
14 case, it may be a -- a summary of their -- of their
15 application. For the prospective Intervenors, it will
16 be related to their Intervenor applications and who
17 the Intervenor is, and its interest in this rate case,
18 but as the Chairman indicated, it is non-evidentiary,
19 which means nothing that is said today is evidence in
20 the record before the Board.

21 No one will be sworn today to give --
22 to -- to give evidence, rather, the evidence is -- is
23 going to be taken once the hearing reconvenes as the
24 timetable indicates. The schedule that allows for
25 presentations to be made by parties also includes a

1 few minutes that if any other party has questions of
2 clarification for whoever is making the presentation,
3 you can seek permission from the Board to ask those
4 questions.

5 And remember the idea is to make sure
6 that the Board has a complete understanding of who's
7 intervening and wanting to intervene and why, and what
8 issues they want to intervene on.

9 So, at this point, let's turn to the
10 attendance and brief introductions. I'm going to pass
11 it -- the microphone over to my colleagues, Ms. Ramage
12 and Ms. Fernandes, and they can perhaps provide brief
13 introductions only at this point in time of the
14 Manitoba Hydro representatives.

15 MS. PATTI RAMAGE: Message received,
16 Mr. Peters. Good morning, Mr. Chair, Board members
17 Kapitany, Ring, McCutcheon, McKay, and Grant. For the
18 record, my name is Patti Ramage. And with Odette
19 Fernandes, who is seated directly behind me, we will
20 be counsel for Manitoba Hydro during this proceeding.

21 With me here to today to my immediate
22 right is Mr. Kelvin Shepherd. He is President and
23 Chief Executive Officer of Manitoba Hydro. Next to
24 him is Mr. Jamie McCallum, who is the Chief Finance
25 and Strategy Officer of Manitoba Hydro. And a face

1 known to most in the crowd here today is Mr. Greg
2 Barnlund, who is the director of rates and regulatory
3 affairs. Also representing Manitoba Hydro today in
4 our back row is Ms. -- Ms. Shannon Gregorashuk, who is
5 the manager of regulatory services.

6 I couldn't help but think, Mr. Chair,
7 as you said, it was your first GRA, and others second.
8 I did a quick list. I think it's my ninth, and Mr.
9 Buhr was there, I believe, for all of them, so we echo
10 the -- the comments of the Chair and Mr. Peters.

11 Mr. Shepherd and Mr. McCallum will be
12 making a brief presentation this morning on behalf of
13 Manitoba Hydro, and Mr. Barnlund will follow up with
14 some what I will term more procedural housekeeping-
15 type matters that we thought we get out front today.

16 After that, we look forward to hearing
17 from the other parties in the room who are interested
18 in intervening in this process. Some are quite
19 familiar to us, some are new, and we welcome them all.

20 We have a lot to get through today.
21 And in keeping with Mr. Peters's not-so-veiled hint, I
22 will turn the mic back to him to carry on.

23 MR. BOB PETERS: Thank you. And I'll
24 turn the mic quickly over to M. Hacault to introduce
25 himself and his assistants today.

1 MR. ANTOINE HACAULT: Yes, Antoine
2 Hacaault, on behalf of Manitoba Power Industrial Users
3 Group. I'm probably going to be one (1) of the first
4 ones to put the five dollars (\$5) in the pot for using
5 the acronym for that group.

6 Here with me today to my right is
7 Patrick Bowman, of InterGroup Consultants. And I also
8 had very good interactions over the years with Larry
9 Buhr, of -- assisting the Board, and I'd also like to
10 recognize his contribution to the process.

11 MR. BOB PETERS: Mr. Williams, perhaps
12 you could -- or Ms. Dilay, please introduce yourselves
13 for the record.

14 MS. KATRINE DILAY: Thank you. Good
15 morning. My name is Katrine Dilay, from the Public
16 Interest Law Centre, and to my left, I have Byron
17 Williams, also from the Public Interest Law Centre.
18 Together we represent the Consumers' Coalition which
19 is comprised of the Manitoba branch of the Consumers'
20 Association of Canada, as well as Winnipeg Harvest.

21 And I would just like to point out that
22 we have in the room today two (2) representatives from
23 Winnipeg Harvest. Across the room from me, Donald
24 Benham, as well as Quinn Conlan. We are also
25 expecting Gloria Desorcy of the Consumers' Associa --

1 Association to be joining us. Thank you.

2 MR. BOB PETERS: And Mr. Gange?

3 MR. WILLIAM GANGE: Thank you, Mr.
4 Peters. Mr. Chair, members of the Board, Green Action
5 Centre is a -- an organization that has taken part --
6 not quite as long as Ms. Ramage -- in -- in matters
7 involving Manitoba Hydro, but for a significant period
8 of time.

9 With me, David Cordingley from my
10 office will be assisting in the presentation of the
11 case on behalf of the Green Action Centre. And in
12 between Mr. Cordingley and myself is Professor Miller,
13 Professor Peter Miller, who has been very actively
14 involved in rate -- or in -- in general rate
15 applications and hearings in front of the Public
16 Utilities Board since -- well, a long time. And we
17 look forward to taking part in this hearing.

18 MR. BOB PETERS: Mr. Orle, please.

19 MR. GEORGE ORLE: Good morning, Mr.
20 Chairman, members of the Board. My name is George
21 Orle. I'm here on behalf of Keewatinowi Okimakanak
22 Organization of First Nations in northern Manitoba.
23 They are also known and are in their literature and on
24 their webpages known as MKO. I will not be using the
25 full name, and I will absolve the members of the panel

1 from having to use the entire name throughout the
2 period. I will refer to them as "my client"
3 throughout the proceedings. Thank you.

4 MR. BOB PETERS: M. Monnin...?

5 MR. CHRISTIAN MONNIN: Merci, Maitre -
6 - Mr. Chair, members of the Board. My name is
7 Christian Monnin. I'm with the firm Hill Sokalski.
8 And I'm here on behalf of the General Service Small,
9 General Service Medium Customer Classes. This is the
10 second Public Utilities Board procedure which GSS --
11 I'm sorry, I'm already guilty of using an acronym --
12 General Service Small and General Service Medium has
13 participated.

14 To my immediate left is Mr. Tom
15 Thiessen of the Builder -- Building Owners and
16 Managers Association of Manitoba, which is one (1) of
17 the stakeholders. Others -- other stakeholders in the
18 group are the Canadian Manufacturers Association of
19 Manitoba. And Mr. Ron Koslowsky or Jill Knaggs will
20 be hear this morning.

21 And rounding out the stakeholders in
22 that group is the Manitoba Hotel Association.
23 Regretfully, Mr. Jerry Weir, the executive director,
24 is not able to attend today because of a conflict
25 schedule. Thank you very much.

1 MR. BOB PETERS: Keeping with my list,
2 Ms. Gray or Mr. Battershill?

3 MR. JAMES BATTERSHILL: Good day,
4 members of the -- the Board. My name is James
5 Battershill. I'm the general manager of Keystone
6 Agricultural Producers, and I'm joined here today by
7 Alana Gray, one (1) of our policy analysts in the
8 office.

9 Keystone Agricultural Producers is
10 Manitoba's general farm advocacy organization. We
11 represent approximately 7,000 farm families across
12 Manitoba, crossing the agricultural sectors and food
13 that is produced here in the province. We also
14 represent twenty-three (23) other agricultural
15 commodity associations, all of which have a place at
16 our policy-setting sessions which occur four (4) times
17 per year.

18 This is our first application for
19 Intervenor status with the PUB, simply based on the --
20 the extent which our members are concerned and wish to
21 be involved in this process.

22 MR. BOB PETERS: Mr. Shefman, welcome
23 back to Manitoba.

24

25

(BRIEF PAUSE)

1 MR. COREY SHEFMAN: Thank you. Hi.
2 My name is Corey Shefman. I am, along with Senwung
3 Luk of my office, legal counsel to the Assembly of
4 Manitoba Chiefs. The Assembly of Manitoba Chief, as
5 many of you are aware, represent sixty-two (62) of the
6 sixty-three (63) First Nations in Manitoba, and we are
7 very pleased to be here and look forward to a robust
8 process.

9 MR. BOB PETERS: Turning to Mr.
10 Williams.

11 MR. KEVIN WILLIAMS: Good morning.
12 Morning., Mr. Chair, members of the Board. I'm here
13 this morning on behalf of the Business Council of
14 Manitoba. It's our first application for Intervenor
15 status in a proceeding such as this. To my left is
16 the CEO of the Business Council of Manitoba, Don
17 Leitch, and to the right is a summer student with our
18 firm by the name of Matt Nordlund. We look forward to
19 participating in the process. Thank you.

20 MR. BOB PETERS: Dr. Gray...?

21 DR. JOHN GRAY: John Gray. I'm here
22 representing myself with respect to those people that
23 are all electric. And I think also I may be able to
24 speak for those people in rural and northern Manitoba
25 that are also heavy electrical users and -- on the

1 impact of the resor -- impact of the rate increase on
2 them, which it may well be ineq -- inequitable. And I
3 may also offer some -- based upon my background in
4 economics, and experience in economics, on the general
5 issues of the rate increase somewhere along the way.
6 So, thank you.

7 MR. BOB PETERS: Thank you, Dr. Gray.
8 Mr. Gerald Finkle...?

9

10 (BRIEF PAUSE)

11

12 MR. GERALD FINKLE: I used to appear
13 here before the PUB twenty-five (25) years ago. So
14 this is my first appearance in twenty-five (25) years,
15 mostly before Centra Gas at the time. There was some
16 problems here. Myself, the Federal Government, at the
17 same time pretty well walked out on the hearings and I
18 haven't been back since.

19 However, this is an extremely important
20 hearing here. I'm going to be approaching it a little
21 different as to -- as to rates and that, but the --
22 the nature of Manitoba Hydro itself and what's going
23 on here in this province. And that's why I'm
24 appearing.

25 I've got a background here that's

1 excellent in this stuff. I used to appear as a
2 witness and also as an Intervenor here: National
3 Energy Board, Ontario Energy Board, and various
4 others.

5 Okay. And for the last twenty-five
6 (25) years I have not come, but as I said again this
7 is too important to -- to let go without myself being
8 here. I'm semi-retired now. I've got the time and
9 I'm going to be here. Thank you very much.

10 MR. BOB PETERS: Thank you. Mr.
11 Chair, panel members, those are the introductions of
12 the parties that are before you today. I would at
13 this time turn the microphone back over to Manitoba
14 Hydro. And as Ms. Ramage has indicated, Mr. Shepherd
15 and Mr. McCallum have some -- a presentation to make.

16 And as I've indicated, following the
17 presentation, Mr. Chair, and panel members, and ladies
18 and gentlemen, if there are questions of clarification
19 or matters that parties want further explained, that
20 you are to seek permission of the Board to -- to ask
21 questions at this time.

22 This is not a cross-examination. This
23 is simply gaining an under -- gaining an understanding
24 of the information that Manitoba Hydro is putting in
25 its presentation. So, Ms. Ramage...?

1 PRESENTATION BY MANITOBA HYDRO:

2 MS. PATTI RAMAGE: Thank you, Mr.
3 Peters. Hard copies of Manitoba Hydro's presentation
4 are being distributed in the room right now. I see it
5 is up on the screen, so if you can just adul --
6 indulge us a moment to get those hard copies
7 distributed and I'll turn the mic over to Mr.
8 Shepherd.

9

10 (BRIEF PAUSE)

11

12 MR. KELVIN SHEPHERD: Good morning.
13 I'm pleased to have the opportunity to introduce
14 Manitoba Hydro's General Rate Application this
15 morning. I personally joined Manitoba Hydro in
16 December of 2015, so it's really been quite a busy and
17 interesting eighteen (18) months for me since joining
18 Manitoba Hydro. Likewise, my colleague Jamie McCallum
19 has been with Manitoba Hydro for nine (9) months. So
20 needless to say, it's both of our first experience
21 appearing before the -- the Board and we look forward
22 to it.

23 This General Rate Application is the
24 combination of a lengthy, but in our view necessarily
25 so, fact-based review of Hydro's circumstances,

1 opportunities, challenges, and options to go forward.
2 The end result is a financial plan which underpins our
3 rate application, an application that we believe
4 highlights some critical big-picture issues for the
5 panel and stakeholders to consider and debate through
6 this process.

7 We know there are some difficult
8 questions to be answered, but we believe it's
9 important for Manitoba Hydro, and indeed all
10 Manitobans, to get the answers as right as we can
11 through this upcoming hearing.

12 We recognize and value the role that a
13 robust and thoughtful regulatory function plays and,
14 therefore, this upcoming process and eventual hearing
15 is of the highest priority for us. We look forward to
16 working with the Board, its hard-working and able
17 staff, and the Intervenors, who bring important ideas,
18 perspectives, and challenge, which we welcome.

19 It's easy to get caught up in some of
20 the day-to-day and specific challenges that Hydro
21 faces, so I thought I would just start by
22 acknowledging the important role that Manitoba Hydro's
23 played, not only in the development of the provincial
24 economy, but the broader quality of life for
25 Manitobans.

1 And I think after perhaps only a year
2 and a half at Manitoba Hydro, I can say with some
3 confidence that we do a lot of things really well. We
4 do provide renewable, non-greenhouse-gas-emitting
5 electrical energy to five hundred and sixty-eight
6 thousand (568,000) electrical customers and also serve
7 two hundred and seventy-seven thousand (277,000)
8 natural gas customers.

9 We have high customer satisfaction.
10 Our reliability ratings are very good compared to the
11 industry. We have close to 19 percent of our
12 workforce of indigenous background. We have been a
13 leader in energy conservation initiatives. And I
14 think it's, you know, quite remarkable that Manitoba,
15 in spite of significant challenges around our
16 geography of our population size, density, and so on,
17 has been able to have a reliable, safe supply of
18 energy at a price that is, quite frankly, the envy of
19 many other jurisdictions.

20 Notwithstanding the financial issues we
21 face and which this process will detail and
22 undoubtedly debate, we expect to be able to continue
23 to offer among the lowest rates for electricity in
24 North America. And we recognize it's important to
25 keep Manitoba competitive and affordable for

1 businesses and consumers.

2 We do have an advantage here in
3 Manitoba. All utilities really in North America are
4 grappling with issues around aging infrastructure,
5 changes in customer behaviour and expectation,
6 emerging technology and so on.

7 One (1) of the major issues many
8 utilities are facing is the need to transition to a
9 low-carbon future, and so that is an advantage we
10 have, and -- and we believe in the long run, it's an
11 opportunity for us. We don't incur those costs of
12 getting off an electricity system based on coal, and
13 we're in a very good position as we go forward from
14 that perspective.

15 But we do have some -- some challenges
16 at present. We're in the midst of a capital program
17 that is really unprecedented in Manitoba Hydro's
18 history. We are undertaking two (2) of the biggest
19 capital projects in North America simultaneously.

20 1. The Bipole III reliability project
21 was, in my view, essential. Manitoba Hydro was facing
22 unattonable risks in its ability to meet its obligation
23 to provide a reliable power supply. And the social
24 and economic consequences of having a lengthy failure
25 on the existing bipole lines is really unacceptable,

1 and Bipole III will help us address that challenge.

2 The Keeyask project, based upon the
3 results from significant analysis and external review,
4 is facing some escalating costs and schedule
5 challenges. Its power is now not expected to be
6 required to serve Manitobans until well into the
7 2030s.

8 And while it is a low-carbon
9 electricity source and will have low operating costs,
10 as Hydro facilities generally do, the planning and
11 development cycle and the capital intensity of hydro-
12 electric developments are very significant. And as we
13 have moved along in the project a lot has changed in
14 our operating environment that has put a significant
15 amount of negative pressure on Keeyask's fundamental
16 economics.

17 One (1) of the activities our new
18 board, which was appointed in May of 2016, took time
19 to do was review both of these projects to understand
20 what options we might have with respect to the
21 projects. Given how advanced both projects are, the
22 right answer is to finish them as quickly and as
23 efficiently as we can, but we can't discount the
24 financial and operational strain these projects are
25 putting on the Company now, and will continue into the

1 future.

2 Meanwhile, our assets -- I guess
3 "assets" being another way of saying our plant, our
4 lines, our poles, our substations, and various
5 equipment we use to provide service, are not getting
6 younger. A lot of these pieces of equipment were put
7 into place in the 1950s and 1960s. Some go back,
8 really, to the turn of the century, and they are
9 reaching the end of their useful life.

10 Removal is expensive. The \$13 billion
11 on our books for plant in service reflects historical
12 cost dating back decades. It bears almost no relation
13 to the current cost of keeping these assets
14 functional. Taken over fifteen (15) years, Manitoba
15 Hydro is nearly tripling in size, as measured by
16 assets, and at the same time using our past financial
17 plans, net income will have gone from several hundred
18 million dollars a year, really, to effectively zero.

19 At the heart of our rate application is
20 the need to establish a prudent financial plan for
21 what is a vital utility service for Manitobans.

22

23 (BRIEF PAUSE)

24

25 MR. KELVIN SHEPHERD: Now, much has

1 changed since the last General Rate Application.
2 We're really facing almost a step function change in
3 our operating costs when these major new assets come
4 into service, and we're already absorbing the cash
5 impacts of building and financing these projects.

6 At the same time, some key aspects of
7 our forward-looking business outlook have changed.
8 Our growth forecast for domestic electricity
9 requirements has decreased. Pricing in the
10 opportunity export market, which is important as a
11 revenue source for Manitoba Hydro, continues to be
12 low. And the capital costs for our major projects,
13 such as Bipole and Keeyask, have increased
14 significantly from previous projections.

15 There are some positives. We've had
16 the advantage of operating in an interest rate
17 environment that's almost historically low, interest
18 rates that certainly have not been seen in
19 generations. And water conditions, hydrology, which
20 is ultimately extremely important for us as a utility
21 that really generates 97 or 98 percent of our energy
22 from hydro facilities. Water is our life blood.

23 It's a significant risk factor, but
24 over the last thirteen (13) years, we've had very
25 positive water conditions. Thirteen (13) consecutive

1 years of above-average flows. That's eight (8) years
2 longer than the previous record in the historical
3 record. And so how long that will continue is hard to
4 project.

5 Now, I wanted to turn the mic over to
6 my colleague, Mr. McCallum, for a moment or two (2) to
7 talk a little bit about our forward-looking forecasts
8 and what we see happening in our integrated financial
9 forecast '16, which is at the heart of our rate
10 application. Jamie...?

11 MR. JAMIE MCCALLUM: Thank you. Good
12 morning. As Mr. Shepherd pointed out, we are in the
13 midst of finalizing our 2017 forecast for both our
14 load as well as our export price outlook. In
15 addition, we are finalizing our 2017 Demand-Side
16 Management, or DSM, Plan. Sorry. First time. Is
17 that better?

18 And so we anticipate and -- and thought
19 that, for the purposes of this process, the -- which
20 Greg will -- Mr. Barnlund will talk about later, that
21 we should update the financial forecast that was
22 provided in our May 12th submission and so that all
23 parties can work from our best and most current
24 information.

25 I would say, although we have not -- I

1 have not had the opportunity to see the final
2 forecast, I anticipate that there will be modest
3 downward changes from what was submitted.

4 On the load forecast side, we see a
5 overall aggregate growth rate in domestic load
6 decreasing modestly from what was -- what was put in
7 our May 12th submission. Likewise, on the export
8 side, we see a decline of about 7 to 10 percent across
9 the board in terms of the long-range export price
10 forecast for opportunity sales. And we'll obviously
11 talk about all of these things in -- in great detail.

12 And then going the other way a little
13 bit, our new Demand-Side Management Plan -- just
14 pausing for a moment to note that the Government of
15 Manitoba is introducing legislation that will move
16 demand-side management out of Manitoba Hydro.

17 But nonetheless, we are -- we have
18 prepared a 2017 plan that, due to our expec --
19 expectations around certain initiatives, particularly
20 on the industrial side that we now see being delayed,
21 and some fuel-switching initiatives that we now see
22 being out of our -- our planning, or at least delayed,
23 we have a modest pick-up on the demand-side management
24 side in the form of -- of less impact on -- on
25 domestic load.

1 So we will update all of those factors
2 and include them in a revised forecast that we
3 anticipate sharing in mid-July following a review in
4 early July bar -- by our board of directors. And
5 again, the implications on -- on schedule can be
6 addressed by Mr. Barnlund a little later in today's
7 meeting. Thank you.

8 MR. KELVIN SHEPHERD: I wanted to
9 acknowledge, 'cause I know there have been some
10 comments on this, and we do acknowledge our
11 application has come later than may have been
12 expected, and that we were not able to meet the
13 Board's direction to file a general rate application
14 by December of 2016.

15 You know, we had a new government in
16 Manitoba in the spring of 2016. An entirely new board
17 of directors of Manitoba Hydro was put into place in
18 May of 2016, which is just over a year ago. And I
19 think you can appreciate that it's taken some time for
20 them to learn, and get up to speed, and conduct some
21 of the review activity that they felt was required.

22 And I think it was essential and indeed
23 in the public interest that the Manitoba Hydro
24 Electric Board and Hydro management move through a
25 process to understand the situation Manitoba Hydro is

1 in, and also to explore a range of options that might
2 be available to move forward.

3 As a result of that review, which was
4 really largely conducted by our -- our board, with
5 support from management and external support, we
6 believe that the previous plan for the Company was too
7 risky and put too much future rate risk on the backs
8 of both customers and debt risk on the Province.
9 Thus, our overriding objective has to been to find a
10 plan that balances the need to improve the financial
11 stability of Manitoba Hydro with the impacts of higher
12 rates on customers.

13 As I've previously mentioned, the board
14 did review our major capital projects. The board
15 considered halting those capital projects, but
16 concluded this was not the right decision for
17 Manitobans.

18 The board approached the government
19 with respect to our balance sheet, discussed equity,
20 but management was eventually directed to proceed
21 without any equity or debt relief from Manitoba. We
22 recognize we could not ask our customers for
23 accelerated rate relief without first taking
24 significant measures within our control to address our
25 operating costs, and to that end, we've done a number

1 of things.

2 I've restructured the management team
3 at Manitoba Hydro, so we've let a number of executives
4 and other management positions go. We've developed a
5 plan to achieve an overall reduction in our staffing
6 of about 15 percent, or nine hundred (900) staff
7 reductions. And as first step in that process, we
8 offered a voluntary departure program. I seem to have
9 lost my video here. Oh, maybe it's coming back.

10 So we -- as a first step in that plan,
11 we did launch a -- an offer to employees, a voluntary
12 departure program. That departure program closed its
13 application window here a few weeks ago, and about
14 eight hundred and twenty (820) employees have been
15 accepted in the program. A significant number have
16 already left the Company, and the remainder will leave
17 the Company over the coming several months, and we
18 will see those employees gone by -- for the most part,
19 by the end of January 2018.

20

21 (BRIEF PAUSE)

22

23 MR. KELVIN SHEPHERD: Now, I recognize
24 that our request, 7 -- 7.9 percent in 2017 and a
25 further 7.9 percent increase in 2018 represents a

1 material departure from previous rate increase
2 profiles. And I'm also acutely aware that
3 accelerating into five (5) years a level of rate
4 increases that we had previously thought of incurring
5 over a ten (10) year term can create hardships for
6 certain customers.

7 In our letter to the Public Utility
8 Board of June 2nd, we offered to engage with
9 Intervenor to explore plausible revenue-neutral rate
10 design alternatives in the mid June to mid July time
11 period. Our main focus of those discussions would be
12 on a rate design alternative that may mitigate, to at
13 least some extent, the impact of rate increases on
14 residential electric heat customers.

15 However, although these rate increases
16 are material, the consequences of not acting on our
17 financial plan are also serious. And we believe it's
18 vital that Manitoba Hydro get on a proper rate
19 trajectory to allow us to be in a position to
20 withstand and adjust to an ever-changing business
21 environment, and truly we believe we should not and
22 cannot defer dealing with these issues. We should not
23 kick them down the road. We should address them.

24 And therefore, we believe this general
25 rate application process must use the time available

1 to fulsomely examine and address some primary and
2 fundamental issues while being very cautious on
3 avoiding distraction by a range of discrete matters
4 that, while important, do not materially impact the
5 questions at stake in our application.

6 To us, the big issues -- the big
7 questions that we have to answer are outlined here.
8 The importance of an adequate capital structure for
9 Manitoba Hydro, one that's -- allows us to manage the
10 risks not just to the Utility but to its customers,
11 the Province, and all Manitobans. What are the
12 appropriate measures? How do we ensure that Manitoba
13 Hydro is appropriately capitalized, and has the
14 financial strength required?

15 What's the time frame? What is the
16 appropriate time frame to plan to reach those goals to
17 return to a position of financial strength? And what
18 are the appropriate earnings and cashflow targets for
19 the Corporation to manage the, in some ways, unique
20 risks that a hydrology-based company like Manitoba
21 Hydro faces.

22 So I'd like to close off just by
23 reiterating some comments I made earlier. We're
24 committed to this process. It's an important process,
25 and we recognize the challenges and the important

1 questions that need to be answered during this rate
2 application process.

3 We look forward to working with the
4 panel, and staff, and the Intervenors who are an
5 important stakeholder in the process over the coming
6 months. Thank you for the opportunity to appear this
7 morning and present to the panel. I know it's going
8 to be a long, hot summer.

9 MR. GREG BARNLUND: Good morning. If
10 I may just have the consideration of the panel for a
11 moment here, I'd like to address a couple of matters.
12 Good morning, Chairman Gabor, panel members, ladies
13 and gentlemen in attendance. I'd like to speak
14 briefly to the matter that Mr. McCallum raised with
15 regards to the update to certain parts of our
16 financial plan and the timing associated with
17 providing those into -- in this public hearing
18 process.

19 And we are -- we have prepared a
20 revised draft timetable for the consideration of the
21 parties, which we can provide at lunchtime in advance
22 of our discussion of the timetable. But, at -- at a
23 high level, we would anticipate providing an update in
24 terms of our materials in mid-July, which would then
25 be followed by the start of First Round Information

1 Requests at the end of the -- end of July. And the
2 timetable that we had drafted up would lead up to a
3 public hearing commencing early in December of this
4 year, which is consistent with the dates which the
5 draft timetable that the PUB Board counsel had
6 provided to parties with respect to the commencement
7 of the oral public hearing.

8 The second matter I'd like to address
9 briefly is to discuss bill affordability and matters
10 that had been raised by Green Action and other parties
11 in the lead-up to this particular process.

12 I just want to step back for a second
13 and -- and make note that in Board Order 73 of '15,
14 the Public Utilities Board directed Manitoba Hydro to
15 lead a stakeholder engagement with parties, with
16 Intervenors, and with social agencies here in Manitoba
17 to be able to examine and address matters of bill
18 affordability with regards to residential rates. That
19 work began in the fall of 2015. It continued through
20 2016 with the formation of a -- a working group
21 involving representation from most of the Intervenors
22 here, which culminated with research and a report that
23 was prepared and finalized in January of -- of this
24 year.

25 Further to that, Green Action Centre

1 has made some recommendations in terms of further
2 steps to be able to address bill affordability
3 matters, and I'd like to speak to those briefly, if I
4 could.

5 On a -- on one (1) note in terms of the
6 programming side, we are convening a meeting with
7 interested parties on June 21st, led by Ms. Colleen
8 Galbriath, who's our manager of the Affordable Energy
9 Group in Manitoba Hydro. And that will be the -- the
10 restart, I would say, of -- of discussions with
11 stakeholders that have been involved in both demand-
12 side management planning and bill affordability
13 research and bill affordability issues over the past
14 number of years.

15 And the intention of that group would
16 be to create a separate -- a path going forward in
17 terms of addressing programming issues with regards to
18 Manitoba Hydro's treatment of bill affordability and
19 bill assistance, which includes matters related to
20 collections, bill payments, demand-side management
21 programming initiatives for -- for lower income
22 customers, and those matters. So that work will be
23 recommencing here at the end of June.

24 Secondly, I'd like to address issues
25 that we recognize, certainly the -- the impact of rate

1 increases on electric heating customers. Certainly,
2 electric heating customers can be found throughout the
3 Province, in the south, in the north, and mainly in
4 rural areas, of course.

5 We respect the fact that those
6 customers often don't have access to alternate sources
7 of energy in terms of natural gas. What we're
8 proposing to do is to be able to take time here
9 between mid-June, between this point in time, and the
10 end of July and convene a series of meetings with
11 interested representatives of residential groups to be
12 able to possibly develop a couple of alternate rate
13 design scenarios that could assist in addressing the
14 bill impacts for residential rural -- or residential
15 electric heat customers. And so we are proposing
16 that, and we've got some time built into our -- our
17 proposed timetable to be able to address those
18 matters.

19 There may be one (1) or two (2) other
20 matters that lend themselves to being examined in a
21 workshop format as well, and we can talk about those
22 this afternoon when we talk about time-tabling.

23 We had made some indication in the
24 PUB's issues list with respect to matters such as
25 depreciation and potentially asset management or asset

1 condition, which may lend themselves to being
2 addressed in a technical workshop -- or a technical
3 conference or workshop format, and the -- the value of
4 that particular approach would be to be able to have a
5 more open communication and better understanding
6 developed of the issues associated with those
7 particular topic matters.

8 So we leave that as a matter of
9 consideration for the parties and for the Board here
10 for this afternoon. Those are my comments. Thank
11 you.

12

13 QUESTION PERIOD:

14 MR. BOB PETERS: Mr. Chair and panel
15 members, if there were any questions at this time from
16 the panel, or if any party has any questions of
17 clarification, they could request them of the Board.
18 I see Mr. Finkle has a question that he'd like to seek
19 the Board's permission to ask.

20 Can you explain, Mr. Finkle, the nature
21 of your question, please?

22 MR. GERALD FINKLE: Okay. Just a
23 clarification. I don't which party from Manitoba
24 Hydro made the statement, but apparently they said
25 that they had approached the Board about capital

1 projects and balance sheet equity positions.

2 Is that correct?

3 MR. BOB PETERS: Mr. Finkle --

4 MR. GERALD FINKLE: Because that --
5 that would mean an ex-parte communication, if I
6 remember my -- my regulatory law here.

7 MR. BOB PETERS: Thank you, Mr.
8 Finkle. I think your memory -- or you might not have
9 heard correctly. I believe the -- the presentation
10 indicated that the Manitoba Hydro Electric Board
11 members approached the Manitoba Government about an
12 equity infusion, and the indication is they are
13 proceeding without on the basis that they're not
14 getting such an infusion.

15 MR. GERALD FINKLE: That's -- and
16 that's fine. Okay. But the thing is, we're here in
17 this -- in this quasi -- quasi-judicial inquiry here -
18 - we're here before a Board here, so if it's before
19 the Manitoba Hydro Board, that's fine. If it's before
20 the PUB, that's another matter. So let's make sure
21 this stuff is accurate.

22 THE CHAIRPERSON: The statement made
23 was that they approached the government, Mr. Finkle,
24 not this Board.

25 MR. GERALD FINKLE: They said the

1 Board. No, they approached the Board --

2 THE CHAIRPERSON: Their board --

3 MR. GERALD FINKLE: -- and the Board
4 approached the government.

5 THE CHAIRPERSON: -- they said their
6 board approached the government.

7 MR. GERALD FINKLE: That's fine.

8 Okay.

9 THE CHAIRPERSON: It wasn't this
10 Board.

11 MR. GERALD FINKLE: I needed that
12 clarification. Thank you very much.

13 MR. BOB PETERS: With no other
14 questions of clair -- oh, Mr. Orle perhaps would like
15 to get permission of the Board to ask a question of
16 clarification.

17 MR. GEORGE ORLE: Yes, Mr. Chairman,
18 Board members. I have a question for Ms. Ramage, and
19 it -- and it relates to the evidentiary process to be
20 dealt with at the hearing, which may affect what
21 expert, or what -- what information we might be
22 bringing forward.

23 THE CHAIRPERSON: Certainly.

24 MR. GEORGE ORLE: Thank you. Ms.
25 Ramage, the Bill Affordability Report and the

1 appendices which have the information put in them,
2 will -- will that be allowed to be put before the
3 Board as evidence, or will Intervenors have to call
4 the people that made the report or prepared the -- the
5 information that was used for the report as witnesses?

6 MR. GREG BARNLUND: Good morning, Mr.
7 Orle. If I may, I could probably provide you an
8 answer to that. Yes, we through the -- through the
9 Bill Affordability Working Group, retained the
10 services of Prairie Research Associates as our
11 professional research provider for that particular
12 program.

13 We expect to make them available, that
14 that report -- report would be subject to cross-
15 examination, and that we would make them available, or
16 a witness of theirs available for the oral hearing if
17 so required.

18 MR. GEORGE ORLE: Thank you. That
19 answers my question, Mr. Chairman. Thank you.

20 MR. BOB PETERS: Mr. Chairman, seeing
21 no further questions, Ms. Dilay --

22 MS. PATTI RAMAGE: Bob, if I could
23 just interject? I'm just wondering, while this is not
24 an evidentiary process, whether we should consider
25 having Manitoba Hydro's present -- presentation marked

1 as an exhibit for identification purposes?

2 MR. BOB PETERS: We can give it a
3 letter for identification, Ms. Ramage, if that would
4 be acceptable.

5 MR. KELVIN SHEPHERD: Can we call it
6 number 9, Manitoba Hydro?

7 MR. BOB PETERS: We'll sort that out
8 offline. I think that'd be fine.

9 Mr. Williams, Ms. Dilay, do you have a
10 presentation, and speak to your application for
11 Intervenor status?

12

13 PRESENTATION BY CAC (MANITOBA) & WINNIPEG HARVEST:

14 MR. BYRON WILLIAMS: Yes, and thank
15 you. The Board will have seen our materials filed a
16 little while ago. There's one (1) additional one (1)
17 page document we wish to bring the Board's attention.
18 I'll come to that a little bit later. It's -- we've --
19 -- we've tried to summarize our intervention in a page,
20 which for me is fairly challenging but I -- I hope
21 you'll find it helpful.

22 If I can ask Diana to turn to page 2 of
23 -- of Attachment A, and scroll down a little bit
24 towards the bottom of the page. Thank you, Diana.
25 That's perfect there.

1 Just by way of introduction of our
2 clients, Winnipeg Harvest is well known to Manitobans,
3 perhaps sadly too well known. We just wish to
4 highlight for the Board's attention that it serves
5 sixty-two thousand (62,000) people a month across
6 Manitoba. One-third (1/3) of those families being
7 families of dual wage earners, the working poor.
8 Approximately 43 percent of the individuals it serves
9 are children living in poor families.

10 And while the name Winnipeg Harvest
11 suggests a Winnipeg focus, Harvest shares food with
12 more than fifty (50) Manitoba communities through the
13 Manitoba Association of Food Banks, and through
14 partnerships with nearly four hundred (400) agencies,
15 soup kitchens, food banks, and youth programs. The
16 one hundred and eighty (180) food banks it supports
17 are located throughout Manitoba, including urban
18 centres, First Nations, and rural and northern
19 communities.

20 And if we could go to page 3, Diana,
21 towards the middle of the page.

22 Just in terms of Harvest, we'll talk
23 about its educational activities more, but we -- we do
24 want to highlight towards the bottom of the page in
25 front of you the innovative research they have done

1 out in the community. They partnered with the
2 Manitoba Keewatinowi Okimakanak, Mr. Orle's clients,
3 on a really inno -- innovative research project on the
4 price of food in northern communities, including the
5 price of milk, and does regular reports driven by
6 consumer engagement on child and family poverty report
7 cards as well as the acceptable living level. So
8 consistent community engagement by Harvest itself, and
9 in collaboration with its partners.

10 If we could turn, Diana, to the -- to
11 page 4 we could perhaps introduce the Consumers'
12 Association, which is maybe less well known across the
13 Province but probably better well known in this
14 regulatory context.

15 They've been around since 1947. I have
16 not been their legal counsel for that many years. But
17 certainly they've been intervening before this Board
18 since the early 1990s on issues related to Hydro,
19 Centra Gas, Payday Loans, and Manitoba Public
20 Insurance. They're guided in a very principled way by
21 certain consumer rights and responsibilities, and
22 those are set out at page 4 and 5 of this document.

23 And, Diana, if we could just turn to
24 page 5 of this document for just one (1) second,
25 towards the middle of the page. Keep going. Thank

1 you.

2 In the most recent -- its most recent
3 fiscal year, the Consumers' Association had
4 interaction with approximately thirteen thousand
5 (13,000) consumers through consumer education and
6 information programs, and a lot of that is with
7 newcomers. Newcomers to Manitoba who have been an
8 important part of our economic growth, but also face
9 particular challenges as they're starting out in this
10 province.

11 Turning to the top of -- of page 6,
12 Diana. Thank you.

13 I do want to highlight that the
14 Manitoba branch of the Consumers' Association has been
15 actively involved in regulatory matters relating to
16 Manitoba Hydro in every general rate application, cost
17 of service, and diesel proceeding. They were lead
18 participants in the 2014 Need For And Alternatives To
19 proceedings relating to hydro, as well as the
20 Wuskwatim, similar proceedings back in the early
21 2000s, and have been intimately involved in major
22 environmental proceedings relating to Keeyask, Bipole
23 III, the Lake Winnipeg regulation, and most recently
24 the Manitoba-Minnesota transmission line. They know
25 whereof -- of what they speak, and -- and they have

1 been there on -- on every one (1) of these issues.

2 And the Board can look through this
3 more carefully. But if we scroll down through pages 6
4 and 7 -- stop there for a minute, Diana -- these are
5 some of the key issues we anticipate will show up in
6 this general rate application.

7 You've already heard Hydro talk at page
8 6 of their PowerPoint about financial targets and risk
9 analysis. CAC (Manitoba), since the mid-1990s, has
10 been actively engaged on these issues, often in a
11 collaborative relationship with the Manitoba
12 Industrial Power Users Group.

13 Sustaining capital. You heard
14 conversations about aging infrastructure. CAC since
15 2007 has been very -- CAC by which I mean the
16 Consumers' Association -- has been very actively
17 involved in trying to modernize Manitoba Hydro's
18 approach to the management of day-to-day capital
19 expenditures. It has been a vociferous critic of
20 Manitoba Hydro's approaches on forecasting, and has
21 displayed considerable skepticism in terms of Hydro's
22 approach on load forecasts, export prices, debt
23 financial costs, and capital construction costs.

24 I won't go through the other issues
25 that we flagged here, but these -- these will give you

1 an indication of the issues that the Consumers'
2 Association and Winnipeg Harvest have historically
3 been involved with and intimately involved with. In
4 terms -- the ultimate point being that they know Hydro
5 and they know these issues.

6 In terms of their collaboration with
7 other Intervenors, our clients, whether through in-
8 person meetings, phone calls, or email correspondence,
9 have been in contact with all potential Intervenors.

10 Some of their interaction with the
11 Manitoba Industrial Power Users Group in terms of the
12 core areas that both -- both organizations wish to
13 focus on are well detailed in the letter of the
14 Manitoba Industrial Power Users Group from last week,
15 so I won't belabour that point. I would note that our
16 clients and the Manitoba Industrial Power Users Group,
17 I think, are at the point now where they have agreed
18 to mutually present one (1) of the key witnesses in
19 this proceeding, certainly from our perspective,
20 Morrison Park Advisors, who will speak to issues
21 relating to access to capital and the inter-
22 generational equity implications of that. So that's
23 an example of their collaboration.

24 We certainly are in discussions with
25 our friends from the General Service Class of

1 customers, in terms of jointly sponsoring evidence
2 from Dr. Wayne Simpson and Dr. Janice Compton, in
3 terms of the impact of the projected rate increases on
4 demand, and ultimately on the -- in particular on --
5 on captive and other customers, as well as the broader
6 implications to the economy.

7 Our clients had shared to date their
8 core briefing notes with their friends from the
9 Manitoba Keewatinowi Okimakanak, and certainly have
10 developed a number of core memorandums on capital
11 targets, sustaining capital, and otherwise that they
12 have offered to other Intervenors.

13 The Board in its letter sought insight
14 into the initial perspective of our clients. And our
15 clients are always -- always remind me that it's about
16 how the evidence comes in. But we can share with you
17 that in -- they will not be supporting a 7.9 percent
18 rate increase.

19 Our clients certainly believe that it
20 is inconsistent with the statutory objective of just
21 and reasonable rates, and they have grave concerns
22 about its implications for inter-generational equity.

23 Our clients certainly intend to
24 explore, through their evidence, the access to capital
25 issues including financial targets, and expect that

1 there will be a material difference in perspective
2 between them and Manitoba Hydro. And certainly they
3 are concerned with the rate shock implications of this
4 application in a low-inflationary climate on -- on
5 hard-pressed consumers, but also on overall demand,
6 and whether Hydro is being realistic in terms of the
7 overall revenue it will need.

8 And they seek to explore the broader
9 implications of five (5) years of 7.9 percent rate
10 increases, and its impli -- implications on demand and
11 users who are more elastic, and whether they will
12 continue to operate at the same levels of usage in the
13 Province. And if not, what are the implications for
14 the most captive consumers in this Province who are
15 residential consumers?

16 In terms of the -- whether the 3.95
17 percent rate increase which we talked about in prior
18 generations, our clients will also be taking a hard
19 look at that, whether that's appropriate, or whether,
20 indeed, rates should be below that level.

21 Three (3) core elements of that
22 analysis will be their look at sustaining capital
23 expenditures. Again, they will look at the debt
24 management approach of Manitoba Hydro and the radical
25 change in terms of the anticipated time frame for new

1 debt, compressing it from twenty (20) years on average
2 to twelve (12) years.

3 And given Manitoba Hydro's longstanding
4 challenges in forecasting, our clients will -- will
5 certainly sceptically explore Manitoba Hydro's
6 forecasts in that regard.

7 Diana, if I could turn you -- ask you
8 to turn to the document, the one (1) pager that we
9 handed out today.

10 In terms of more positive aspects of
11 the Hydro application, there are just three (3) or
12 four (4) that our clients wanted to flag, not that
13 they're endorsing them, but that they see some
14 positive direction change. One (1) was the report of
15 the Berkeley Group on interest rate forecasting and --
16 and the historic bias in interest rate forecasting.

17 Our clients, although it has not been
18 perfected in the integrated forecast before this
19 Board, do see some, at least, efforts by Manitoba
20 Hydro to modernize its approach to load forecasting,
21 although there is still a need to incorporate
22 throughout the implications that on -- in terms of
23 price elasticity and demand of rate increases of this
24 magnitude.

25 They also commend at least an effort by

1 Manitoba Hydro, certainly, found in Tab 4 of its
2 application to take a moder -- a more modern approach
3 to integrated risk analysis.

4 And, finally, our clients will explore
5 with issues -- with interest, issues related to
6 staffing levels, and they will inquire into the -- the
7 directive in terms of the 15 percent cuts, how that
8 was related to service levels, and also in terms of
9 efficiency, and will make inquiries in terms of
10 directionally where they -- they think the Corporation
11 should be acting in accordance with prudent and
12 reasonable operations.

13 On this one (1) pager -- that's perfect
14 there, Diana. Just slide up just a little bit.
15 Perfect.

16 You heard your legal counsel, and as
17 well as the Board Chairperson, speak of the concept of
18 just and reasonable rates. The five (5) bullets at
19 the top of this slide really are how this Board has
20 articulated the concept of just and reasonable rates,
21 ensuring that forecasts are reasonably reliable, that
22 projected costs are necessary and reasonable,
23 assessing the reasonable reve -- revenue needs, taking
24 into account the balance between consumers and the
25 Corporation, and that's really where the financial

1 targets come in, as well as issues relating to rate
2 design and the appropriate allocation of costs.

3 What we've set out at the bottom of the
4 screen is how our clients propose to address these
5 issues. In terms of the overall health of the
6 Corporation, with our friends from the Manitoba
7 Industrial Power Users Group, we intend to present
8 Morrison Park Advisors. They're a boutique investment
9 banking firm that is well-known to this Board from
10 their outstanding performance during the need for and
11 alternatives process.

12 They will be speaking on issues
13 relating to accessibility to capital, how we can
14 assess the claims of the Corporation in a rigorous,
15 evidence-based, data-driven way, as well as issues
16 related to intergenerational equity.

17 Dr. Wayne Simpson is someone who is
18 quite familiar to this Board both through his work in
19 terms of risk analysis on the public insurance side,
20 as well as his work in terms of risk analysis and
21 other issues in the 2014 Need for and Alternatives
22 hearing.

23 His evidence with his colleague, Dr.
24 Janice Co -- Compton, will focus on both risk analysis
25 and the impacts of these rate increases on demand, and

1 the trickle-down impact of -- of those rate increases
2 on the broader Manitoba economy.

3 Doug -- Dr. Doug Gotham is from State
4 Utility Forecast Group out of Purdue University in the
5 United States. He is an expert in load forecasts and
6 has particular insight into export prices as well. He
7 is the person who does the load forecast for the
8 entire region into which Manitoba Hydro sells. While
9 we certainly intend to call Morrison Park and Dr.
10 Simpson/Dr. Compton as witnesses, at this stage Dr.
11 Gotham -- our intent with him is to kick the tires in
12 terms of core issues of -- of forecasting where Hydro
13 has historically struggled, to see whether there is
14 merit in bringing evidence or whether we can simply
15 test that through cross-examination.

16 In terms of the prudence and
17 reasonableness of the Corporation's operations, we've
18 very pleased to have retained, subject to the Board's
19 guidance and direction, the firm of METSCO, M-E-T-S-C-
20 O, from out of Ontario. But they have considerable
21 expertise in asset management, and sustaining, and
22 base capital expenditures. Bringing rigour to that,
23 they were consultants to the Ontario Energy Board.
24 And this is a big ticket item; between 500 and \$600
25 million in cash flow on an annual basis.

1 We also, given the radical change in
2 Manitoba Hydro's approach to debt management -- new
3 debt management, certainly we'll seek the insight of
4 Morrison Park.

5 Other issues which relate to
6 operations, maintenance, and administrative costs,
7 it's not clear whether we'll re -- require evidence on
8 that or not. Certainly Mr. William Harper, who's well
9 familiar to this Board dating back over fifteen (15)
10 years will be available to do some analysis.
11 Similarly, Mr. Harper is available to look at the
12 implications of the Cost of Service Study on rate
13 design, analysis, and evidence, only if necessary, as
14 well as issues which we anticipate might be rai --
15 raised by others such as inverted rates.

16 Finally, I do -- you've heard some
17 conversation from Manitoba Hydro and -- and others in
18 terms of issues related to energy poverty and bill
19 assistance. I neglected to note that our clients, the
20 Consumers' Association were greatly honoured to be
21 retained by the Federal Office of Consumer Affairs to
22 do a major national study on energy poverty. That
23 study is underway. We've done analysis in six (6)
24 different -- with consumers in six (6) different
25 provinces. We've conducted a statutory review and

1 case law review in four (4) different jurisdictions.
2 And certainly our clients, with the assistance of Dr.
3 Simpson, hope to bring that knowledge to this process.

4 Just a -- a couple of final points. In
5 terms of the -- we were asked to share our high-level
6 budget both with Manitoba Hydro and with the Public
7 Utilities Board. We -- we provided it to them on
8 Saturday. That's not a detailed budget, but it gives
9 a sense of the scope of our intervention.

10 This is a mult -- multi-disciplinary
11 team. It brings leading practitioners from across
12 North America, and in our respectful submission, it's
13 strategically applied. We're not asking Morrison Park
14 to memorize the application. We're asking them to
15 focus in on two (2) issues. We're not asking Dr.
16 Gotham to focus on a bunch of issues. We're zoning
17 him in on his particular area of expe -- expertise.
18 Similarly with the good folks from METSCO.

19 We think the budget is -- is well
20 balanced and very reasonable. We'll note that some of
21 our academic experts we've been able to bring in
22 significantly below PUB tariff rates.

23 One (1) of our consultants, Morrison
24 Park, is likely to be above PUB tariff rates, but I
25 can assure the Board that we have done an extensive

1 search for witnesses. We've got quotes from a number
2 of firms and their -- their quote is -- is right in
3 the ballpark of other quotes we have received.

4 I'm not sure -- I'm coming towards the
5 end of my commentary. I'll simply say that in terms
6 of Information Requests, like the PUB, Manitoba Hydro,
7 and MIPUG, we anticipate two (2) rounds. Because
8 there is so much evidence outstanding, it's a bit
9 difficult to provide estimates of how much, and I
10 would highlight sustaining capital, which our friends
11 from MI -- the -- Hydro have talked about is a -- a
12 great example of that.

13 In -- in our submission, that filing is
14 not ready for prime time. There's additional material
15 coming in. That is an area where we might explore
16 technical conferences as a way to reduce the number of
17 Information Requests, and we're open to that.

18 Subject to questions of clarification
19 or any questions of inquiry by the Board, those are
20 our submissions.

21

22 (BRIEF PAUSE)

23

24 QUESTION PERIOD:

25 BOARD MEMBER KAPITANY: Thank you, Mr.

1 Williams. I have a question for you.

2 In both your Intervenor application
3 form in Section 11 and then again today, you spoke
4 about the broader Manitoba economy. Typically, what
5 our Board looks at is the ratepayers, of the effect on
6 ratepayers of a rate increase, and the financial
7 health of the Utility.

8 Could you let me know where in our
9 jurisdiction you think we would fall in terms of
10 looking at the broader Manitoba economy?

11 MR. BYRON WILLIAMS: Yes. And -- and
12 thank you. And I -- I may not have articulated it
13 that well in our conversation, but there's -- there's
14 two (2) parts to this. One (1) of the issues right
15 off the bat is that Manitoba Hydro has brought this
16 issue into play. They're arguing that, unless they
17 get the rate increase that they require, the
18 Province's health, the Province's financial health,
19 will be jeopardized in terms of inadequate access to
20 debt capital.

21 In terms of our clients' approach to
22 this, the starting point will be to look at the
23 anticipate consequences on demand of -- of the
24 Manitoba rate-shock level rate increases. And that
25 would certainly involve a consideration of -- of how

1 it affects residential customers and other classes of
2 consumers as well.

3 We certainly think that is relevant.
4 And -- and it is relevant as well to the impact upon
5 consumers, in terms of the other choices they have to
6 make, including foregoing food in the -- in the case
7 of the clients of Winnipeg Harvest.

8 Related to that is this is a cascading
9 series of impacts. Residential clients are the most
10 captive customers of Manitoba Hydro. Their -- they
11 cannot pick up and leave and relocate to Louisiana or
12 to -- to other jurisdictions.

13 If rate increases of this magnitude
14 impact demand for general service customers or large
15 customers, that will have an impact upon the overall
16 revenues of Manitoba Hydro. And ultimately, if
17 there's less demand from large industrials or general
18 service customers, the one (1) class of consumers
19 that's left to pick up the slack are residential
20 customers; the most captive consumers.

21 Finally, we do suggest that we should
22 be looking at the impact of this on the Manitoba
23 economy, and -- and we suggest this for a couple of
24 reasons. Remember that the projection of gross
25 domestic product for Manitoba -- a core element of the

1 base forecast of Manitoba Hydro are its expectations
2 in terms of gross domestic product.

3 Gross domestic product is a key input
4 into their core estimates. Our clients wish to test
5 the validity of that core estimate, taking into
6 account the implications of these -- these rate
7 increases.

8 So that I hope gives you some sense of
9 the -- the reasons that -- that our clients think that
10 this would be a useful analysis.

11 BOARD MEMBER KAPITANY: I understand
12 the reasons you've just explained. What I really
13 wanted to know from you was where you see our
14 jurisdiction in terms of looking at the broader
15 economy, versus the ratepayers and the Utility.

16 MR. BYRON WILLIAMS: And I apologize
17 if I was -- it -- it goes into a -- whether the
18 forecasts are reasonably reliable. And it also goes
19 into our consideration of the reasonable rev --
20 revenue needs of the application.

21 If demand is not going to be what Hydro
22 anticipates, that's going to have an impli --
23 implications for -- for their overall revenue
24 forecast, their overall health, and in particular on
25 their most captive customers.

1 And I apologize for taking a round-
2 about way to your answer -- your question.

3

4 (BRIEF PAUSE)

5

6 MR. BOB PETERS: Mr. Chair, seeing no
7 other questions, in the Board's hands. We're --
8 either could hear one (1) more presentation or the
9 Board could jump ahead to the break. We're kind of
10 straddling that line. If the panel...

11 THE CHAIRPERSON: We'll break for ten
12 (10) minutes now.

13 MR. BOB PETERS: Thank you, Sir.
14 During the break, Mr. Chairman, I -- I'll alert -- I
15 will juggle the timeline by perhaps moving the
16 Manitoba Keewatinowi Okimakanak down in the order,
17 moving up the Assembly of Manitoba Chiefs, and also
18 moving up Mr. Finkle, who have all expressed some time
19 constraints. So I'll work on that over the break.

20

21 --- Upon recessing at 10:29 a.m.

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

23

24 MR. BOB PETERS: Thank you, Mr. Chair
25 and Board members, ladies and gentlemen. We'll

1 proceed after the break with a presentation on behalf
2 of the Manitoba Industrial Power Users Group, and that
3 will be followed by a presentation by the Assembly of
4 Manitoba Chiefs, and that will be followed by a
5 presentation by Mr. Gerald Finkle, all before the
6 lunch hour.

7 So, M. Hacault, over to you, sir.

8

9 PRESENTATION BY MIPUG:

10 MR. ANTOINE HACAULT: Thank you. Good
11 morning, members of the Board, especially new ones. I
12 look forward to going forward with this hearing. Good
13 morning also to Mr. Jamie McCallum. I think he's, as
14 he said, new to this process.

15 In addition to Larry Buhr, I'd like to
16 acknowledge a lot of good people that we had here
17 before from Manitoba Hydro. We didn't always agree
18 with them, but Vince Warden, Bob Brennan, Lloyd
19 Kuczek, Dale Friesen, Darren Rainkie, Manny Schulz,
20 and Scott Thomson.

21 I've been around for some time,
22 attested to by the lack of the hair on top of my head.
23 And over the last thirty (30) years, the ship seemed
24 to be stail -- sailing in a particular predictable and
25 stable direction. And with this application, I guess

1 there's never any surprises, but it just seems that
2 the ship wants to sail in a totally different
3 direction. There's a change of perspective and a
4 change of attitude in the Corporation in the
5 application.

6 MIPUG's been there for about thirty
7 (30) years, involved in these hearings and seeing the
8 predictable way this process has gone forward. We've
9 gone through some very significant risk analysis
10 hearings in the past, the big risks that the Province
11 faces both in financing, drought, et cetera. We've
12 gone through a very exhaustive second analysis of this
13 process and Needs for and Alternatives To that
14 considered various risks and issues.

15 We've provided a twelve (12) page
16 letter in advance to try and put more detail on what
17 I'll try to highlight this morning. The Manitoba
18 Industrial Power Users Group is comprised of members
19 that consume a significant amount of power, domestic
20 power in this Province. You'll see that the group
21 itself represents about 35 percent of Hydro's domestic
22 energy sales, so that the members are listed at pages
23 1 and 2 of the letter.

24 The second one, Canada Kraft Paper
25 Industries, some of them -- you might not be familiar

1 with that new name. That used to be Tolko, newly
2 acquired by this new company.

3 Additional members that have joined in
4 part because of industry's various serious concerns
5 about the impacts of the proposed rate increases are
6 Integra Castings, Maple Leaf Foods has a significant
7 presence throughout the Province, both in farms and in
8 processing, and Winpak very last in the list on page
9 2. So the three (3) -- the new ones are listed there.

10 Although this Group has always
11 represented the industr -- interests of the industrial
12 Power Users Group, we've always looked at a stable,
13 predictable path for consumers generally in this
14 Province, and looked at the financial health of the
15 Utility, which needs to be there to achieve that. So
16 we're as concerned about the financial health of the
17 Utility and the stability, because these businesses
18 invest millions and millions of dollars in
19 infrastructure.

20 They have options as to where that's
21 going to be done in the world. Most of them aren't
22 only locally-based. So whether it's a possible plant
23 closure or lack of additional investment, they are
24 very concerned about the stability of rates, and --
25 and the pro -- where everything is headed.

1 This new rate increase has also
2 generated a lot of interest and inquires from
3 associations which traditionally haven't been as
4 proactive, and as inquisitive, of this association.
5 And in the semi-annual meetings that we have informing
6 our members, we'd had several non-member groups come
7 to be informed and intu -- inquire about what this
8 rate application was about. So I'm dealing with kind
9 of the larger interests in -- in consultation that the
10 Group is doing and is participating in, in addition to
11 just its members.

12 The -- on the issue of collaboration
13 and I -- and I apologize if I'm going through the
14 written material fairly quickly, because it is all
15 there, and I don't intend to repeat it. I leave it
16 for the Board's review. We have contacted a very
17 brief exchange with the general service small and
18 general service medium, but specifically have had
19 discussions with Mr. Williams, as you heard from him,
20 and I won't repeat his comments on -- on that
21 collaboration.

22 But we have collaborated where possible
23 in previous hearings, and we continue to intend to do
24 so to increase the efficiency and cost-effectiveness
25 of this hearing.

1 This particular group has not always
2 been granted a cost award. That's put some pressures
3 on the group. Some of them have left because they get
4 a free ridership in certain sectors. We had a mining
5 sector actively involved before, and they're no longer
6 actively involved.

7 So at practically every hearing, for
8 those who would have been around to hear me on behalf
9 of the group express concerns about the cost and about
10 efficiency where possible, and we always try to
11 achieve that through collaboration or otherwise. We
12 will be presenting an application for costs, but
13 recognize that there are challenges with respect to
14 that application in the context of the current rules
15 that this Board has, so that we can deal with that in
16 subsequent submissions.

17 One (1) question that Board member
18 Kapitany asked -- and unfortunately, in a short time
19 frame, I don't think I'm in a position to give well-
20 thought-out and comprehensive answers -- What's the
21 jurisdiction of the Board to deal with provincial
22 finances?

23 I don't think we're here to start to
24 question the policy decisions of a current government
25 and how that affects its finances, or to have the

1 Minister of Finance come here and explain things on
2 provincial finances and -- and the strengths or
3 weaknesses of those things.

4 But there are impacts on rates as a
5 result of new government charges that come with new
6 projects. We have in the range of \$10 billion of new
7 capital assets, 1 percent guarantee fee, .5 percent
8 capital tax.

9 Just on that \$10 billion, the
10 government is bringing in or taking out of the
11 economy, if you wish, about \$150 million a year. And
12 that has to be absorbed through rates if those charges
13 are going to be charged.

14 So if and to the extent that there's
15 going to be some discussion by Intervenors and by
16 Hydro on finances and -- and how that impacts possibly
17 interest rates or otherwise, it may be that we need to
18 get into some of that and how it impacts rates.

19 But I think I'm just issuing a level of
20 caution, from my perspective. We're here to regulate
21 rates and things that have impacts on rates.

22 And it's -- can be a fairly easy slope
23 to kind of delve into: Oh, what's going to happen to
24 the Province? And -- and if we go too far down that
25 road, we may be getting away from our traditional role

1 in setting rates and traditional jurisdiction.

2 Notwithstanding that, there are
3 probably provincial impacts, as you will hear some
4 evidence come across from the industrials. These rate
5 increases aren't just a million or two (2) for some of
6 our users. They're very, very significant, and some
7 of them getting close to double-digit million dollars.
8 And -- and that would be compounded in each of the
9 next years, so that that aspect we're going to
10 presenting evidence on and dealing with.

11 We've set out the collaboration points
12 at page 3 of our brief, in particular talking about
13 what, if any, effect the Manitoba Order in Council has
14 on this hearing, and Manitoba's Hydro's access to
15 capital and implication of increased borrowing
16 requirements.

17 We think we need to have a discussion
18 about what we view as being an abrupt change from
19 long-established financial strategy that's pervaded
20 not only Board orders -- so previous Boards that have
21 spent a lot of time looking at this -- but Manitoba
22 Hydro's corporate vision and the vision set out in its
23 statute.

24 The other areas that we're going to be
25 looking at are pretty traditional in financial

1 forecasts -- OM&A, things of that nature -- and
2 Hydro's debt managed -- management strategy.

3 The initial position of Manitoba
4 Industrial Power Users Group is set out at pages 4, 5,
5 and 6. I'll leave that for reading instead of trying
6 to summarize a lot of it.

7 As a general comment, I believe that,
8 looking at all of these issues, the Board will be
9 satisfied that, although we didn't go exactly where we
10 thought we'd be going financially and risk wise, that,
11 overall, if you're looking at the trajectory, we're
12 right in a zone of reasonableness and in the middle of
13 where we thought we would be. And the risks are
14 actually decreasing, that something else unforeseen is
15 going to happen because we've got a lot of debt, for
16 example, that's being fixed at great rates. We've got
17 a lot of the capital costs that are getting locked in
18 and known.

19 So that in the next couple of years a
20 lot of the significant risks that people are chatting
21 about will actually be reduced significantly, which is
22 why it's useful to have regular predictable oversight
23 of the Utility and what's happening, and not trying to
24 guess where we're going exactly.

25 We also have answered the Board's other

1 questions with respect to where we disagree with, or
2 maybe we'll be challenging the Corporation. That's at
3 -- at page 9 leading into 10 of our written document.

4 At this time -- and I'm leading to page
5 10 of our written document on what specific issues is
6 expert evidence being planned and why. You've heard
7 Mr. Williams talk about Morrison Park; we're
8 collaborating on that. We also intend to call
9 InterGroup Consultants.

10 And the other area which unfortunately
11 we can't give too much detail on right now but is the
12 whole broader question -- I'll call it, of Manitoba
13 Hydro's purpose, role, and objects -- and whether or
14 not -- and how far we're going to get into the whole
15 issue of impact on the Province. So this last point
16 of the general purpose, role, and objects and what we
17 call "attitude change" is an area that, unfortunately,
18 I don't have a specific name to give to you yet, but
19 we're looking at that issue and looking to call
20 somebody on that.

21 On the Issue G, which you've asked
22 questions about, is the interrogatories. We've
23 addressed that in our paper to you. I'm not too sure
24 how that's going to change, given that Manitoba Hydro
25 is apparently updating its information. It'll depend

1 on the timing and what's provided there.

2 The -- and I'm mindful of the time,
3 getting close to the end of the presentation. We had
4 been asked about what topics are identified as being
5 issues and the scope of the issues. So we reference
6 you to our previous sections and provide some
7 additional comments.

8 With respect to the schedule, I guess
9 I'll wait because we're to speak to that this
10 afternoon. And apparently Hydro is going to be
11 providing us with something new at noon.

12 So those are my introductory comments,
13 not taking away at all from the importance, 'cause I,
14 as well as the consultants, tried to put a fair amount
15 of work in the twelve (12) page written document that
16 we've given to you so that you have a complete record
17 instead of my twenty (20) minute summary of it.

18

19 QUESTION PERIOD:

20 MR. BOB PETERS: Thank you, Mr.
21 Hacault. Yes, certainly. The panel has some,
22 Chairman -- questions, Mr. Chair.

23 BOARD MEMBER KAPITANY: So, Mr.
24 Hacault, you mentioned both in your Intervenor form
25 and again today that you were going to be, I wasn't

1 sure, representing or talking with outside groups, or
2 other groups other than MIPUG members.

3 I just -- could you clarify exactly who
4 you will be representing at this hearing?

5 MR. ANTOINE HACAULT: That's -- I
6 would -- I would view that as a rather technical
7 question. As we did for NFAT, we represented the Indu
8 -- Industrial Power Users Group. Having said that, as
9 we did in the Needs For And Alternatives To hearing,
10 sorry for using the acronym, we consulted with various
11 groups. We kept them informed of what was happening
12 in the hearing, so that the Chambers of Commerce had
13 interaction with us, Canadian Manufacturers'
14 Association, because there's some overlapping members
15 between the general service small and general service
16 medium in our group, and that association have been in
17 contact with us.

18 The Mining Association, although not
19 having specific members as part of our group has been
20 in contact with us and participated in our update
21 sessions.

22 So that's a long answer to your
23 question about who we're representing. But the
24 representation is pretty specific, but it takes into
25 account the -- the reactions of the others. And to

1 the extent that those are aligned, or we can inform
2 our position, we listen to them and seek that input.

3

4 (BRIEF PAUSE)

5

6 MR. BOB PETERS: Mr. Finkle, you have
7 a question you would like to ask the panel for
8 permission to advance to Mr. Hacault?

9 MR. GERALD FINKLE: May I ask this --
10 this Intervenor a question, please?

11 MR. BOB PETERS: And -- and the
12 subject matter, sir?

13 MR. GERALD FINKLE: Stuff that --
14 information that was in the public press about the
15 industrial energy users here closing -- moving shop,
16 or closing the doors here in Manitoba if these rate
17 increases go through. I don't know if this is the
18 proper forum or the rate hearing itself.

19 MR. BOB PETERS: You -- you -- thank
20 you, Mr. Finkle. You are correct that the rate
21 hearing itself would be a more appropriate time to ask
22 specific questions about the impacts on -- on
23 customers. That would be evidence that the panel
24 would -- would hear. This isn't evidence today in
25 terms of what they should consider for the merits of

1 any application.

2 So if you could just hold onto that
3 thought, you can -- you can certainly pose it later.

4 Seeing no other questions, Mr. Chair,
5 I'd call upon the representatives for the Assembly of
6 Manitoba Chiefs, Mr. Shefman to -- to provide his
7 presentation.

8

9 PRESENTATION BY THE ASSEMBLY OF MANITOBA CHIEFS:

10 MR. COREY SHEFMAN: Thank -- thank
11 you, Mr. Chair and panel members. Before I begin I
12 want to acknowledge that this meeting is taken place
13 within the Territory of Treaty 1 and on the
14 traditional territory of the Anishinaabe Cree, Oji-
15 Cree, Dakota, and Dene peoples. And I thank them for
16 the opportunity to be here in their territory.

17 I'd also like to thank the Board for
18 allowing us to be present here today. The First
19 Nations in Manitoba represent nearly one-fifth (1/5)
20 of the Province's population, in addition to the First
21 Nation governments and businesses who are also
22 Manitoba Hydro customers.

23 AMC is great -- sorry, the Assembly of
24 Manitoba Chiefs is grateful for the opportunity to
25 participate in this important process.

1 The Assembly of Manitoba Chiefs is the
2 political and technical coordinating body for sixty-
3 two (62) of Manitoba's sixty-three (63) First Nations.
4 Together the Assembly of Manitoba Chiefs address
5 issues of common concern, while, of course, each First
6 Nation has its own government, has their own interests
7 and their own issues, there are also issues of common
8 concerns, and those are the issues which we hope to
9 address.

10 The Chiefs who make up the Assembly
11 meet in assembly on a regular basis, multiple times
12 per year. There are regular assemblies. There are
13 also special assemblies called whenever the executive
14 -- the Grand Chief of the Assembly of Manitoba Chiefs
15 needs to consult with its members. AMC is a
16 membership driven organization that responds to the
17 needs and interests of the Chiefs.

18 The result of all of the above is that
19 discussions with the Chiefs and members of AMC's
20 member First Nations are ongoing and continuous. They
21 have discussions about the -- the impact of Manitoba
22 Hydro rates and rate increases; didn't begin among AMC
23 Chiefs with this Application, but has been ongoing for
24 quite some time.

25 As the Board issues its intervention

1 orders and the Assembly of Manitou -- Manitoba Chiefs
2 has greater clarity about the scope of its permitted
3 intervention, that -- that engagement will be ongoing
4 and will involve the expert that we propose to present
5 to the Board, as well, Philip Raphals, and I'll speak
6 about him in a little bit later.

7 And of course the engagement with our
8 members will continue in the context of collaboration
9 with other potential Intervenors, in ways in which the
10 interests of Manitoba First Nations do or do not
11 coincide with the other Intervenors.

12 We have begun discussions with a number
13 of Intervenors with respect to collaboration. As
14 panel members may be aware, the Assembly of Manitoba
15 Chiefs applied for Intervention -- or for standing to
16 intervene relatively recently. We haven't had
17 unfortunately a significant amount of time yet to
18 review in full the Application, although, of course,
19 we have done -- begun our review.

20 We have spoken with counsel for the
21 Consumer Coalition with respect to the impact of
22 proposed rates on low-income households, and we intend
23 to collaborate with them on this issue. AMC focu --
24 intends on focussing its intervention specifically on
25 this issue with respect to how the proposed rates will

1 apply to residence and businesses which are located on
2 reserve, and the unique situations that they find
3 themselves in.

4 As the Board is likely aware,
5 electricity consumers on -- who live on reserves live
6 within a different constitutional and jurisdictional
7 matrix than other Manitobans. In our submission,
8 relevant evidence on these differences will assist the
9 Board's -- the Board in setting just and reasonable
10 rates for all Manitobans. AMC's submission will focus
11 -- will focus specifically on those differences.

12 We intend to meet and discuss in
13 greater detail with the Consumer Coalition in the
14 coming days to discu -- discuss other ways in which we
15 can collaborate. While we don't expect that our
16 evidence and the perspectives of the Assembly of
17 Manitoba Chiefs will align with the Coalition in every
18 respect, we anticipate being able to find a number of
19 areas in which they do.

20 The Assembly of Manitoba Chiefs has
21 also been in discussion with the Manitoba Keewatinowi
22 Okimakanak with respect to all of the issues of
23 concern specifically to Man -- northern Manitoba First
24 Nations. It will likely come as no surprise to the
25 Board that there are shared areas of concern between

1 our two (2) organizations.

2 We have specifically discussed those
3 areas of commonality and how we can ensure that our
4 evidence compliments one another without being
5 duplicative, and duplicating the -- or repetitive.

6 To be perfectly clear, AMC supports the
7 intervention of Manitoba Keewatinowi Okimakanak in
8 this hearing, and believes that it will provide a
9 distinct perspective on the issues that its raising.
10 In particular, there are issues which are of general
11 but unique concern to all First Nations in Manitoba,
12 in that -- while they're a concern to all First
13 Nations, they are not generally of concern to what
14 I'll call settler ratepayers such as cost of service,
15 DSM, and the scale and pacing of the proposed rate
16 increase.

17 Aside from those issues, there are
18 other concerns which are unique to northern Manitoba
19 First Nations. We intend on fully collaborating with
20 MKO to ensure that there is no duplication on the
21 issues that each of us will respectively raise. We
22 have had preliminary discussions with the -- with
23 counsel for MKO about sharing an expert witness and
24 other areas of potential collaboration, and those
25 discussions will continue.

1 As I mentioned earlier, our application
2 for intervention was filed only recently, and so we
3 haven't yet had an opportunity to review the -- in
4 detail the thousands of pages which make up the GRA,
5 and of course as the panel knows more documents will
6 be forthcoming. And so in terms of the Assembly of
7 Manitoba Chiefs's initial position on the Application,
8 I'm -- I'm hesitant to go into too much detail, of
9 course, because there is still so much to review.

10 What we can say is that the issues
11 which will be dealt with in the GRA generally, and the
12 issues raised in Manitoba Hydro's application in
13 particular, are both of concern and interest to AMC.

14 As I mentioned earlier, First Nations
15 in Manitoba make up nearly one-fifth of the
16 population, 60 percent of them live on reserve -- on
17 reserves. Their issues and the impact that the GRA
18 will have on them is significant, and importantly it's
19 unique. As our expert continues to review the
20 application in greater detail, and we continue to
21 gather feedback from the chiefs who make up the
22 Assembly, our position will continue to developed --
23 to develop.

24 With respect to the rates applied for,
25 the Assembly of Manitoba Chiefs' general position is

1 that the magnitude of the increase must be tied to the
2 reasonableness of costs for which Manitoba Hydro is
3 applying. Any increase must be just and reasonable,
4 of course, and respect to the rate-making principles
5 of fairness and of gradualism.

6 We anticipate that the expert analysis
7 which we hope to provide will show that the
8 application is not appropriately gradual and makes
9 assumptions which place unacceptable burdens on First
10 Nation ratepayers in the short, medium, and long
11 terms.

12 We also anticipate that our expert
13 analysis will show that conservation and DSM measures,
14 demand-side management measures, do not sufficiently
15 take into account the situation of on reserve res --
16 residents. I can give you a few brief examples
17 without going into too much detail.

18 Specifically, we intend to lead
19 evidence regarding whether those demand-side
20 management programs such as the Solar Energy Program
21 and New Homes Program are inordinately restricted to
22 homeowners. As the Board knows, ten -- I'm sorry. As
23 the Board knows, on reserve residents who make up
24 approximately 10 percent of Manitoba's population do
25 not own their homes. Any DSM programs restricted to

1 homeowners simply cannot reach this segment of the
2 population.

3 Demand-side management programs
4 targeted to on reserve residents will have the
5 potential of course to reduce consumption across the
6 province, thereby also reducing Manitoba Hydro's
7 costs.

8 In addition, we hope to address the
9 issue of inclined rates, which we hear now are
10 potentially on the table in this application, as we
11 heard from Manitoba Hydro this morning and in its June
12 2nd submission. The amount that makes up these --
13 these rates must be taken into account when we deal
14 with on reserve buildings which are not subject to the
15 provincial building code. And that is an important
16 issue which we hope to address. And the -- the way in
17 which -- the fact that on reserve buildings are not
18 built the same way as off reserve buildings plays into
19 the consumption of power -- of electricity on reserve,
20 and the impact that that has on rate-making and on the
21 -- the size of on reserve bills.

22 Finally, we intend on leading evidence
23 relating to the First Nation education rate, which
24 applies to schools, teacherages, and student
25 residences in four (4) First Nation communities.

1 These rates, as set out in the Hydro application, is
2 two dollars and fifty-nine cents (\$2.59) per kilowatt
3 hour, which is thirty (30) times the rate charged to
4 schools in settler communities. The evidence will go
5 -- the evidence which we intend to submit will address
6 whether the rate for which Hydro is applying with
7 respect to the First Nation education rate is in fact
8 reasonably related to the cost of serving these
9 customers.

10 We do agree with a num -- with a few
11 areas in Manitoba Hydro's application. We will of
12 course need to conduct further analysis to fill out
13 this section, but at this point we agree with Manitoba
14 Hydro's position in tab 8 that, as they say, rate-
15 making and rate design must consider a number of
16 relevant issues in addition to embedded cost. I think
17 that's an important factor.

18 We also agree that Hydro -- with Hydro
19 that a balance must be struck between the long-term
20 financial health of the Corporation and what is
21 reasonable for taxpayers. However, we expect that it
22 is likely that we will disagree with Hydro on
23 precisely where that balance is found.

24 In addition, we expect to disagree with
25 Manitoba Hydro's application on at least two (2)

1 issues. Two (2) major issues: First, Manitoba
2 Hydro's demand-side management programs we believe
3 will be found to be ineffectual or significantly less
4 effective on reserve, and that this fact will have had
5 significant impacts on both demand and as a result
6 cost, as well as consumers' bills. Greater attention
7 to this issue will have a medium and long-term affect
8 of reducing the revenue requirement and allowing rate
9 increases to proceed at a more gradual pace.

10 Finally, the Assembly of Manitoba
11 Chiefs anticipates that it will disagree with, as I
12 mentioned before, the First Nation education rate as
13 not being justified or reasonable by the cost of
14 service.

15 With respect to expert evidence, the
16 Assembly of Manitoba Chiefs is planning to lead expert
17 evidence on the following issues which will be contri
18 -- which we hope to be contributed by Philip Raphals,
19 who has provided expert evidence at rate applications
20 and before boards similar to the PUB across the
21 country.

22 The first area is the impact of the
23 rates and rate increases on members of Manitoba First
24 Nations, most of whom live on reserves. On reserve,
25 electricity consumers are differently situated, as I

1 mentioned, than other Manitoba consumers because of
2 the differing jurisdictional considerations of First
3 Nation governments.

4 Our expert evidence will consider the
5 design of rates for which Hydro is seeking approval
6 and the differing impacts they have on on reserve
7 residents. Second, the expert evidence will address
8 whether the First Nation education rate is just and
9 reasonable. And third, the expert evidence will
10 address whether energy efficiency initiatives and
11 demand-side management programs are well designed in
12 light of the differing jur -- jurisdictional situation
13 of on reserve electricity consumers.

14 I can say that I will -- we -- we agree
15 with the other Intervenors who have spoken on
16 Information Requests. Two rounds, we believe, will be
17 sufficient. We're not able to provide a realistic
18 estimate of how many Information Requests we will be
19 providing since we haven't had a chance to review the
20 entire application, but I can advise that we intend on
21 collaborating with our fellow Intervenors to ensure
22 that there is no duplication in Information Requests,
23 particularly on areas where we either already have or
24 will over the next few days identify areas of shared
25 concern. We expect that we will be able to work with

1 the other Intervenors to consolidate Information
2 Requests.

3 We have set out in the chart circulated
4 by Board counsel, on a without prejudice basis, all of
5 the issues which we believe to be relevant, both to
6 the hearing itself and to our submissions. Obviously,
7 that may change based on the additional information
8 which Hydro is going to be providing to us.

9 We've attempted in that chart to
10 indicate those issues which are more centrally of
11 concern to the Assembly of Manitoba Chiefs and those
12 which we may test evidence on but may not lead direct
13 evidence on. Of course, all of those priority setting
14 -- all of that priority setting is in the interests of
15 efficiency and ensuring that we aren't duplicating the
16 good work being done by the other Intervenors, in
17 particular, the Intervenors who have been before this
18 Board more often than us.

19 I -- I've mentioned it a number of
20 times now, but the -- the First Nation education rate,
21 while not specifically addressed in the list of
22 issues, we believe would fall within Issue 16(2),
23 which is the setting of rates in diesel communities.
24 And so I -- I leave it to the Board as to whether the
25 Board believes -- the panel believes that that needs

1 to be broken out, or whether it can fall within that
2 existing issue.

3 With respect to timetable, based on the
4 information which we do have, it's our submission that
5 the timetable put forward by Hydro is the -- is
6 reasonable and is the timetable which we would support
7 proceeding on the basis of. We also support the
8 submission made by the Manitoba Industrial Power Users
9 Group in its written submissions from -- submitted
10 yesterday, I believe, related to the timetable for
11 written argument and the importance of written
12 argument.

13 While we weren't able to file a written
14 submission for today, and I apologize for that, we do
15 believe that having written argument would be
16 beneficial for the Board and would help to distill
17 what will unquestionably be a large record, and one
18 (1) which will like -- will likely have many moving
19 parts. And so we would suggest and we would support
20 having that option available, as well.

21 Subject to questions from the Board or
22 other Intervenors or Hydro, those are my submissions.

23

24

(BRIEF PAUSE)

25

1 MR. BOB PETERS: Thank you, Mr.
2 Shefman. Seeing no -- no questions at this time, I
3 think we'll -- we'll move to the presentation by Mr.
4 Gerald Finkle.

5 Mr. Finkle, the microphone is yours for
6 the next twenty (20) minutes.

7

8 PRESENTATION BY MR. GERALD FINKLE:

9 MR. GERALD FINKLE: Thank you very
10 much. I'll try and be succ -- succinct here.

11 Okay. This is -- this is a normal rate
12 hearing, but it was indicated to me that this Board
13 has the power to expand it, in that I would like them
14 to look at the actual model of Hydro, and how they
15 actually got here and asking for 7 -- 8 percent and at
16 an open house 10 percent increases over the next year.
17 And this is a very, very important thing here, because
18 basically you're asking all these Intervenors here...

19

20 (BRIEF PAUSE)

21

22 MR. GERALD FINKLE: Okay. So
23 basically you're asking all the Intervenors here, all
24 the ratepayers of Manitoba, to take these -- these
25 huge increases, and all the pain that goes along with

1 them. And there's going to be years and years of
2 this.

3 And the model that brought us here has
4 to be corrected because when this government, whether
5 it's four (4) years, eight (8) years, twelve (12)
6 years out, goes and the next government comes in all
7 this stuff can happen over again. And this is what
8 I'm really scared of. We've been through this -- and
9 I've been through this with other utilities and the
10 things that go on behind the scenes.

11 Okay. So basically why Hydro is out of
12 control and asking for these huge increases now 'cause
13 of the huge debt, and because of the huge dams they're
14 building which all come from the past government's
15 social development policy in the North.

16 And we have to get Manitoba Hydro out
17 of this kind of realm, because we are not a social --
18 Manitoba Hydro is not a social development
19 organization; it's an organization to provide
20 electricity at a reasonable cost to Manitobans. And
21 this is why this hearing has to be expanded to look at
22 different organizational models for hydro, and to make
23 -- apparently you can make advisory comments to the --
24 to the provincial government, and this is a heck of an
25 opportunity to do that. So that's -- that's a very

1 important thing.

2 The other things I want to look at as
3 -- as we go through this rate hearing, and I want
4 Hydro specifically to look at this. I brought this up
5 at the open house at the hotel on Wellington in the
6 fall. Apparently there are -- there are people and
7 organizations that have adopted, I know I heard it on
8 the radio, on CBC Radio on Friday, about selling
9 Centra Gas for a billion -- a billion and a half doll
10 -- dollars.

11 I want to know if Hydro approached any
12 of the brokerage firms here about setting up the model
13 and selling it so the money can take -- be taken and
14 pay off the debt right now, or as the debt comes
15 forward. This is a big thing. So I want to know what
16 Hydro -- that will be in -- in my submissions asking
17 Hydro specifics on that.

18 And also the huge cost overruns. When
19 I was at the open house in the fall, Hydro -- the
20 chairman of Hydro, Sandy Riley, was there, the
21 president was there, and they were talking about the
22 cost overruns. But they weren't completely
23 informational on this, and it came out here in the --
24 in the spring that there was another \$2 billion of
25 cost overruns on Keeyask.

1 And this -- like what's -- what is the
2 purpose of keep moving down this road here, increases,
3 if these cost overruns aren't going to stop? They
4 have to stop. You're adding billions of dollars here
5 every time you -- you make a move you turn around
6 here. And this kind of thing has to be looked at and
7 examined by this Board. And it can be -- it can be
8 held within the context of a rate hearing about cost
9 overruns, or what have you, but it also -- the hearing
10 itself can be expanded outside the rate hearing as
11 like a sidebar and look at -- and look at what's going
12 on here.

13 Now, I've made -- I've -- myself and
14 I've talked to other people here about other possible
15 models for Hydro to -- to get them to -- to -- outside
16 the political realm and the -- and the regulatory
17 realm into -- into a different environment which may
18 be the answer. But basically something has to be
19 done. We can't just keep going down this road again.

20 And you're asking the ratepayers here,
21 all --this is the bottom line. You're asking the
22 ratepayers of Manitoba to take all this pain because
23 of all the mistakes that Hydro have made, okay, and
24 then when our next government comes in we could go
25 through it all over again, and I don't want to do it.

1 I've been doing this for too long and
2 examining -- and I -- I look at electrical generators
3 right across the country. I see what's going on here.
4 Both are -- they're Crown corporations, they're
5 private. I put my own money into some of these
6 companies, okay?

7 And I'm well-aware of what goes on
8 here. But this -- this is an exceptional situation
9 here, and that's why I'm here, and I'm prepared to --
10 to attend these hearings, and that's it.

11 MR. BOB PETERS: Thank you, Mr.
12 Finkle.

13

14 (BRIEF PAUSE)

15

16 MR. BOB PETERS: Thank you again, Mr.
17 Finkle. With the time this morning, Mr. Chairman, as
18 much as I wanted to start off the afternoon with the
19 Green Action Centre, we're going to hear them just
20 before lunch today, with the concurrence of Mr. Gange.

21

22 PRESENTATION BY GREEN ACTION CENTRE:

23 MR. WILLIAM GANGE: Thank you, Mr.
24 Peters, Mr. Chair, members of the -- of the Board.
25 Diana, if you could pull up the -- the submission that

1 we -- we circulated this morning.

2 I'm not going to review this in -- in
3 full detail. I'll leave that for your reading
4 pleasure.

5 Basically, Green Action Centre is an
6 organization -- it's a non-profit, non-gov --
7 governmental organization which serves Manitoba. Its
8 mandate is to promote greener living through
9 environmental education and by encouraging green
10 solutions for households, workplaces, schools, and
11 communities.

12 Green Action Centre has been an active
13 participant in front of the Public Utilities Board
14 both with respect to Manitoba Hydro and -- and at
15 times Centra Gas for some considerable period of time.

16 Professor Miller tells me that the
17 first appearance of Green Action Centre or one (1) of
18 its predecessor organizations was in 2002 and that --
19 since that time, we've participated in -- in the
20 general rate applications, the cost-of-service study,
21 the Needs For And Alternatives To hearing, the energy-
22 intensive industrial rate application.

23 And -- and throughout that time period,
24 I -- I think that it -- it would be fair -- I -- I
25 hope it's fair -- to say that -- that the Green Action

1 Centre has presented evidence and presented positions
2 to the Board based on -- on consistent and principled
3 views that there are a number of competing processes
4 here.

5 One (1) is certainly that -- that
6 Manitoba requires a healthy Crown utility in Manitoba
7 Hydro. Secondly is that -- that the -- the rates
8 charged have to be fair and just, and that fairness
9 and justice sometimes requires innovation and
10 reviewing things not from the traditional
11 perspectives, but -- but from a -- a perspective that
12 -- that may not be just within the box, but in -- in
13 order to achieve a -- a fair process for all
14 Manitobans.

15 And -- and in that regard, since 2002,
16 Manitoba -- or, pardon me, the Green Action Centre has
17 been arguing -- or has been presenting an argument
18 before this Board that conservation rates, which are
19 sometimes known as -- as inverted rates, sometimes
20 inclined rates -- that -- that conservation rates can
21 provide a solution that is fair to -- to all. And --
22 and we continue that process in this hearing.

23 At the commencement of -- of this
24 process, the Board had suggested that rate design
25 would be an integral part of the hearing. Manitoba

1 Hydro originally took the position that this was not
2 the time to be act -- to -- to be implementing
3 conservation rates, and so that rate design ought not
4 to be within scope. I -- I believe that in the letter
5 of June 2nd, from Manitoba Hydro, Manitoba Hydro has -
6 - has taken a look again at that position and has made
7 suggestions with respect -- that -- with respect to
8 rate design that a -- a working group be established
9 to -- to consider this.

10 I am going to address the issue of rate
11 design, just so that the -- the Board can understand
12 why, from the perspective of -- of Green Action
13 Centre, that -- that the Board make a determination
14 that rate design is within scope at this hearing. And
15 so as you can see, we've put forward in -- in the
16 appli -- or in the submission, that rate design has
17 been a topic of interest throughout the proc -- the --
18 the interventions that Green Action Centre has been
19 involved in.

20 For those Board members that have not
21 studied this and have not sat down with Professor
22 Miller to discuss it, rate design at its -- at its
23 simplest level, the method involves setting a lower
24 price for the initial block of energy. And once the
25 initial block of energy has been consumed, the price

1 jumps to a second level.

2 And the general theory, in support of
3 conservation of rates, is that it encourages
4 households to reduce electrical consumption and makes
5 efficiency investments more cost-effective to the
6 customer, because of the higher cost of the second
7 block of electricity.

8 This conservation effect, in turn,
9 enables the Utility to avoid or forestall higher costs
10 of new generation and augmented transmission and
11 distribution. And indeed, during the NFAT process, we
12 argued or -- and -- and brought evidence that
13 conservation rates, along with other demand-side
14 management techniques, could well forestall the need
15 for -- for new generation. And this has been one (1)
16 of the -- the cornerstones of the -- the presentations
17 that -- that Green Action Centre has made over the
18 years.

19 I mentioned that in -- that Professor
20 Miller first appeared at a hearing in 2002. And in --
21 on February 3rd, 2003, the -- and -- and Diana, if you
22 could go to the next page. Thank you.

23 February 3rd, 2003, the Public
24 Utilities Board issued Board Order 7/'03, and I've
25 highlighted in that -- or the excerpt from that Board

1 order, where the 2003 commented that:

2 "In 1996, the Board had made an
3 order that Manitoba Hydro undertake
4 a study and report to the Board by
5 no later than the next GRA --
6 General Rate Application to develop
7 a comprehensive rate design policy."

8 And in 2003, the Board was saying more
9 than six (6) years have elapsed since that directive
10 was issued, and Hydro stated at this hearing that it
11 has no intention of preparing such a report or study
12 in the near future. It then went on, the -- the Board
13 order did, to comment about the evidence that Green
14 Action Centre had presented through Jim Lazar.

15 And the Board at that point was
16 interested, and -- and I -- I'm not sure if it's the
17 right word, but I'm going to use it anyways,
18 fascinated by the evidence that Mr. Lazar presented at
19 that time, and, however, recognized that -- that it's
20 a big issue. And rate design is a big issue. There's
21 no question about that. We have -- the Green Action
22 Centre over the years has had disagreements with our
23 friends from the Consumers' Coalition over how rate
24 design and conservation rates could be implemented.

25 But at that time, back in 2003, the

1 Board believed that more study was required before an
2 inverted rate structure could be considered for any
3 customer class, and as a result, ordered that a -- a -
4 - that Manitoba Hydro evaluate the impact of an
5 inverted rate structure on electric heat customers and
6 residential customers with higher than average loads,
7 and that that study was to be filed no later than
8 December 31st, 2003. In fact, to my knowledge, no
9 study was ever filed with the Board following that
10 directive.

11 In 2008, Professor Miller was buoyed by
12 a -- a ruling of the Board where the Board did order
13 conservation rates to be implemented for residential
14 users in Board Order 90/'08.

15 As -- as you can see, the -- the
16 highlighted part says:

17 "A modest in -- introduction of
18 inverted rates for residential class
19 was approved."

20 It was very modest, the inverted rate,
21 and -- but it was a start. And the Green Action
22 Centre, Professor Miller, myself, we were all very
23 optimistic that this would be the start of -- of this
24 issue being taken very seriously.

25 And you'll see that in Board Order

1 166/'08, again, the Board discussed conservation rates
2 and directed Manitoba Hydro to file a plan by January
3 15th, 2009, outlining the pros and cons of various
4 potential inverted rate strategies under
5 consideration.

6 Unfortunately, other issues apparently
7 took up the energies of Manitoba Hydro, and to my
8 knowledge, no plan for conservation rate strategies
9 has been filed in compliance with the Order of
10 166/'08.

11 The euphoria felt by the Green Action
12 Centre for the introduction of -- of conservation
13 rates was short-lived because the Board subsequently
14 felt that -- that the effect of conservation rates on
15 all electric heating had not been thought through
16 properly. And, as a result, unfortunately, the Board
17 -- or unfortunate from our perspective, the Board took
18 away conservation rates, but in Board Order 5/'12,
19 again directed Manitoba Hydro to file a report on
20 inverted rates in a year's time, January 15th, 2009.
21 Again, that didn't happen.

22 So we recognize that this is a
23 difficult issue. It -- it involves various competing
24 issues that include how do you deal with the fact that
25 -- that many homes in the Province are heated by

1 electrical heat -- electrical power?

2 We have urged that there ought to be a
3 way to be able to deal with this through various
4 measures, but, unfortunately, that's never -- the --
5 the report that has been requested has never been
6 developed.

7 So in -- in this hearing, Manitoba
8 Hydro had -- had -- well, pardon me, there's --
9 there's one (1) further step. In the cost-of-service
10 study, we had hoped that conservation rates would be
11 part of the cost-of-service study. And the Board, in
12 fact, in its initial scoping process, had ruled that -
13 - that conservation rates would be within the scope.

14 Manitoba Hydro, however, felt that --
15 that the cost-of-service study was not the appropriate
16 time and, therefore, took the position, as you can see
17 in the letter of February 5th, 2016, that Manitoba
18 Hydro expects to engage stakeholders in the discussion
19 of alternative rate designs or rate options later in
20 2016, and prior to the finalization of the next
21 general rate application filing before the Public
22 Utilities Board.

23 That didn't happen, and so that at the
24 present time, we still have no strategy for
25 conservation rates. It's now twenty-one (21) years

1 since the Public Utilities Board first ordered
2 Manitoba Hydro to report back on rate design. And
3 unfortunately, this seems to be the file that is
4 always underneath other pressing concerns.

5 With -- with the greatest of respect,
6 we think that -- that rate design ought to be front
7 and centre in this hearing. We're grateful to
8 Manitoba Hydro to be proposing a workshop process to
9 be developed over the next short period of time.

10 Green Action Centre, along with its
11 expert, Mr. Chernick, would be more than happy to be
12 thoroughly engaged in that workshop process, and we
13 would hope that the process would be that -- that out
14 of that workshop would come a report that would be
15 reported back on to the Board for the hearing,
16 whenever it is, later this year or early in 2018.

17 Step number 1: I would ask that the
18 Board make a specific order that rate design is within
19 scope. So that's the -- the -- that -- that is one
20 (1) of the main issues that Mani -- that Green Action
21 Centre is concerned about. We would be calling
22 evidence. We would be relying upon the expert --
23 expertise and the expert testimony of Resource Insight
24 Inc., and especially Mr. Chernick and Ms. Geller.

25 Mr. Chernick has appeared before this

1 Board on numerous occasions. I think that -- that
2 those Board members that have heard him -- Mr. Grant,
3 Ms. Kapitany, Mr. Ring -- I -- I think -- Professor
4 Grant, pardon me -- would -- would all agree that --
5 that his testimony has been of enormous advantage and
6 importance to this Board. And that's the -- how we
7 would proceed on that issue.

8 Second issue that we think is of -- of
9 great importance and that we would ask that there be a
10 specific order that is within scope is bill
11 affordability. Bill affordability is also an issue
12 that -- that Green Action Centre has lobbied long and
13 hard with this Board.

14 In past hearings, twice we've brought
15 in the -- Roger Colton. For those members that do not
16 know Mr. Colton, I would say that he's kind of like
17 the Bruce Springsteen of -- of bill affordability and
18 energy poverty in North America.

19 He -- he came -- has -- has given
20 fascinating testimony, and -- and as a result of that
21 testimony, a bill affordability workshop was -- was
22 ordered to deal with bill affordability and energy
23 poverty. And the bill affordability process is
24 reported on in Appendix 10.5 of the filing.

25 The -- the response of Manitoba Hydro

1 has been to defer any potential solutions to the
2 Province. It was that exact position, the deferral to
3 the Province, that we were arguing about in past
4 hearings.

5 And from my perspective, the Board has
6 made a specific ruling that energy poverty and bill
7 affordability are issues that are within the
8 jurisdiction of the Public Utilities Board. And we
9 would urge the Board to order that bill -- the bill
10 affordability issues are within scope, and are to be
11 dealt with at this hearing.

12 The -- the workshop itself is in -- in
13 the -- certainly in the view of -- of Professor
14 Miller, within sight of the goal line. And we would
15 ask the -- from -- from our perspective, the proper
16 way of -- of approaching this would be to have the
17 bill affordability workshop finish off its process and
18 make a report to you for this hearing so that at the
19 hearing itself, this issue can be dealt with, and
20 orders can be made by this Board following up on the
21 previous orders that the Board has made with respect
22 to jurisdiction, and with respect to the
23 implementation of the bill affordability strategies to
24 deal with energy poverty.

25 Green Action Centre has, for many

1 years, focussed on demand-side management. We've been
2 a vocal supporter of measures taken by Manitoba Hydro
3 to promote energy efficiency. We have often argued in
4 the past that the -- that the demand-side management
5 team of Manitoba Hydro was not big enough, and that in
6 fact, it should be -- it should be taking on an even
7 larger role than it was at the time of those hearings.

8 There obviously is uncertainty as to
9 what the role of Manitoba Hydro will be with respect
10 to demand-side management, given the initiatives of
11 the provincial government to pass legislation with --
12 with what we -- what -- what we sometimes refer to as
13 the entity. But whatever process is -- is ultimately
14 dealt with, this Board has to deal with demand-side
15 management to provide goals, to provide targets, and
16 to provide -- or to give the opportunity for
17 Intervenor to come and to make their views known, and
18 to make suggestions to Manitoba Hydro for improvements
19 to demand-side management practices.

20 I believe that -- that over the past
21 several general rate applications, the assistance that
22 Manitoba Hydro has received from the various
23 Intervenor who have been involved. Mr. Williams on
24 behalf of the Coalition has -- has led evidence
25 through Mr. Harper and through others that has been of

1 significant value, I believe, to Manitoba Hydro. And
2 Green Action Centre has also given extensive analysis
3 of demand-side management practices that have
4 ultimately been of use to Manitoba Hydro.

5 We have in the past collaborated with
6 our friend at the Consumers' Coalition, with our
7 friends at MKO, and we expect that -- that we will be
8 able to do so in the upcoming hearing. At the same
9 time, I recognize -- and -- and I would point out that
10 -- that Green Action Centre presents a somewhat
11 different perspective on -- on these hearings.

12 We have in the past -- I do not know of
13 any other Intervenor -- I -- I can't remember -- I --
14 and I'll stand to be corrected by counsel and the
15 Intervenors themselves, but I do not remember any
16 other Intervenor ever coming to this Board and saying
17 that the rate application -- the -- the rate increase
18 that was being applied for was not adequate.

19 We have, in the past, when we felt that
20 -- that Manitoba Hydro was not building its reserve
21 fast enough, because the -- the pri -- principles that
22 we have applied, and -- and the approach that we have
23 done has been, I think I can say, a principled
24 approach to say that -- that part of the process is to
25 make sure that -- that we have a healthy Utility. And

1 I can say that the Board accepted our position that
2 the rate increase that had been asked for was not
3 adequate, and at that time, increased rates more than
4 what Manitoba Hydro asked for.

5 So we come with that -- with that
6 background of -- of looking at every application on
7 its merits. We recognize that a major focus of the
8 hearing will be revenue requirements. That is not
9 something that the Green Action Centre would say is
10 its specialty. We -- we have Mr. Chernick and
11 Resource Insight Inc. looking at these issues and
12 assisting us, but we do not do the detailed analysis
13 that Manitoba Industrial Power Users Group or the
14 Consumers' Association does, and we don't intend to
15 increase the costs of this hearing by duplicating the
16 excellent efforts that those Intervenors undertake.

17 We do -- I -- I've pointed out the --
18 the three (3) issues that are of a special concern to
19 the Green Action Centre. With respect to Information
20 Requests, I -- I should point out to the Board that --
21 that we did file minimum filing requirements, and the
22 Board said that they would defer the minimum --
23 minimum filing requirements that had been submitted by
24 Green Action Centre, until the determination as to
25 scope was made.

1 So we're hoping that scope includes our
2 issues. And along with that, we would ask that
3 minimum filing requirements on our issues be approved.
4 With respect to scheduling, the -- the -- it -- it
5 does seem to me that the -- that the approach that --
6 well, that -- that both your counsel has -- has
7 submitted and Manitoba Hydro has submitted are of
8 value.

9 Quite frankly, a -- a general rate
10 application commencing in January as proposed by
11 Manitoba Hydro does seem to be more realistic in terms
12 of the large amount of work that has to be done
13 between now and the commencement of the hearing.

14

15 (BRIEF PAUSE)

16

17 MR. WILLIAM GANGE: And we would just
18 also point out -- Professor Miller just pointed out
19 that -- that the -- the workshops that -- that are --
20 that we are proposing with respect both to rate design
21 and finishing off the workshop dealing with -- with
22 bill affordability, we recognize that Mr. Barnlund and
23 his gang are seriously challenged in terms of
24 timelines.

25

 And -- now, at the same time, we

1 recognize that your Board is, with all due respect to
2 your Board, it's under-funded, and it is under-
3 staffed, but somebody has to convene that and has to
4 lead it. And if -- and -- and I do not know if -- if
5 the Board staff can undertake that role and -- and,
6 look, I understand you guys are operating on a budget
7 that is far too low, and especially in comparison with
8 your counterparts across Canada.

9 But -- but if -- if your Board staff,
10 or Mr. Peters, if -- if counsel for the Board could
11 lead those workshops, we'd be delighted. I believe
12 that's our submission.

13

14 (BRIEF PAUSE)

15

16 MR. BOB PETERS: Thank you, Mr. Gange.
17 Mr. Chairman, I see no questions at this time of the
18 Green Action Centre on their intervention. This might
19 be an appropriate time for the lunch recess if the
20 parties can --

21 THE CHAIRPERSON: Yeah. We'll --
22 we'll adjourn until one o'clock for lunch.

23 MR. BOB PETERS: All right. We'll --
24 thank you.

25 THE CHAIRPERSON: Thank you.

1 --- Upon recessing at 11:56 a.m.

2 --- Upon resuming at 1:01 p.m.

3

4 MR. BOB PETERS: Thank you, Mr. Chair.

5 I'll start the proceedings this afternoon --

6 THE CHAIRPERSON: Sorry, Mr. Peters,
7 can I interrupt you for a second?

8 MR. BOB PETERS: Yes, certainly.

9

10 QUESTION PERIOD:

11 THE CHAIRPERSON: Ms. Kapitany -- we
12 were talking over lunch and Ms. Kapitany actually has
13 a question for Mr. Gange, which she thought of after -
14 - shortly after we broke, so if we could let her ask a
15 question, please?

16 BOARD MEMBER KAPITANY: I apologize,
17 Mr. Gange, for not asking my question at the time you
18 were presenting. I was trying to read your paper and
19 listen to what you said at the same time, and I only
20 have so many brain cycles, so.

21 What I was wondering was you talked
22 about wanting rate design to be part of the hearing,
23 that -- that you felt that that should be in scope,
24 but you talked about conservation or invaded --
25 inverted rates. You didn't talk about any other rate

1 design aspects, and I just wondered if there were
2 other aspects you were thinking of, or if you could
3 comment more on that.

4 MR. WILLIAM GANGE: Thank you, Ms.
5 Kapitany. Yes. There -- there -- rate design has a
6 number of various issues, and -- and I recognize that.
7 And time of use, as -- as you mentioned, is one (1) of
8 them.

9 We think that all of those issues are
10 within the scope, and -- and we think that -- that the
11 idea of this workshop concept would be able to allow
12 the various parties to bring forward their issues to -
13 - under rate design so that it -- I -- I did not
14 intend, although I recognize that my presentation was
15 very narrowly focussed on the conservation rates.

16 But the issue is bigger than that, and
17 -- and the -- from our perspective, all of those
18 issues -- issues should be explored.

19 BOARD MEMBER KAPITANY: Thank you for
20 the clarification, and I apologize again for the
21 timing.

22 MR. WILLIAM GANGE: And -- and I can
23 say that -- that from -- from our perspective, we --
24 we see it as -- as a doable project. I -- I mentioned
25 that I -- I was trying to pass that onto Mr. Peters

1 and -- and Ms. Steinfeld, but we do think that -- that
2 with the cooperation of -- of the parties, that --
3 that a very useful report could be generated.

4 And -- and it will not -- that I would
5 not expect the report to be -- be unanimous. There
6 are various issue -- or -- or perspectives, but at
7 least the report could come, set out what those --
8 what -- what those various perspectives are, and --
9 and we could then all make arguments at the hearing in
10 support of those arguments.

11 MR. BOB PETERS: Thank you. I'd like
12 --

13 MR. BYRON WILLIAMS: Mr. -- Mr. Chair
14 --

15 THE CHAIRPERSON: Yes?

16 MR. BYRON WILLIAMS: -- just a -- a
17 rapid follow-up. We'd like permission just one (1)
18 additional --

19 THE CHAIRPERSON: Certainly.

20 MR. BYRON WILLIAMS: -- clarification
21 about --

22 THE CHAIRPERSON: Certainly.

23 MR. BYRON WILLIAMS: -- if -- if we
24 might? Thank you.

25 To -- to the Green Action Centre, just

1 so we understand, Mr. -- Mr. Gange, are you
2 contemplating both bill assistance and conservation
3 rates being speedily addressed within kind of a
4 June/July time frame?

5 MR. WILLIAM GANGE: Yes. June, July,
6 August, yes. Yes.

7 MR. BYRON WILLIAMS: And if -- if --
8 would the -- our sense of the issues is that -- that
9 it would take longer than that. Is there some magic
10 to the June, July, August, or -- or are we aiming for
11 a report that will be input to the Board before the
12 oral hearing process?

13 MR. WILLIAM GANGE: Mr. Williams, from
14 -- from our perspective, we -- I -- I don't think
15 there is any real magic in terms of those timelines.
16 But what we are, hopeful, is that -- is that a report
17 would be produced in time for there to be review by
18 the various experts prior to the hearing so that -- so
19 that the -- the report on bill affordability and the
20 report on -- on rate design, and the other issues
21 involved in rate design would be available for this
22 hearing.

23 And -- and yes, I -- I could understand
24 why people would say, Well, it may take longer than
25 that. But boy, these issues have been studied by our

1 various experts, your experts, our expert -- Manitoba
2 Hydro for a long period of time and -- and we think
3 that -- that very valuable -- very valuable ideas
4 could be put forward for review by the Board at -- at
5 the oral hearing.

6 MR. BYRON WILLIAMS: Thank you. And
7 we'll have some submissions on that, but I appreciate
8 the opportunity.

9 THE CHAIRPERSON: Yes, I'm expecting
10 submissions when we get to the issues list.

11 MR. BOB PETERS: Thank you, Mr. Chair.
12 I'd like to turn back to the presentations then with
13 the kind concurrence of one (1) of the parties. Dr.
14 Gray is going to speak next and provide his
15 presentation to the panel.

16 Dr. Gray...?

17

18 PRESENTATION BY DR. JOHN GRAY:

19 DR. JOHN GRAY: John Gray, and I --
20 I'm speaking with respect to the question of electric
21 heating users. Okay. And I'm speaking -- I must
22 speak on my own behalf. I would like to be able to
23 say that I can speak for other rural and Northern
24 electrical users, but as -- as you can appreciate,
25 this is difficult to organize them, since they're

1 scattered across the province. Okay.

2 So I hope that the Board is willing to
3 take my comments as maybe being reflective of those of
4 other people that are electrical heating or all-
5 electric customers. Okay. And I also, as well, maybe
6 offer some comments in my position as an economist
7 with some -- some area of expertise in public finance
8 and natural resource economics, but.

9 My -- my point is mainly that the
10 proposed -- proposed rate increase, excuse me, will be
11 hit proportionally hard upon those people that use
12 electric heating, whether that's a choice of theirs or
13 whether there are no other options such as gas, and --
14 and that maybe applies to an awful lot of rural
15 customers and a large number of people in northern
16 Manitoba, because this will be -- the proposed
17 increases are -- are very substantial in that sort of
18 situation. Okay.

19 In my -- in my own case, it was a
20 choice to go to electric heating a number of years
21 ago, because I had some confidence in the supply of --
22 of electricity in Manitoba Hydro, and also from
23 Environmental and Climate Change considerations, which
24 were loom -- looming at the time further more and
25 more. Okay.

1 And I -- I'm not sure whether these are
2 the same perspectives that others would make, but
3 those were the choice in my case, and one (1) or two
4 (2) other people, including people within my family.

5 So my recommendation or suggestions to
6 the Board is that the Board should require Manitoba
7 Hydro to develop a separate rate structure for those
8 people on electric heating or all-electric operations,
9 okay. So I am pleased to see that Manitoba Hydro is
10 taking that -- taking up on that. And I would suggest
11 that this should be a requirement of the Board in its
12 -- in -- in its recommendations and final report.

13 The -- I -- I might perhaps offer one
14 (1) or two (2) other general comments from the
15 perspective of a -- from an economic perspective, some
16 of which I think are going to already been taken up by
17 the Consumers' Association through colleagues of mine,
18 Wayne Simpson and Janice Compton.

19 But since the 2008/2007 economic
20 recession we -- we have been in a period, as we all
21 know, of low inflation at low interest rates, cheap
22 capital, and opportunities for infrastructure. So
23 this has been an ideal situation presumably for
24 Manitoba Hydro and others, yet we -- we now find
25 ourselves in this bizarre situation of the -- Hydro

1 having heavy capital indebt -- indebtedness, which is
2 sort of strange, in my position as an economist. I'll
3 just leave it at that. That's my presentation.

4 So I hope that -- I hope that we can
5 press forward with some structural and rate change --
6 changes along some of the lines that have been
7 suggested. Thank you.

8 MR. BOB PETERS: And -- and thank you,
9 Dr. Gray. Seeing no questions at this time, I'm going
10 to turn to Mr. Monnin and his colleagues to present on
11 behalf of customers in the general service small and
12 general service medium classes.

13

14 PRESENTATION BY GENERAL SERVICE SMALL, GENERAL SERVICE
15 MEDIUM CUSTOMER CLASSES:

16 MR. CHRISTIAN MONNIN: Merci, Maitre,
17 members of the Board. As I indicated earlier this
18 morning, Mr. Tom Thiessen, of the Building Owners &
19 Management (sic) Association of Manitoba, is to my
20 immediate left. And to his left is Ms. Jill Knaggs,
21 who is with -- the communications marketing manager
22 with the Canadian Manufacturers & Exporters
23 Association of Canada Manitoba Division.

24 With regards to the questions that have
25 been put to the proposed Intervenors, and I'll address

1 them in the chronological order that's been done by
2 the other parties today, this is the second time that
3 the general service small and general service medium
4 customer classes has sought to intervene -- can you
5 hear me -- sought to intervene before proceedings at
6 the Public Utilities Board. The first time was last
7 year during the cost-of-service methodology review.

8 In very brief compass, the general
9 service small and general service medium are two (2)
10 customer classes. General service small contain a
11 predominantly small commercial customer and general
12 service medium containing predominantly large
13 commercial customers.

14 I think it's important to provide this
15 Board and the other proposed Intervenors with a sense
16 of who the primary stakeholders are in this proposed
17 intervention class, the first being the Can --
18 Canadian Manufacturers & Exporters Canada Manitoba
19 Division.

20 The main contact individuals for this
21 primary stakeholder will be Mr. Ron Koslowsky who is
22 the Manitoba vice-president. In addition, Ms. Jill
23 Knaggs, who, as I indicated earlier, is the
24 communications and marketing manager at CME, pardon
25 me, Canadian Manufacturers & Exporters Manitoba.

1 This particular stakeholder has twenty-
2 seven (27) board -- a board of twenty-seven (27)
3 directors that is comprised primarily of executives
4 from various manufacturers and exporters that are
5 present and conduct their business in and from the
6 Province of Manitoba.

7 It is the voice of manufacturing in
8 Manitoba and seeks to assist both individual
9 manufacturers in the industry as a whole to grow and
10 to remain competitive. It's important to highlight so
11 -- some -- the point about the breadth and scale of
12 manufacturing exporting in the Province of Manitoba
13 and the importance to the Province of Manitoba of this
14 particular sector.

15 Manufacturers -- manufacturing is
16 Manitoba's largest driver of economic activity. The
17 manufacturing sector is a prom -- the province's
18 primary driver of exports and jobs.

19 Last year, Manitoba manufacturers sold
20 \$17.4 billion of goods, which is more than 10 percent
21 of the province's GDP, and directly employed nearly
22 sixty-four thousand (64,000) Manitobans. If you add
23 into -- into that indirect employment, manufacturing
24 is responsible for nearly three (3) out of every ten
25 (10) jobs in the Province of Manitoba.

1 Manufacturing share of exports last
2 year was 67 percent: \$9.2 billion. Sixty-four seven
3 (64.7) (sic) percent of those exports go to the United
4 States, and China's the next largest trading partner
5 with a share of exports of 7.4 percent.

6 The next primary stakeholder is -- is
7 the Building Owners and Managers Association of
8 Manitoba, Mr. Thiessen's group. The main contact with
9 BOMA as a stakeholder for these proceedings will be
10 Mr. Thiessen.

11 Building Owners and Manufacturers (sic)
12 Association of Manitoba seeks to represent the needs
13 and the interests of its members, providing assistance
14 and advocacy to municipal, provincial, federal, and
15 regulatory levels. It seeks to provide a network and
16 a forum for the industry stakeholders to discuss
17 mutual problems, exchange ideas, and share experiences
18 and knowledge.

19 The board of this particular
20 stakeholder is an eight (8) member entity with
21 directors that come from various property owners and
22 property managers throughout the Province of Manitoba.
23 The members of this entity are the major stakeholders
24 driving property development and commercial
25 construction in Winnipeg and in the province.

1 Their members develop, own, and manage
2 the bulk of commercial, institutional -- and
3 institutional real estate. Their members manage
4 property throughout the province in the following
5 scope and scale: 18.3 million square feet in
6 commercial, all classes; government and medical office
7 spaces, 13.3 million square feet in downtown Winnipeg
8 and 5 million square feet in suburban areas; 20
9 million square feet in retail such as strip malls,
10 malls, power centres, restaurants, and the like; 79.3
11 million square feet of industrial such as
12 manufacturing, investment, warehouse services.

13 The next primary stakeholder in the
14 proposed General Service Small and General Service
15 Medium customer class is the Manitoba Hotel
16 Association. The main contact for that stakeholder
17 will be Mr. Jerry Weir -- and that's Jerry with a J' -
18 - who is the executive director. He is unable to be
19 here today, and he apologizes for that. But due to a
20 scheduling conflict, he could not make it.

21 The Manitoba Hotel Association was
22 first established in 1917 -- 1927, and its current
23 membership is comprised of virtually all the -- the
24 majority of hotels located throughout the Province of
25 Manitoba. The Hotel Association is proud of the fact

1 that it has one of the highest membership rates among
2 hotel associations in North America.

3 It's managed by a board of directors
4 who consists -- or which is consisted of a chair,
5 three (3) vice-chairs, four (4) directors from the
6 City of Winnipeg, three (3) directors from the western
7 zone of the province, two (2) directors from the
8 eastern zone of the province, and one (1) direct --
9 director from the northern zone. This is intended to
10 ensure that the board of directors is truly
11 representative of the Province of Manitoba.

12 It's a not-for-profit corporation whose
13 mission is to serve the needs and promote the common
14 interests of the hotel and accommodation industry in
15 Manitoba.

16 It is proposed that the GS -- the
17 General Service Small and General Service Medium
18 customer class will draw upon these three (3) primary
19 stakeholders who in turn will draw upon their own
20 stakeholders in order to support the proposed
21 intervention. Looking at the broad membership and
22 perspective of the stakeholders in the General Service
23 Small and General Service customer classes, and even
24 broader membership and perspective of the internal
25 stakeholders, it's submitted that this proposed

1 customer class is an interstake -- is an interested
2 stakeholder in these proceedings before the Public
3 Utilities Board.

4 We have had -- we have had discussions
5 with the primary stakeholders to discuss at a high
6 level their concerns and their anticipated positions
7 with respect to the -- with respect to Manitoba
8 Hydro's filing. These discuss -- discussions have
9 been had and will continue to be had.

10 As far as ongoing stakeholder
11 engagement, what's anticipated is the same or similar
12 that was done in the cost of service where, after
13 intervention was granted, with the assistance of the
14 expert consultant, web-based conferences with the
15 stakeholders were conducted. And this is done in a
16 manner of online slide deck presentation regarding the
17 filing and the issues that are relevant to the General
18 Service Small and General Service Medium. This will
19 be -- allow us to identify the key issues and
20 crystalize the positions of this -- of this particular
21 stakeholder and this particular class with regards to
22 the positions to be taken throughout the proceeding.

23 I think it's important to also address
24 the issue of why the General Service Small and why the
25 General Service Medium customer class is an

1 appropriate intervening party in these proceedings.

2 In a letter dated March 5th, 2015, to
3 the attention of Mr. Darren Christle, Ms. Patti Ramage
4 on behalf of Hydro, wrote on page 3 of 4 that:

5 "The overriding regulatory principle
6 when considering any rate
7 application, including interim
8 rates, is whether the rate
9 appropriately considers the
10 ratepayers and the fiscal health of
11 the Utility."

12 In addition, again at page 3 of 4, Ms.
13 Ramage provided:

14 "In making this Application,
15 Manitoba Hydro has considered the
16 customer sensitivity to rate
17 increases, as well as the financial
18 position of the Corporation, and
19 believes that the proposed rate
20 increases provide an appropriate
21 balance between addressing the final
22 -- financial risks of the
23 Corporation and managing the impact
24 of rate increases on customers."

25 Further at Tab 2, page 26 of 61, Hydro

1 puts forward that:

2 "It is generally accepted that
3 Manitoba Hydro's domestic ratepayers
4 ultimately bear the cost of
5 operating, maintaining, and renewing
6 the system."

7 We agree. And that's why ratepayers
8 such as General Service Small and General Service
9 Medium ought to be able to provide their perspective
10 to assist the Board in balancing these priorities.

11 In order for the Board to meet this
12 overriding regulatory principle and ensure the
13 proposed rate increases provides that appropriate
14 balance between addressing the financial risks and
15 managing the impact upon customers, it's imperative
16 that those customers, such as those that are contained
17 in the General Service Small and General Service
18 Medium stakeholder group, that those ratepayers be
19 able to actively and meaningfully provide their
20 perspectives.

21 Finally, it -- it's also interesting --
22 we also suggest that it -- it's important to look at
23 what other jurisdictions -- other regulatory entities
24 of other jurisdictions have done with General Service
25 Small or General Service Medium, or small business

1 advocates. For example, in the Province of Nova
2 Scotia, the government in that jurisdiction has
3 recognized the need to having that particular voice
4 heard at utility hearings, and has legislated a small
5 business advocate who will be there at the invitation
6 of the Board to give perspective to small businesses,
7 along with consumer advocates and industrial power
8 users. In Alberta, they have a legislated a utilities
9 consumer advocate, which participates in hearings to
10 bring perspectives from various stakeholders such as
11 small businesses.

12 And finally, we urge the Board to
13 consider the following. When looking at the
14 application of GS -- General Service Small and General
15 Service Medium, that the following factors should be
16 considered in relation to the likelihood of whether
17 this application -- this applicant will make a
18 meaningful contribution, and these are as follows:

19 Whether the Intervenor has a real
20 substantial and identifiable interest in the subject
21 matter of these proceedings. We submit that General
22 Service Small and General Service Medium does.

23 Whether the Intervenor has an important
24 perspective distinct from the immediate parties. We
25 readily admit there is some alignment between the

1 parties, but those ought -- will be worked out and
2 collaborated with. But we submit that the General
3 Service Small and General Service Medium does have an
4 important perspective that is distinct from the
5 immediate parties.

6 And finally, whether the Intervenor is
7 recognized and has a broad identifiable membership
8 base. We submit that having gone through who the
9 stakeholders are, we do -- we submit that they do have
10 a broad and identifiable membership base within the
11 Province of Manitoba.

12 Now, on the issue of what have we done
13 to collaborate with other prospective Intervenor,
14 having gone through these proceedings, General Service
15 Medium and General Service Small, with regards to the
16 cost of service methodology review, this proposed
17 Intervenor is alive to the desire and really the need
18 for the parties to collaborate.

19 We have al -- we have reached out to
20 other proposed Intervenor. We've worked with them in
21 the past, and we propose to work with them again going
22 forward. We've reached out to the following proposed
23 Intervenor, either by telephone, by email, or in
24 person: MKO, AMC, Keystone Agriculture Proc --
25 Producers, Business Council of Manitoba Consumers, and

1 the Industrial Power Users Group.

2 We have advised the other proposed
3 Intervenors that to the extent that there is any
4 alignment, or whether any General Service Small or
5 General Service customer classes are within their
6 stakeholders, we would welcome working with them, and
7 would certainly include them in our web-based
8 conference calls and seminars that we would be setting
9 up.

10 In addition, the preparation of the
11 issues list that has been circulated will provide not
12 only the General Service Small and General Service
13 customer classes, but will provide all proposed
14 Intervenors with the ability to identify issues of
15 alignment in terms of consensus and where they can
16 collaborate.

17 On the issue of what is our client's
18 initial position with respect to Manitoba Hydro's GRA,
19 I can advise the Board at a very high level the
20 General Service Small and General Service Medium
21 customer classes initial position is that while it is
22 important that the revenue requirements of Manitoba
23 Hydro are in -- are indeed met, it is equally
24 important that rates should be cost based and that the
25 cost to administer revenue requirement be shared

1 fairly among all customer classes.

2 In the Intervenor request form, the
3 Board will be aware that we've ended -- identified
4 some key issues that we have specifically flagged; in
5 particular, proposed rate increases, the need to
6 ensure stable and predictable rate increases, key
7 considerations that will seek to alleviate the
8 potential rate shock and the consequences that may
9 flow to various customer classes, rate design and
10 necessary considerations to ensure fairness in that
11 exercise, the issue of cross-subsidization of energy
12 rates, DSM and the need to improve -- propose energy
13 efficiency, debt management and the current challenges
14 faced by the Utility, export revenues to the extent
15 they affect General Service Small and General Service
16 Medium, and load forecast, again, to the extent that
17 it affects General Service Small and General Service
18 Medium.

19 We've touched upon the issue with --
20 with My Friend from Green Action Centre on -- on rate
21 design. We believe that that also ought to be in
22 scope.

23 Some of you may recall in the context
24 of the Cost of Service Methodology Review, General
25 Service Small and General Service Medium touched upon

1 the issue of total allocated -- where -- where
2 Manitoba Hydro determines each classes total allocated
3 costs, which are then converted into rates, with
4 revenues received from each class including the
5 allocated share of the net export revenue, divided by
6 total cost, result in a revenue cost coverage, an RCC
7 ratio.

8 RCCs are used to aid in the evaluation
9 of rate levels and are indeed an indicator of whether
10 the class is reasonably paying its full share of
11 costs. In that regard, an RCC of a hundred percent in
12 a case that a customer class is exactly providing the
13 same amount of revenue as the cost associated with
14 serving that class. In such a case, there's no cross-
15 subsidization between customer classes and cause
16 causality.

17 Again, in the Cost of Meth -- in the
18 Cost of Service Methodology Review, it was addressed
19 by General Service Small and General Service Medium
20 that Manitoba Hydro defines its zone of reasonableness
21 for an RCC as being between 95 and 105 percent. It
22 was established in the Cost of Service Methodology
23 Review was that General Service Small customers
24 deviate by too far of a degree with the zone of
25 reasonableness; they're at 107.7 percent and 104.9

1 percent for General Service Small non-demand.

2 It's submitted that rates for all
3 customers need to be appropriately adjusted in the --
4 in this General Rate Application. And in that regard,
5 we think that it ought to be in scope.

6 On the issue of what aspects of
7 Manitoba Hydro's General Rate Application does the
8 client agree with and why. We've been quoting Ms.
9 Ramage a lot today, and we cont -- we propose to
10 continue doing so. One (1) of the things that we
11 agree with is -- where she submitted that by virtue of
12 Order in Counsel 92/'17, the PUB -- the PUB has asked
13 -- has been tasked with the additional duty of a
14 careful examination of capital expenditures in the
15 context of its rate approval function.

16 Such an examination is a considerable
17 expansion of the scope of review compared to historic
18 GRA processes in this jurisdiction. Order in Counsel
19 92/'17 provides the Public Utilities Board with access
20 to a significant and unprecided (sic) -- unpre --
21 capital related information. It's quite conceivable
22 that the regulatory process associated with this
23 capital review will exceed the typically -- that
24 typically experienced in the past.

25 We agree with the statement that this

1 is not a normal general rate application, and the
2 considerations are -- are quite vast and the scope is
3 quite large. And that's why it's even more important
4 and imperative that the customer class, such as
5 General Service Small and General Service Medium be
6 provided the opportunity to assist the Board in its
7 deliberations.

8 And so at a very high level why General
9 Service Small and General Service Medium agrees with
10 Manitoba Hydro's statement that the overriding
11 regulatory principle when considering any rate
12 application, including interim rates, is whether the
13 rate appropriately considers the interests of
14 ratepayers and the fiscal health of the Utility. What
15 remains to be seen is the balance between those two
16 (2) priorities, and that's why we think it's important
17 that our voice be heard.

18 On the issue of what does Manitoba Hy -
19 - what does your client disagree with and why,
20 Manitoba Hydro, in its filing, has said it has
21 experienced a further deterioration of its anticipated
22 expert revenues, a significant weakening in its
23 forecast of domestic load, and significantly increased
24 capital costs associated with major new generation and
25 transmission projects. In response to these

1 challenging conditions, Manitoba Hydro is dramatically
2 advancing the pace and scale of its internal cost
3 reduction.

4 Until it's able to fully test the
5 filing, General Service small and General Service
6 Medium customer class remains very concerned and, in
7 that regard, unable to fully support what Hydro is
8 putting forward about the size of the requested rate
9 increase, the pace and the scale of achieving, and in
10 the pace of scale ex -- achieving is proposed, minimum
11 equity target within ten (10) years.

12 On what specific issues has expert
13 evidence been planned and why? We touched upon the
14 issues that we've specifically flagged in our
15 intervention request form. There are also the issues
16 that we flagged on the proposed issues list.

17 The expert that we intend to retain is
18 -- they assisted us the last time, was Lennox
19 Economics International. And depending on the scope
20 of the intervention, first of all, if we're lucky
21 enough to have a proposed intervention approved,
22 depending on the intervention that is accorded to us
23 in the scope, will determine on -- will determine the
24 -- the evidence that we -- that we intend to file.

25 How many rounds of Information

1 Requests? I think two (2) is appropriate. The MFRs
2 certainly will narrow the number of IRs, but I think
3 two (2) rounds will be necessary in order to get a
4 proper record.

5 What issues -- or what topics your
6 client identifies being an issue for this GRA? I
7 think we've touched upon that in -- in the proposed
8 list that's been circulated. That's a living
9 document, if I can use that term. It'll expand and
10 narrow depending on -- on the scope of the
11 intervention and on the collaboration of the parties.

12 And what, if any, position does your
13 client take on the proposed schedule for the hearing?
14 We'd like to echo what Mr. Hacault had said on behalf
15 of the Industrial Powers Group. We think that the --
16 the schedule that's been proposed by Manitoba Hydro is
17 -- is reasonable and -- and likely the one that is --
18 is more appropriate for the scale of this particular
19 hearing.

20 So subject to any questions from
21 members of the Board or other allowed questions from
22 proposed Intervenors, that is my presentation. Thank
23 you.

24

25 QUESTION PERIOD:

1 BOARD MEMBER GRANT: Now -- thank you.
2 Sir, I -- I sympathize with you, but you must be in
3 sort of a difficult position where you're repres --
4 potentially representing clients from two (2)
5 different rate classes. And, presumably, if there's
6 some logic to these rate classes, then you're
7 representing clients with two (2) different potential
8 distinct perspectives on matters.

9 So I guess my question is: How -- how
10 would you go about representing these two (2)
11 together? I can -- say in a matter of say rate
12 design, where there could be a difference of opinion
13 depending whether you want a large fixed charge and
14 unit based on the volume of -- of consumption, how --
15 how do you see resolving that? Is it presenting both
16 perspectives or is it trying to come up with a single
17 one (1)?

18 MR. CHRISTIAN MONNIN: I think, to the
19 extent possible, alignment is -- is the desired
20 outcome, but we'll be relying on expert -- ex --
21 expertise in that regard. And the expert will not be
22 an advocate, as we all know; the expert will provide
23 his or her opinion, and that opinion will prevail, and
24 the Board and the parties will make what they can of
25 it.

1 BOARD MEMBER KAPITANY: I may have
2 missed it, Me. Monnin, but when you spoke about rate
3 design, I thought you just talked about differentiated
4 rates as per the cost of service study. Are you
5 looking at rate design only from that aspect or are
6 you looking at it in any other aspects of rate design?

7 MR. CHRISTIAN MONNIN: The only -- for
8 -- for the purposes of today, I'll say only from that
9 aspect. But as My Friend Mr. Gange said, there are
10 many issues that -- that are framed under rate design.
11 And should the matter go forward, and should we be
12 provided the opportunity to -- to participate, I
13 expect it'll be -- depending on the instructions we
14 receive from the clients, it -- it'll probably be
15 larger than that.

16 BOARD MEMBER KAPITANY: Thank you.

17

18 (BRIEF PAUSE)

19

20 MR. BOB PETERS: Ms. Ramage...?

21 MS. PATTI RAMAGE: A question, Me.
22 Monnin. I -- recognizing that your intervention
23 originally began with a PUB direction to attempt to
24 see this customer group represented, I'm -- we would
25 just like to hear from you in terms of -- you've named

1 off a number of groups that have come together.

2 Have they, in fact, come together to
3 issue you a direction on this intervention in terms of
4 when you get your instructions? Or are they multiple
5 groups that you're going to be consulting such -- are
6 you going to be able to get a clear direction from
7 them, and -- and have you met as a group with all of
8 these Intervenors?

9 MR. CHRISTIAN MONNIN: Sure. I've --
10 we've -- I've spoken with the key representative of
11 the stakeholders. As you know, you -- you've quite
12 rightly indicated that we worked together at the cost-
13 of-service methodology review.

14 And the way that we had proceeded then
15 is the way we -- I anticipate proceeding now is by
16 condensing and synthesizing the filing and the issues
17 that are relevant to general service small and general
18 service medium, and also take into account the
19 concerns that have already been raised.

20 So to answer your question, yes, we've
21 already consulted with them. I'm moving forward with
22 the -- we did web-based conference calls. We would
23 then get the input and ultimately instructions from
24 the client on how to proceed and the positions we
25 would take.

1 THE CHAIRPERSON: Thank you, Mr.
2 Monnin. No further questions that I see.

3 I'd call upon Ms. Gray and Mr.
4 Battershill on behalf of the Keystone Agricultural
5 Producers for their presentation, please.

6

7 PRESENTATION BY KEYSTONE AGRICULTURAL PRODUCERS:

8 MR. JAMES BATTERSHILL: Thank you very
9 much, and thank you to the Board, Board counsel,
10 Manitoba Hydro, and other potential Intervenors for
11 the opportunity to present here today.

12 I would just make note that if Keystone
13 Agricultural Producers is granted Intervenor status,
14 that we would be bringing on independent legal counsel
15 to lead our process moving forward.

16 I just -- I apologize first and
17 foremost. Our presentation today is somewhat less --
18 less technical than other Intervenors, but our
19 intention is to stress to the Public Utility Board the
20 important (sic) of getting a fulsome and comprehensive
21 view from the agriculture community on the impacts
22 that proposed rate increases would have.

23 So in Manitoba, agriculture is a key
24 economic driver. According to Statistics Canada, we
25 generate more than \$5 1/2 billion in farm cash

1 receipts annually, which makes up 4 1/2 percent of
2 Manitoba's GDP. When you consider the secondary and
3 tertiary contribution our sector creates, agriculture
4 is responsible for more than 10 percent of all
5 economic activity in the Province of Manitoba.

6 We are not only home to world-class
7 farmers, but our food processing sector generates
8 nearly \$5 billion in revenue annually, which makes it
9 Manitoba's single largest manufacturing sector, I
10 believe, at 26 percent.

11 And so the importance, I would note, of
12 the food processing sector, it's not only a local
13 customer for our farmers, and their concerns should be
14 given significant consideration by the Board as
15 brought forward.

16 I would just note that, compared to
17 other commercial users like the food processing
18 sector, the rest of the manufacturing sector, and
19 other users, farmers are fairly unique in the sense
20 that they are a more captive customer than others.

21 We cannot move farmland to lower-cost
22 regimes. The forty (40) plus billion dollars in
23 farmland and assets that farmers are responsible for
24 managing and generating revenue out of are going to be
25 here in Manitoba for the long term. So just like many

1 residential users, we feel that farmers should be
2 considered to be largely more captive customers than
3 potentially other users.

4 We have engaged with a variety of
5 stakeholders who have provided support for our
6 intervention application. We've spoken to the
7 Manitoba Pork Council, Keystone Potato Producers, the
8 Vegetable Growers Association of Manitoba, and a
9 number of our other commodity associations who share
10 our concerns regarding the potential impact of
11 Manitoba Hydro's general rate application.

12 Our board of directors met just last
13 week to discuss this issue and then ask that we press
14 for Intervenor status, and I would note that this is
15 one of the first times that Keystone Agricultural
16 Producers has actively engaged in this process and
17 made an application for Intervenor status, and I think
18 that should be considered by the Board as a sign that
19 the seriousness of the impact of the proposed rate
20 increase is something that is -- is substantial enough
21 that it's causing new concern and pressure from our
22 membership to be -- have our input brought forward.

23 We have a long history with Manitoba
24 Hydro, and we have worked with them quite extensively,
25 most recently since the Bipole III announcement and

1 route selection process began. Bipole III was a very
2 contentious project from the start, and Manitoba
3 Hydro's approach and engagement with farmers was quite
4 flawed. This led to a number of farms being fros --
5 forced into expropriation. Intentions were and -- and
6 have been quite high amongst the farming community
7 with regard to Manitoba Hydro.

8 Since then, we acknowledge that
9 Manitoba Hydro has been doing good work to improve
10 their standing amongst farmers. We have been included
11 in many discussions about transmission and
12 distribution projects, and have had many productive
13 engagements working through issues like biosecurity
14 and permitting.

15 Manitoba Hydro has asked us to work
16 with them to determine how to best connect with
17 farmers and improve their standing with our community.
18 And we still -- while we still have a long way to go
19 to build trust between Hydro and farmers, we do look
20 forward to continuing to work with them moving
21 forward.

22 We have asked Manitoba Hydro to begin
23 to investigate long-term energy demands of our sector,
24 and to develop a plan to service those needs into the
25 future. We see this process as an extension of the

1 work, as the cost of service will have a significant
2 impact on the type of investment farmers make in their
3 operations in the short and the long term.

4 Keystone Agriculture Producers's
5 initial position with respect to -- to Manitoba
6 Hydro's GRA is that we have concerns that the proposed
7 rate increase will discourage investment in Manitoba's
8 primary agriculture sector, reduce farm profitability,
9 and is contrary to other government priorities,
10 including meeting climate change commitments.

11 I would like to take a bit of time to
12 explain to you exactly how farmers use electricity in
13 different types of farm operations, and then provide
14 some initial comments on the proposed rate increases
15 and how they would impact the businesses and
16 communities within -- they live and work.

17 Should we receive Intervenor status at
18 the hearing, we would bring in witnesses to provide a
19 much more in-depth analysis of the impact of Manitoba
20 Hydro's proposed rate increase, and what it could have
21 on farmers.

22 There are four (4) sectors in
23 agriculture that we have identified as being the most
24 electricity intensive, and therefore at the most risk
25 of negative impacts of rate increases. They are

1 irrigated potato production, vegetable production,
2 confined livestock operations, and grains and oilseeds
3 production.

4 For potato production, Manitoba is
5 Canada's second largest potato producer. And in
6 Manitoba, for potato production, water is essential.
7 In Manitoba, in order to get a contract for -- with a
8 potato processor, so effectively, in order to sell --
9 grow and sell potatoes at all, a farmer must prove to
10 the processor they have water pump capacity and the
11 ability to irrigate.

12 This is because potatoes require
13 significantly more water than an oilseed or cereal
14 crop, and farmers use irrigation pivots to ensure
15 their crops receive adequate moisture during the right
16 times of the growing season. These pivots run on --
17 on electricity, and water pumps are used to bring
18 water from its source to the pivots, also running on
19 electricity.

20 Once a potato crop is harvested, it
21 must be stored in a cool, dry place, and farmers use
22 bins and storage facilities to ensure that the crop
23 doesn't rot. Storage units require extensive heating
24 or cooling, depending on the time of year, and they
25 also have extensive aeration units that keep the

1 potatoes dry.

2 Our preliminary estimates show that on
3 an average sized, or about a 780 acre potato
4 operation, the long-term potential of a five (5) year
5 7.9 percent increase would raise electricity rates
6 upwards of fifty dollars (\$50) per acre.

7 We would like an opportunity to provide
8 more detailed information to this effect, but it's
9 important to recognize that that fifty dollar (\$50)
10 per acre cost increase is something that's very
11 dramatic, and may threaten the long-term viability and
12 future of our potato sector.

13 But while I'm on the topic of
14 irrigation, while the majority of irrigated acres in
15 Manitoba are dedicated to potato production, I'd be
16 remised if I didn't take the opportunity to talk about
17 a very complex issue, albeit very briefly, and that's
18 climate change and the potential impact that it may
19 have on agricultural operations in the Province.

20 Presently, Keystone Agricultural
21 Producers is working with the Prairie Climate Centre,
22 a joint initiative by the University of Winnipeg and
23 the International Institute for Sustainable
24 Development, to determine what type of impact various
25 climate change scenarios will have on agriculture in

1 the Province.

2 What we have determined in our
3 preliminary research is not promising, as the climate
4 models are indicating that we are likely going to be
5 having wetter springs followed by drier, hotter
6 summers. More specifically, using the example of
7 Brandon, they currently have about thirteen (13) days
8 each year where the temperature reaches above 30
9 degrees Celsius.

10 In one (1) model, the Prairie Climate
11 Centre has developed, by 2050, we could see about
12 approximately forty-eight (48) days of greater than
13 plus 30 air temperature and 13 percent less moisture
14 on average during the growing season.

15 What this means for farmers is that
16 there is going to be an increased reliance on
17 production techniques, like irrigation, in order to
18 maintain the food production capacity. The Prairie
19 Climate Centre notes that even a small decrease in
20 summer pre -- precipitation could greatly increase the
21 risk of drought. And we have actually seen that
22 playing out this year. While last fall we saw
23 incredibly high moisture levels in the soil, this
24 spring, many areas of the Province of Manitoba were
25 suffering greatly and were likely to see much lower

1 than anticipated yields because of a -- a lack of
2 moisture.

3 So while at present the majority of
4 Manitoba's irrigation is dedicated to potato
5 production, it is very likely that as drought becomes
6 a more consistent concern for farmers, having access
7 to cost-effective management techniques and
8 infrastructure-like irrigation is critical. And it's
9 critical that those investments be made as early as
10 possible, and we're highly concerned that the rate
11 increases that are being proposed are going to act as
12 a disincentive for farmers to be making those
13 investments earlier, before we enter a crisis period
14 where they're needed.

15 Further, related to climate change, it
16 is important for the PUB to consider the provincial
17 and federal governments' commitments with respect to
18 greenhouse gas emission reductions. The government's
19 plan to price carbon as a means of reducing emissions
20 is based on the premise that carbon-based fuel
21 consumers will work to reduce their consumption or
22 switch to lower greenhouse gas emitting energy
23 sources, like hydroelectric-generated power.

24 The proposed electricity rate increases
25 has the potential to completely undermine the intended

1 purpose of the Province's soon-to-be-announced carbon
2 pricing system. And we think that it's imperative
3 that the PUB give consideration to this matter.

4 Manitoba's horticulture or vegetable
5 producers are also likely to be negatively impacted by
6 the proposed rate increase. Manitoba vegetable
7 growers store their produce predominantly in
8 warehouses and sheds that require extensive
9 refrigeration. Carrots, for example, must be kept at
10 a temperature hovering around zero degrees for them to
11 last long enough to be shipped to market.

12 I've spoken with a number of these
13 growers, and they are con -- very concerned about the
14 potential of an increase in cost upwards of a hundred
15 thousand dollars annually to their operations
16 associated with the rate increases.

17 Given that Manitoba vegetable growers
18 compete with other jurisdictions in North America with
19 dramatically lower labour costs, for example, we only
20 compete because of our proximity to our local market.
21 And if our long-term storage is not viable, and
22 operations become unprofitable, there's a real
23 liability that producers would transition to other
24 lower value crops that do not require refrigerated
25 storage.

1 Another sector that would be impacted
2 is confined livestock operations, in particular, hog
3 and dairy operations. Confined livestock operations
4 rely on well heated, cooled, and vented production
5 buildings or barns to raise healthy animals. Farmers
6 may also use other technologies in their operations
7 that require hydroelectric power, such as automatic
8 feeding, and watering, and heating systems. Cleaning
9 and sanitization equipment may also run on electric
10 power, and they are extremely important components of
11 biosecurity systems.

12 Presently, our initial estimates are
13 estimating that the proposed five (5) year rate
14 increase could have a impact of about ninety (90)
15 cents per hog in terms of additional costs, and this
16 is at a time where, unfortunately, current profit
17 margins for hog producers are exceptionally tight, and
18 the extra cost per pig is enough to make an operation
19 potentially unprofitable.

20 So the hog industry is -- in Manitoba
21 is looking to replace existing barn infrastructure and
22 expand their capacity to meet the needs of pork
23 processors. We have heard from our producer members
24 that, because of the more advantageous tax regimes in
25 Saskatchewan, that it may be more profitable for them

1 to move their operations just across the border. Our
2 concern is that, while the -- that the proposed hydro
3 rate increase may just be enough to make that move
4 west worthwhile.

5 In the grains, oil seeds and pulses
6 sector, electricity is primarily used for bin aeration
7 and grain drying, which are used predominantly during
8 the months of August to November to prepare grain for
9 long-term storage. The proposed cost increase of this
10 valuable asset is something that is also of
11 considerable concern for farmers, and we would
12 appreciate that consideration being made.

13 While this gives you some context into
14 the electricity cost for farmers, another element of
15 the proposed rate increase that will impact farmers is
16 the agro-processing sector. We know that some of the
17 other esteemed Intervenors will be speaking more to
18 the impact of the cost on their businesses, but it's
19 important to recognize that the negative impact that
20 this could have on the food processing sector and
21 discouraging investment in food processing would have
22 trickle-down negative impacts on farmers.

23 We know that Manitoba is an attractive
24 place for the food processing sector, largely because
25 of our low hydro-electric rates. In January, the

1 Manitoba government and a company called Roquette
2 announced the development of a \$400 million pea
3 processing facility in Portage la Prairie.

4 Once open, the facility is expected to
5 create approximately a hundred and fifty (150) jobs
6 with an estimated payroll of around \$9 million. In
7 the announcement itself, the government stated along
8 with Roquette that they chose Manitoba as the location
9 for the new facility due, among other reasons, because
10 of the access to reliable, sustainable, and economic
11 hydro-electric power.

12 So while we look forward to working as
13 Intervenors and engaging with our stakeholders and
14 experts in the field of agricultural economics and the
15 food processing sector to determine how significant
16 the economic losses could be due to these proposed
17 rate increases.

18 One (1) additional note, farmers are
19 also a bit of a unique stakeholder, because they are
20 not only speaking from their commercial operation
21 standpoint, but many of them do make up those
22 residential homeowners who have few options for
23 heating their residences other than electric heat.
24 It's an important consideration to make that they --
25 they sort of wear two (2) hats in this game.

1 We have already have conversations with
2 some of the other perspective Intervenors and have
3 discussed some of the ways in which our issues are
4 similar. On June 6th, we spoke with a representative
5 from the Consumers' Coalition in Manitoba Harvest, and
6 on June 8th we spoke with a representative for the
7 General Service Small and General Service Medium
8 customer classes.

9 If our application for Intervenor
10 status is accepted, we do plan to continue to work
11 with these groups in presenting our issues to the PUB
12 for consideration, and I would extend my gratitude to
13 those potential Intervenors. Right now we've received
14 considerable insight and support from them already to
15 this point in the process.

16 In terms of answering all the process
17 matter questions proposed by the Public Utility Board,
18 we can comment that we agree with Manitoba Hydro's
19 contentious (sic) that the status quo is not
20 sustainable. In its letter dated May 5th, Manitoba
21 Hydro gives a brief overview of the impact of Manitoba
22 Hydro not providing rate relief.

23 And while we concur that change is
24 necessary, we disagree with placing Manitoba Hydro's
25 financial burden on ratepayers in the fashion that has

1 been proposed here, and particular on an industry like
2 agriculture that is facing a multitude of cost of
3 production increase and is a captive Manitoba Hydro
4 customer.

5 At this time, the only Information
6 Requests of Manitoba Hydro we intend to make are
7 regarding projections on agriculture-related
8 electricity consumption and efforts made to attract
9 higher consumption firms to Manitoba. We have no
10 concerns at this point about the timetable for the
11 hearing.

12 So in conclusion, and to provide
13 answers to the questions on the issues of our concern
14 can be summarized as such: We're concerned that the
15 proposed rate increase will impact agricultural
16 producers' profitability and increase their cost of
17 production significantly.

18 We're pro -- the pro -- we are
19 concerned that the proposed rate increase will
20 discourage investment in electricity-intensive
21 industries in Manitoba related to agriculture, which
22 is counter to what Manitoba Hydro needs to be
23 sustainable, and a secondary impact of this will make
24 less marketing opportunities for farmers.

25 The proposed rate increases -- third,

1 we're concerned that the proposed rate increase --
2 increases for clean hydro-electric energy is
3 contradictory to the Province's other goals,
4 especially in relation to climate change.

5 And on a personal consumption level, we
6 are concerned that the proposed increase will hit
7 rural residences harder than those of our urban
8 counterparts, because of the lack -- lack of options
9 related to space heating fuels.

10 So again, I would like to thank you for
11 the opportunity to be here today and express the views
12 of Manitoba farmers. We look forward to working with
13 you, other Intervenors, and Manitoba Hydro at defining
14 solutions that will benefit not only agriculture, but
15 the Province of Manitoba at large. Thank you.

16 THE CHAIRPERSON: Are there any
17 questions? If not, we're going to take a five (5)
18 minute break, okay? Thank you.

19

20 --- Upon recessing at 1:55 p.m.

21 --- Upon resuming at 2:06 p.m.

22

23 MR. BOB PETERS: Thank you, Mr. Chair.
24 I'd like at this time to call upon Manitoba
25 Keewatinowi Okimakanak Inc., and not only Mr. Orle,

1 but I see a cameo of Mr. Anderson and welcome him to
2 the hearing room as well.

3

4 PRESENTATION BY MANITOBA KEEWATINOWI OKIMAKANAK INC.:

5 MR. GEORGE ORLE: Good afternoon, Mr.
6 Chairman, members of the Board. Welcome to those of
7 you who are new to the Board, hello to the old faces
8 that I recall from the -- from the Board.

9 I represent Manitoba Keewatinowi
10 Okimakanak. With me is Mr. Michael Anderson who is
11 the Director of Natural Resources for -- and I will
12 now refer to it as MKO, if you please allow me to do
13 that without paying the five dollar (\$5) charge I
14 would -- thank you, Mr. Chairman.

15 MKO represents more than seventy-two
16 thousand (72,000) treaty First Nation citizens in
17 northern Manitoba. It's been in existence for over
18 thirty-six (36) years and has been appearing before
19 this Board for at least thirty-one (31) years.

20 I've been personally asked by Grand
21 Chief Sheila North Wilson to thank the Board for
22 allowing us to make this application for intervention
23 status, also to thank the Board for the ability to
24 have made all of the intervention status meetings and
25 to be approved as an Intervenor over the course of

1 most of the General Rate Applications, the Need For
2 and -- the NFAT -- I'm going to use acronyms; I'm
3 sorry, it's just too much -- hearings where MKO has
4 represented the interests of our -- of our citizens
5 throughout those hearings and have always been
6 accepted and provided evidence that's been taken by
7 the Board in many cases.

8 The citizens of MKO First Nations and
9 the MKO First Nation government facilities receive
10 electrical service solely from Manitoba Hydro. The
11 citizens of MKO First Nations are residential
12 ratepayers, and the First Nation governments are
13 general service ratepayers. The three (3) diesel
14 First Nations which pay electricity bills for the
15 schools are also First Nation education rate
16 customers.

17 Grand Chief North Wilson has asked that
18 she will be able to make a presentation directly to
19 the Board in the event that we are granted Intervenor
20 status, and would do so at the opening of the actual
21 hearings themselves.

22 But she has asked me to convey to the
23 Board the importance that's being put upon this
24 particular hearing. The rates that are being proposed
25 will have devastating consequences upon the MKO

1 communities. It's fair to say that this is one (1) of
2 the most serious events that has occurred in the
3 nature of the relationship between MKO First Nations
4 and Manitoba Hydro.

5 The proposed rate increases will
6 disproportionately affect MKO First Nations as the
7 majority of the citizens are in the low-income
8 category and the General Service customers have
9 limited ability to absorb any additional costs.

10 The proposed rate increases will also
11 disproportionately affect MKO in a second fashion in
12 that many of the benefits to be generated by the
13 increases will flow to the Provincial government to be
14 used for general purposes, and MKO First Nations
15 receive little or no benefit from Provincial
16 disbursements.

17 This has been an area that MKO has
18 effectively argued and brought before the Board
19 because there is a significant difference. MKO
20 ratepayers are not similar to the ratepayers in the
21 rest of the Province. When somebody in southern
22 Manitoba plugs in their toaster, their TV, they don't
23 think about the fact that all of that electricity is
24 being generated from traditional lands that have
25 either been flooded, taken over, or that have affected

1 the everyday lifestyle of the people in that
2 community.

3 General ratepayers can sigh a sense of
4 relief in southern Manitoba when they switch over
5 their appliances or their heating to gas as opposed to
6 having electrical, which is not something available to
7 MKO citizens.

8 When a Municipality receives a grant to
9 pay for infrastructure and that grant comes from money
10 that the Province has collected from water taxes or
11 any of the other benefits that they receive directly
12 from Manitoba Hydro by having it paid by Manitoba
13 Hydro to the government, that is not the similar
14 consequence in MKO First Nations. There is nothing
15 paid to their infrastructure from the Province.

16 The benefit that is paid by the rates
17 that then go to the -- I'll call them two (2) classes
18 of shareholders; the first class is those that are the
19 general rate paying population, the rest is the First
20 Nations who are treated in a different way in terms of
21 the general results that come from the economic
22 stability and the financial abilities of Manitoba
23 Hydro.

24 A number of years ago when we went
25 through the NFAT, there were countless -- countless

1 hours spent in financial forecasts. There were dozens
2 of experts that provided all information regarding
3 financial forecast. There was, I would -- I would say
4 that hundreds of thousands if not millions of dollars
5 used in economic forecasts, financial forecasts, in
6 order to establish what was then being asked for as a
7 rate increase of somewhat over 3 percent a year.

8 At the beginning of the NFAT, I -- I
9 used a story that I recalled from my history classes,
10 and that was that the Greeks and the Ancient Romans
11 used to do predictions based upon cutting open a
12 chicken and looking at its entrails. In many ways,
13 many of the economicists and financial projects we
14 have had are no different than that. At least cutting
15 open the chicken, you were right one-half (1/2) of the
16 time.

17 The financial forecast that we received
18 and that we all relied upon and which were projected
19 for over twenty (20) years have now been shown to be
20 wrong, or at least it's alleged that they've been
21 wrong. All of the hours, all of the time, all of the
22 experts that we produced have in the course of two (2)
23 years been shown to have no application to the rates
24 that are being asked for right now.

25 The position of my client is that how

1 could something have gone so wrong? How could so many
2 assumptions have been changed, and to what extent were
3 those assumptions correct in the first place to bring
4 us here today looking at a 7.9 percent increase over
5 the next two (2) decades?

6 There are some lessons to be learned
7 from other jurisdictions in regards to how, and I'll
8 use this word because I appreciate this word from Mr.
9 Williams, robust the investigation initially was in
10 order to allow rate increases to proceed.

11 I'm going to remind you all of what
12 happened in April 2015 when the Minister responsible
13 for energy in the Province of Quebec came before the
14 legislature and announced that since 2008 the
15 ratepayers had overpaid Quebec Hydro one point four
16 (1.4) mil -- billion, pardon me, it's a billion. It's
17 hard to imagine, \$1.4 billion had been overpaid by
18 Quebec ratepayers.

19 It had been done by Quebeckers
20 unwittingly helping the Province to advance its budget
21 and paying down their deficit. The five (5) years of
22 increases at that time in Quebec were twice the rate
23 of inflation. We're being asked to approve and to
24 agree to a rate that's even higher than that. The
25 consequence of that five (5) years increase at twice

1 over the rate of inflation was, number 1, to put \$1.4
2 billion into the pocket of the Province.

3 But the second one, and this is the
4 human element, is that the disconnection notices
5 incurred -- or the disconnections increased 500
6 percent over that period of time. 500 percent
7 disconnections to regular ratepayers based upon an
8 inflated rate that went towards a purpose of not
9 assisting the utility, but to pay to the Province.

10 And I just add at the very end of that
11 that each one of those increases had been approved by
12 the Energy Board in Quebec after having full hearings.

13 So the fact that we set up a hearing
14 and that we receive this information is not enough
15 unless it's absolutely tested and that all of us can
16 walk away from this room saying that the forecasts
17 that we are now being asked to accept are, in fact,
18 reliable and can be effectively proven.

19 My client would like to see this not as
20 a brand new hearing but as a hearing that basically
21 deals with variation. Let us accept for the moment
22 that the amount of the increase that was set at the
23 NFAT on the 2015 is a fair increase and that it was
24 supported by all the evidence that was put forward;
25 that had been tested by every one (1) of the experts

1 that we had up here before this Board. And let's take
2 that as the starting point, not go back to square one
3 of looking at all of the different options available,
4 but let's start at square one.

5 This was done, and it was done right.
6 And now Manitoba Hydro come back here and don't give
7 us general opinions as to what's changed over two (2)
8 years. Take every one (1) of the changes that results
9 in the formula coming to a brand new rate of 7.5
10 percent, show us where that increase occurred and
11 provide us with each and every assumption that you're
12 using to change that number. And then let us test
13 those assumptions and see whether or not those numbers
14 are sufficient. And, to that extent, our involvement
15 in this hearing will be to test those amounts.

16 My client wants on an overall basis to
17 have standing to be able to take a look at where did
18 this go wrong from 2014. Those of you who are on the
19 Board may remember that part of the argument submitted
20 by MKO was that, if the water rentals and the other
21 costs that were directly paid by Manitoba Hydro to the
22 provincial government were instead applied towards
23 rate increases, the rate increase would have been 2
24 percent for four (4) years and 4 percent for the time
25 thereafter. That was information received from

1 Manitoba Hydro when they applied the numbers from the
2 funds paid to the Province as to how they would
3 affects rates.

4 The final report suggested to the
5 government that they may mitigate some of those rates
6 by putting back some of these funds that were being
7 taken out of the revenue of Manitoba Hydro.

8 The minister at that time accepted the
9 recommendations from the Public Utilities Board. Not
10 one (1) cent has gone back into rates since that time
11 that that recommendation was made.

12 Going to the direct questions that have
13 been asked on the process matters, the question is:
14 How has the client engaged the stakeholders and
15 supported the client's intervention application? I go
16 back, first of all, to the recommendations at the NFAT
17 hearing.

18 MKO convened a meeting of their entire
19 council and, at that time, by resolution, approved the
20 recommendations being made by MKO, which
21 recommendations continued on through all of the -- the
22 rate increase applications from that time. And they
23 continue to put those recommendations forward so that
24 we have an ongoing engagement from MKO stakeholders
25 that what was put forward back at the NFAT hearing is

1 still of importance to them.

2 More recently, in 2015, MKO
3 commissioned a survey, not just of its -- the chiefs
4 that sit on the council, but of all of the
5 communities, asking them what were the concerns that
6 the communities had and which MKO would then use in
7 terms of negotiations with government, both provincial
8 and federal.

9 This was just before the provincial
10 election so that there was a request, without having
11 any parameters set out, as to what is it that you want
12 us as your leadership to take from you, the citizens,
13 and say, This is of importance to you?

14 Well, the unsolicited answers coming
15 back -- or unsolicited by specific questions -- were
16 that the communities wanted to create access to
17 cleaner energy, to remove them from fossil and diesel
18 fuels. An important consideration for all of the
19 communities was energy savings; that there be specific
20 plans put into place that are appropriate for First
21 Nations in being able to have energy conservation.

22 They were concerned about the inability
23 to be able to have equivalent-to-gas pricing available
24 to them, and they were, as our friends in the
25 agricultural community have said, concerned about

1 climate change and the manner in which it's going to
2 affect them and the manner in which it may affect the
3 resources that are available within their communities
4 and how that is going to have an effect upon them.

5 Are we going to be looking at Manitoba
6 Hydro facilities being in some way a potential danger
7 to the communities? These are issues that -- that
8 need to be looked at. Now, they may not be all issues
9 that are responsible for being looked at by the Public
10 Utilities Board, but the initial ones -- the clean
11 energy, the equivalent to gas, the energy savings
12 programs -- those are all critical to decisions being
13 made by the Public Utilities Board.

14 They wanted to know what was going to
15 be done about helping to ameliorate the rates that
16 they pay; that was a concern that they passed on to
17 their leadership, a concern that is integral to this
18 hearing that's before the Board.

19 And that is why we want to have
20 Intervenor status. We want to be able to continue the
21 efforts being made and -- that have been made by MKO
22 in the past, and to continue to have a seat at the
23 table to make those concerns clear and to be able to
24 report back to the citizens that, Yes, your concerns
25 were raised, yes, they were given a hearing before the

1 Public Utilities Board, and this is the way in which
2 they have determined that they are going to answer
3 those.

4 Issues with collaboration. MKO has
5 been the quintessential good player in the playground.
6 We have collaborated and cooperated with all of -- not
7 all, but almost all of the other Intervenors. And
8 specifically, there have been concerns raised that MKO
9 doesn't do enough to provide its own experts or that
10 there's not enough shown that there's an interest or
11 an involvement.

12 And I would say to the Board that the
13 work that is important is the work that is done before
14 we get to a hearing. That's where the hard work is
15 done. That's where the experts provide their
16 information. That's where the meetings are held
17 between Intervenors to decide where they're going to
18 go forward and who's going to lead the charge on it.

19 MKO has worked with Coalition in
20 dealing with what the effects are on -- on low-income
21 families as a result of rates. We've accepted their
22 experts on most of that testimony, and what we have
23 done is that we have taken from that, those experts,
24 the parts that relate specifically to First Nations
25 because First Nations on reserve are different than

1 low-income people that live within the cities or
2 outside of the First Nations communities.

3 We intend to do that again in this
4 case, that we will share an expert or experts to the
5 extent that the Coalition will set out the terms upon
6 which they are having the expert appear, and MKO will
7 be given an opportunity to add to the terms of
8 reference those specific matters that will affect the
9 MKO First Nations.

10 Similarly, MKO has worked, albeit not
11 as closely, but has appreciated the efforts done by
12 the Green Action in regards to the experts that they
13 have called in regards to the experts that they have
14 called, in regards to energy savings. And we expect
15 that we will be doing the same.

16 MKO at previous hearings has taken the
17 position that if the expert's report is one that they
18 agree upon, then cross-examination is the effective
19 way for them to get their -- their message across.
20 And the Board members that are continuing on will
21 recall that it was MKO questioning of the experts that
22 set out that First Nations have specific needs that
23 have to be dealt with in programs for energy savings;
24 that they are different from other ratepayers, and
25 they have to be set up differently. They have to have

1 First Nation input from the very beginning, not just,
2 We've set up a plan and it's available for you to
3 join.

4 That that is the beginning of where you
5 start with an energy program that affects First
6 Nations and it's got to be deliverable. MKO also in
7 its cross-examinations determined that there was a
8 potential conflict of interest in Hydro being in
9 charge of these plans and that the recommendation was
10 that it be taken outside of Manitoba Hydro and dealt
11 with by an independent committee; that is now being
12 done. The bill has passed.

13 But that was part of the initiative
14 done by MKO, not through having their own expert do
15 that, but by being able to use effectively the experts
16 that have been called by others with concurrent
17 interests.

18

19 (BRIEF PAUSE)

20

21 MR. GEORGE ORLE: MKO has had
22 discussions with the General Service Small and General
23 Service Medium representatives. And again, I have
24 been assured by our Grand Chief that to the extent
25 that that Intervenor will require information to be

1 used that will set out information that is important
2 to the General Service Small and General Service
3 Medium, who are located in First Nations, that we will
4 have the opportunity of directing the people that --
5 that MKO will choose the communities that are most
6 representative from small community, medium community,
7 large First Nation's community, and to tell the
8 experts what the effects of rates are on their
9 particular businesses that are located on the First
10 Nations.

11 So that to that extent we will be
12 cooperating and we will not require independent
13 experts to be able to do that work, because that will
14 be included in there, again, by us having input into
15 what the terms of reference for the expert will be.

16 The only area that MKO may be looking
17 at an independent expert is in questions relating to
18 diesel and that that will be dealt with once we know
19 what the terms of reference are and what we will need
20 to be able to do with -- with diesel.

21 I -- I'm going to just on an aside now,
22 because I know that this is of importance to -- to the
23 Board and has been in the past, I can indicate to the
24 Board that I have in my possession now the signed
25 copies of the diesel agreement and that I will be

1 producing them as soon as I am able to -- there is one
2 (1) technical snag that I have to deal with Canada on
3 in terms of one (1) issue that does not affect rates,
4 does not affect the majority of the agreement, but it
5 affects the ability of my client being able to say
6 that they have finally released all of the
7 information.

8 But I -- I can indicate to the Board
9 that I -- I already have been in communication with
10 legal counsel for Canada and that we are working
11 towards having this dealt with very, very quickly and
12 hopefully before we're into these hearings any -- any
13 further.

14 My client's initial position with
15 respect to Manitoba Hydro's application, 7.9 percent
16 is absolutely impossible to accept and that we are not
17 in agreement with anything until more information is
18 provided that will allow that type of rate increase to
19 proceed. Fairly simple.

20 I'm almost done. In terms of rounds of
21 Information Requests, we agree with two (2), as
22 proposed by others. And in terms of the issue page,
23 we've -- we've gone through that. I did not have the
24 opportunity to attend the meeting, but I have had
25 discussions with PUB counsel, and I can indicate that,

1 of all of the issues circulated in the -- in the
2 proposed issue list, that there is, in number 2, only
3 one (1) area where we will not want to have input.

4 In number 5 on the issues list, we will
5 not be asking for any input. And on all of the
6 others, we will want input, but it'll be limited to
7 where has the change occurred from what was put
8 forward at the NFAT hearing. So, in essence, we're
9 acting -- asking for full involvement on the
10 Intervenor's side. We're particularly interested in
11 all of the matters relating to energy savings and
12 those dealing with the -- the diesel program, where we
13 believe that we should have a -- an initiative on
14 that.

15 Those are my comments, members of the
16 panel. I'm open to questions from whoever may want to
17 put one (1) forward.

18

19 (BRIEF PAUSE)

20

21 MR. BOB PETERS: Seeing no questions.
22 Thank you, Mr. Orle. I'll ask Mr. Williams to -- on
23 behalf of the Business Council of Manitoba to provide
24 his presentation and...

25

1 PRESENTATION BY BUSINESS COUNCIL OF MANITOBA:

2 MR. KEVIN WILLIAMS: Thank you.

3 That's Williams with a 'K', for the -- for the record.
4 Thank you, Mr. Chairman and to each of the members of
5 the Board for permitting us to appear here today and
6 to make this application for intervention into this
7 proceeding.

8 This is the Business Council of
9 Manitoba's first intervention application to the
10 Public Utilities Board, and so I have no history to
11 relate to the Boar -- Board in that regard, but
12 suffice it to say that this -- this matter is of some
13 importance to the Council's members.

14 We have only recently applied to
15 intervene into this proceeding, and accordingly, have
16 not had an opportunity to conduct a complete review of
17 the GRA documentation. That will be taking place in
18 the -- in the immediate future.

19 Mr. Leitch is -- is going to speak to
20 you now about who he is, what the Business Council of
21 Manitoba is, and who are its stakeholders. He's going
22 to speak to the mandate of the Business Council of
23 Manitoba, some of its interactions in leading up to
24 its request to intervene, and why it has an interest
25 in this proceeding.

1 I'll then speak to the more technical
2 issues involved in the intervention application.

3 MR. DON LEITCH: Thank you. The
4 Business Council of Manitoba is a not-for-profit
5 organization. It currently consists of eighty-four
6 (84) CEOs from a cross-section of businesses, both
7 urban and rural. Almost all are corporations
8 headquartered in Manitoba. They represent
9 collectively more than thirty thousand (30,000)
10 employees within the Province.

11 The chief executive officers of leading
12 Manitoba companies believe there is a need for
13 business leaders to speak out on major policy issues
14 facing our Province. The founders in 1998 formed the
15 Business Council of Manitoba, and since then, they
16 have continued to recruit leaders who have similarly
17 demonstrated a commitment to Manitoba's economic
18 growth and community development.

19 The primary purpose of Business Council
20 of Manitoba is to research and advocate positions on
21 selected issues that bear directly on the future
22 health of Manitoba and Manitoba society.

23 The council engages in discussion with
24 business leaders, other business leaders, political
25 leaders in Manitoba and elsewhere. The council values

1 its independence and the freedom to advocate without
2 regard to partisan politics. We are an apolitical
3 organization, nonpartisan, and the Council's goal is
4 to make Manitoba a preferred place to live, work, and
5 invest.

6 In all of our representations --
7 representations to governments and others, we argue
8 for the fundamental importance of a competitive
9 economy in Manitoba in the broadest fiscal and
10 economic sense, so it's both fiscal and economic
11 competitiveness.

12 In our view, economic and fiscal
13 stability mid-term and long-term is a key. So leading
14 up to the decision to seek Intervenor status, we held
15 some sessions. In addition to our regular general
16 member sessions, we held a special general members
17 meeting on the specific topic of Manitoba Hydro and
18 the current circumstances with the full knowledge that
19 there would be a Public Utilities Board hearing.

20 Of course, we had our board meetings to
21 consider and decide whether we should seek Intervenor
22 status. In leading up to that, I also speak on a
23 regular basis to other heads of business and community
24 organizations in the Province.

25 I spoke to a number of them, and I

1 asked specifically about their views on Manitoba
2 Hydro, and in particular, if they were considering
3 seeking Intervenor status. None of them were other
4 than Keystone Agricultural Producers, (KAP). All
5 other organizations were -- with the exception of CME,
6 Canadian Manufacturers & Exporters, who are aligned
7 with one (1) of the other organizations, none of the
8 other organizations were -- were inclined to be
9 seeking Intervenor status.

10 So we felt as the Business Council of
11 Manitoba it was important to bring our perspective as
12 business leaders in the Province to these sets of
13 hearings. Kevin...?

14 MR. KEVIN WILLIAMS: Thank you. The -
15 - from a -- for -- for starters, I think that -- that
16 I'm going to make a couple of comments about the
17 Board's jurisdiction in respect to this proceeding.

18 In terms of the jurisdiction, beyond
19 the legislation itself, the starting point from the
20 Business Council's perspective is the Order in Council
21 dated April 5th, 2017, issued in respect to this
22 matter which we say gives the Board a broad discretion
23 to deal with issues in the context of this hearing.

24 In particular, that Order in Council
25 assigned the duty of considering capital expenditures

1 by Manitoba Hydro as a factor to be considered by the
2 Board in setting rates for services in a manner that
3 balances the interests of taxpayers and the financial
4 health of Manitoba Hydro. That puts the financial
5 health of Manitoba Hydro before this Board, and gives
6 the Board a broader jurisdiction to consider issues
7 relating to Manitoba Hydro's financial health that
8 might otherwise be the case.

9 The Business Council of Manitoba is
10 concerned about the Provincial debt load generally,
11 and the growing debt in -- at Manitoba Hydro in
12 particular. For the last number of years, the
13 Business Council has made -- or has -- sorry, has been
14 involved in pre-budget consultations with government
15 and has made submissions to the Finance Minister
16 relevant to issues that are important to its
17 stakeholders as part of those consultations.

18 The last three (3) submissions included
19 specific commentary on Manitoba Hydro's financial
20 health, and in particular, its debt. In particular,
21 the Business Council has referred the government to
22 the challenge of debt management and protecting the
23 Province and Manitoba Hydro's current debt -- current
24 debt ratings in the current economic climate.

25 To give you an example as to the

1 magnitude of the issue, in 2012/'13, Provincial debt
2 incurred for and were payable by the Manitoba Hydro
3 electric board stood at \$9.446 billion. For the
4 2017/2018, the debt is budgeted to be \$19.267 billion,
5 which is essentially a doubling of that debt over the
6 last five (5) years.

7 The Business Council has significant
8 concerns about the management of this debt and the
9 protection of the credit rating of both Manitoba Hydro
10 and the Province of Manitoba. It expressed the
11 concerns to the government about the growing debt at
12 Manitoba Hydro, which, if added to the -- to Manitoba
13 Hydro's government debt, would severely impair credit
14 ratings leading to potentially higher service costs
15 for Hydro and the government of Manitoba, and in the
16 extreme limit -- to a limited access to debt markets.

17 Although rating agencies have
18 historically looked at Hydro and government debt
19 separately, they are increasingly commenting on Hydro
20 debt and it's not a big stretch to think it will start
21 combining them, given the Province of Manitoba
22 guarantees the debts of Manitoba Hydro.

23

24

(BRIEF PAUSE)

25

1 MR. KEVIN WILLIAMS: With the debt
2 growing at the rate that I've shown you, the Business
3 Council wants to ensure that we can assure the bonding
4 rate -- rating agencies and the lenders that we have
5 matters in control. It's for this reason that the
6 Business Council wishes to ensure that steps are taken
7 to ensure that Manitoba Hydro can be placed on a
8 solid, independent financial footing, thus restoring
9 the Utility to a dividend generating asset for all
10 Manitobans while the -- at the same time safeguarding
11 the Provincial's overall financial stability.

12 Preliminarily, to the extent that the
13 pro -- proposed rate increases will assist Hydro and
14 place Manitoba Hydro on a solid independent financial
15 footing, while at the same time safeguarding Hydro and
16 the Province's overall financial stability, the
17 Business Council of Manitoba would be supportive of
18 such an increase in rates.

19 In response to the questions raised in
20 the Board's correspondence dated May 26th, 2017, I can
21 advise that -- Mr. Leitch has already spoken to you
22 about how the Business Council has engaged its
23 stakeholders in support of the -- of the intervention
24 application. I can advise you in respect to the
25 issues that have been outlined, the Business Council

1 is particularly concerned about Issues 2, that relates
2 to rate increases and rate impacts; Issues 3, that
3 relates to financial targets, capital structure; Issue
4 4, that relates to debt management; and lastly, Issue
5 8 that relates to new major capital expenditures.

6 To date, our client has not
7 collaborated extensively with any of the other
8 prospective Intervenors, although I have had
9 discussions with -- or communications with Mr.
10 Williams with -- first initial 'B', from the
11 Consumers' Coalition, as well as the General Service
12 Small, General Service Medium customer classes.

13 Based on what we saw this morning, the
14 opinions of Morrison Park Advisors will likely be of
15 interest to our clients. And we've obviously prepared
16 to collaborate to every extent possible in the context
17 of this proceeding.

18 Our clients have no interest in
19 duplication and are prepared to do what it can do to
20 minimize costs associated with its intervention.
21 Currently, our clients -- our -- our current intention
22 is to call Murray Taylor, former CEO of Investors
23 Group, and potentially one (1) or two (2) other
24 additional CEOs to advocate the position of the
25 Business Council.

1 It may be that after we've had an
2 opportunity to complete our review of the application
3 materials, we may wish to retain someone to provide
4 some input as it relates to debt rate of downgrades on
5 interest -- on -- on interest costs and the financial
6 impact to Hydro and the Province in respect to those
7 downgrades.

8 I believe that, subject to anything
9 else Mr. Leitch has to say, those are -- those are my
10 submissions to the extent you may have questions.

11

12 QUESTION PERIOD:

13 THE CHAIRPERSON: Mr. Williams, you
14 made a -- a comment at the outset, and I don't know if
15 you misspoke or we're looking at different documents.
16 But you said that the Order in Council from the
17 government support setting rates for services in a
18 manner that balances the interests, and you said rate
19 -- taxpayers.

20 MR. KEVIN WILLIAMS: I meant
21 ratepayers.

22 THE CHAIRPERSON: Okay.

23 MR. KEVIN WILLIAMS: I said -- I
24 apologize, ratepayers --

25 THE CHAIRPERSON: Well, I just wanted

1 --

2 MR. KEVIN WILLIAMS: -- and financial
3 health --

4 THE CHAIRPERSON: -- I just wanted to
5 correct that.

6 MR. KEVIN WILLIAMS: Sorry.

7 THE CHAIRPERSON: Okay. Yeah.

8 MR. KEVIN WILLIAMS: I misspoke.

9 THE CHAIRPERSON: That's fine. Thank
10 you.

11 MR. BOB PETERS: We'll just canvass
12 and see if there's any other questions. Yes, Mr.
13 Hacault.

14 MR. ANTOINE HACAULT: Mr. Chair, I'd
15 like leave to ask questions in two (2) or three (3)
16 areas. Two (2) that I've identified is the overlap
17 between Manitoba Hydro board members and the Board
18 members on the Business Council. And the other area
19 is the overlap in its members with the members
20 identified in the groups that are General Service
21 Small and General Service Medium.

22 THE CHAIRPERSON: That's fine.

23 MR. ANTOINE HACAULT: Mr. Leitch, am I
24 right in understanding that Mr. Steve Croft is on the
25 Manitoba Hydro board as well as the past chair of your

1 Business Council?

2 MR. DON LEITCH: Yes. Mr. Croft is on
3 the Manitoba Hydro board, and he is past chair of the
4 Business Council of Manitoba.

5 MR. ANTOINE HACAULT: Am I right in
6 understanding that Sandy Riley is currently the chair
7 of the Manitoba Hydro Electric Board and director
8 emeritus of the Business Council?

9 MR. DON LEITCH: Yes. Mr. Riley is
10 chair of Manitoba Hydro. He is a former chair of the
11 Business Council of Manitoba, having been chair, I
12 believe, back in about 1999, 2000. And he continues
13 to be a member of the Business Council. And I might
14 add, if I may, that both of those gentlemen have
15 recused themselves from all internal discussions
16 relating to Manitoba Hydro matters.

17 MR. ANTOINE HACAULT: And as of what
18 date did that recusal occur?

19 MR. DON LEITCH: That recu -- recusal
20 occurred at a time when the Business Council of
21 Manitoba determined that we were interested in seeking
22 Intervenor status.

23 MR. ANTOINE HACAULT: Again, I'd like
24 something a little more precise 'cause --

25 MR. DON LEITCH: Well, I would have --

1 MR. ANTOINE HACAULT: -- we've seen
2 the application for Intervenor status that was made
3 recently.

4 MR. DON LEITCH: It was -- it was
5 recently, and we -- I -- I would have to check -- go
6 back and check a specific calendar, but that recusal
7 would have occurred probably back at the beginning of
8 May.

9 And -- and what I am saying there is in
10 the sense that there were -- there were some general
11 discussions ongoing between members. But they are --
12 they are not participating and have not been
13 participating for some time in any of our internal
14 discussions leading up to this decision to be seeking
15 Intervenor status today.

16 MR. ANTOINE HACAULT: I think those
17 gentlemen, however, participates in the discussions
18 that were set out both in your editorials, press
19 releases, and others with the -- their -- the Business
20 Council's position on credit ratings, et cetera?

21 MR. DON LEITCH: I'm -- I'm not -- I'm
22 not sure of which -- which press releases you're
23 referring to. If you're referring to our budgetary
24 submissions to the Province of Manitoba perhaps?

25 MR. ANTOINE HACAULT: I believe that

1 might be one (1) of them.

2 MR. DON LEITCH: Yeah. Okay. Well,
3 mis -- Mr. Croft was, as a Board chair, a member of
4 the committee that dealt with economic and fiscal
5 competitiveness.

6 MR. ANTOINE HACAULT: With respect to
7 the membership, I'm going to call it "overlap", did
8 you do an analysis to see the extent to which there is
9 an overlap in your membership with BOMA, CME, and the
10 hotel industry?

11 MR. DON LEITCH: Yes, we have members
12 in the Business Council in all of those sectors.

13 MR. ANTOINE HACAULT: So the chair of
14 the Canadian Manufacturers & Exporters is Gerry Price.
15 And he's also a member of your council?

16 MR. DON LEITCH: Yes.

17 MR. ANTOINE HACAULT: And would it be
18 reasonable to think that Brian Hastings, who's the
19 President and CEO of Qualico, would be a BOMA member?

20 MR. DON LEITCH: I -- I do not know if
21 he's a BOMA member, sorry.

22 MR. ANTOINE HACAULT: What about Arni
23 Thorsteinson, of Shelter Canadian Properties?

24 MR. DON LEITCH: I do not know about
25 Mr. Thorsteinson's membership in that organization.

1 MR. ANTOINE HACAULT: What about Armin
2 Martens, the Artis REIT?

3 MR. DON LEITCH: Again, I do not know.

4 MR. ANTOINE HACAULT: So you haven't
5 made inquiries with respect to that overlap issue?

6 MR. DON LEITCH: No.

7 MR. ANTOINE HACAULT: What about the
8 hotel industry, Leo Ledohowski, Canad Inns?

9 MR. DON LEITCH: Leo was a member of
10 the Business Council.

11 MR. ANTOINE HACAULT: And also part of
12 the Hotel Association industry?

13 MR. DON LEITCH: I do not know for
14 sure.

15 MR. ANTOINE HACAULT: What about Ida
16 Albo, Hotel Fort Garry? Is she a member of your
17 council?

18 MR. DON LEITCH: She's a member of the
19 Business Council. And I do not know if she's a member
20 of the Hotel Association.

21 MR. ANTOINE HACAULT: What about Mr.
22 Chipman? Is he on your council --

23 MR. DON LEITCH: Yes, Mr. Chipman's a
24 member of the Business Council.

25 MR. ANTOINE HACAULT: And you're aware

1 that they've got a lot of office space, including the
2 True North Centre going up? They would be a BOMA
3 member also, I would suggest?

4 MR. DON LEITCH: Well, I -- I am -- I
5 am aware that Mr. -- one (1) of Mr. Chipman's
6 companies is involved in that project, yes.

7 MR. ANTOINE HACAULT: And the Chipman
8 family has other office and commercial space interests
9 in the City?

10 MR. DON LEITCH: I can't comment on
11 what interests they have in what particular
12 properties.

13 MR. ANTOINE HACAULT: But you're aware
14 that they also would be a BOMA member?

15 MR. DON LEITCH: I do not know that.

16

17 (BRIEF PAUSE)

18

19 MR. ANTOINE HACAULT: Mr. Brown is
20 part of Richardsons, and he's on the Manitoba Hydro
21 Electric Board.

22 MR. DON LEITCH: I -- I know there is
23 a Mr. Brown on the Manitoba Hydro Board, but I -- I'm
24 not familiar with his other professional activities.

25 MR. ANTOINE HACAULT: Okay. So you

1 wouldn't know whether he reports to Hartley Richardson

2 --

3 MR. DON LEITCH: I do not know.

4 MR. ANTOINE HACAULT: -- who's on your
5 Council?

6 MR. DON LEITCH: No, I do not know.

7 MR. ANTOINE HACAULT: And Mr. Mike
8 Pyle is on the Manitoba Hydro Electric Board, correct?

9 MR. DON LEITCH: Yes.

10 MR. ANTOINE HACAULT: And he's also a
11 board member on your Business Council?

12 MR. DON LEITCH: He is. And he, too,
13 has recused himself from participating in any Hydro
14 discussions.

15

16 (BRIEF PAUSE)

17

18 MR. ANTOINE HACAULT: Just to put a
19 date, you mentioned a finance paper, that would have
20 been in March of this year?

21 MR. DON LEITCH: Our submission to the
22 Minister of Finance was presented on March the 6th to
23 the Minister of Finance, 2017, and it was prepared in
24 January and finalized in February.

25 MR. ANTOINE HACAULT: And that

1 position is consistent with what the position that's
2 been advocated today?

3 MR. DON LEITCH: Yes.

4 MR. ANTOINE HACAULT: That includes,
5 for example, the dividend question that's raised in
6 Mr. Williams's submission on behalf of your group?

7 MR. DON LEITCH: Dividend?

8 MR. ANTOINE HACAULT: Yes.

9 MR. KEVIN WILLIAMS: I didn't say
10 dividend.

11 THE CHAIRPERSON: I -- I think perhaps
12 he's referring to the -- the sentence that talked
13 about restoring Manitoba Hydro to its ability to be a
14 -- returning a dividend to the people in Manitoba and
15 that's a -- an excerpt out of that document, yes.

16 MR. ANTOINE HACAULT: And just a point
17 of clarification, both in the Intervenor application
18 and the presentation by -- by Mr. Williams, there's
19 reference to the finances of Manitoba as a distinct
20 subject as opposed to the finances of Manitoba Hydro.

21 Could you provide clarification as to
22 what your group intends to get into with respect to
23 the finances of the Province of Manitoba?

24 MR. KEVIN WILLIAMS: Well, we're --
25 intend to get into the debts of the fin -- the

1 province of the fin -- the debts of the Province of
2 Manitoba and its finances as it -- as it relates to
3 its guarantee of Manitoba Hydro's debt.

4 MR. ANTOINE HACAULT: So it's just
5 limited to the 1 percent guarantee fee that they're
6 charging?

7 MR. KEVIN WILLIAMS: No, it's not.
8 It's related to -- it's related to the total amount of
9 debt that -- that Manit -- the Province of Manitoba
10 has guaranteed on Manitoba Hydro's behalf, which is
11 what I quoted.

12 MR. ANTOINE HACAULT: I maybe
13 misunderstood. I had thought I had heard the combined
14 debt of Manitoba Hydro and the Province. So that's
15 why I'm seeking clarification. If -- you're not going
16 to be talking about the Manitoba -- or the Province of
17 Manitoba debt?

18 MR. KEVIN WILLIAMS: No. With the --
19 the Province of Manitoba guarantees Hydro's debt. The
20 -- the figures I quoted in my submission were only
21 that aspect of the Province's debt that relates to
22 Manitoba Hydro that it guarantees.

23 I indicated that there were some
24 concerns that -- that were -- that have been raised
25 that currently guar -- the -- the bond-rating agencies

1 look at Hydro's debt independently of that from the
2 Province of Manitoba. There is commentary that there
3 may be a risk that they may be lumped together into
4 one as a consequence of the guarantee.

5 So there may be some commentary around
6 that. We don't intend to deal with the Province's
7 debt as -- in the context of this proceeding, only as
8 it relates to what bond-rating agencies do or may do
9 as it relates to Manitoba Hydro's debt.

10 MR. ANTOINE HACAULT: Thank you very
11 much for clarifying some of my questions.

12 THE CHAIRPERSON: Thank you.

13

14 DISCUSSION RE: ISSUES LIST:

15 MS. DAYNA STEINFELD: I'm not seeing
16 any other questions at this time. There's been a
17 request to have the discussion on Manitoba Hydro's
18 comments on the applications after the discussion on
19 the issues list so that that whole picture is -- is
20 clear before we have Hydro's comments.

21 So we're amenable to doing that. The
22 intention here is to not necessarily go through things
23 in detail. And we did receive comments from many of
24 the parties as to the without prejudice version of the
25 issues list. We take it from the comments today that

1 nothing has changed from the positions reflected in
2 the issues list, and I would invite Intervenors who
3 would like to make any amendments, or -- or revisions,
4 or comments to do so at this time.

5 And, Mr. Williams, first initial 'B'
6 has put up his hand.

7 MR. BYRON WILLIAMS: Yes, Williams,
8 associated with the Consumers' Coalition as compared
9 to the Business Council. Just under rate increases
10 and rate impacts, and following up on Board member
11 Kapitany's question from this morning, item number 3
12 on the first page is macroeconomic provincial economy
13 impacts. And I just want to clarify and I -- I think
14 it should be clarified if it is going to be an issue.

15 We're, in essence, speaking of an
16 Ontario-like vicious circle, reduced demand,
17 relocation, reduced gross domestic product, what are
18 the implications of that for Hydro's revenues, what
19 are the implications of that in particular for captive
20 customers.

21 So how we would suggest from our
22 client's perspective articulating that for the
23 purposes of the Rate Application is the cascading
24 impacts, if any, of rate increases on customer demand,
25 Hydro load factors, business relocation, Provincial

1 JDP, and Hydro revenues.

2 That's the -- kind of the global
3 capture that -- and we -- we submit that it -- that
4 has significant implications for ratepayers, in
5 particular, captive ratepayers.

6 THE CHAIRPERSON: Yeah, go ahead. I'm
7 sorry.

8 MS. DAYNA STEINFELD: Thank you, Mr.
9 Williams. Yes.

10 BOARD MEMBER KAPITANY: Thank you for
11 -- for that, Mr. Williams, and that's what I
12 understood from you this morning.

13 But from the Business Council, it
14 seemed to me you were taking quite a different
15 perspective on the macroeconomic issues.

16 And I would ask you the same question
17 that I had asked Mr. Williams, where you see the PUB's
18 jurisdiction in terms of the -- the broader look at
19 the Provincial economy?

20 MR. KEVIN WILLIAMS: In that regard, I
21 -- I'd point you to my comments that I made regarding
22 the Order in Council, and specifically what it gave
23 you jurisdiction to deal with which is -- which is
24 broader because it -- it allows you to deal with the
25 financial health of Manitoba Hydro.

1 (BRIEF PAUSE)

2

3 MS. DAYNA STEINFELD: Mr. Hacault, did
4 you have another point to add?

5 MR. ANTOINE HACAULT: Yes, something
6 that hasn't maybe come across as well as it should,
7 and I didn't go through all the details of our
8 presentation and the issues list is -- it'll probably
9 be under number two (2) with respect to the
10 macroeconomic analysis on the issues list.

11 We've talked about the impact of the
12 rates but also included in the discussion we would
13 view government charges, and how to compare the costs
14 of those charges and the risks, if any, put on the
15 Province.

16

17 (BRIEF PAUSE)

18

19 MR. ANTOINE HACAULT: I don't know if
20 that's the appropriate part to slate it in, but there
21 are a number of charges we had gone through in the
22 Needs for and Alternatives To, including the for
23 example 1 percent charge debt guarantee. What value
24 are we getting out of that because on the new debt
25 we're going -- with the capital tax we're going to be

1 paying over \$150 million of new revenues. Yeah, what
2 are we getting out of that.

3 And just for the record, I -- I think
4 it's in our submission, too, we don't view the Order
5 in Council as changing the jurisdiction of this Board
6 at all. It's always looked at capital in the past,
7 and the impact on rates. And the tests set out in the
8 Order in Council is no different than the tests set
9 out in the legislation.

10 So we don't view it as expanding the
11 jurisdiction in any way. It hasn't made clear what
12 Manitoba Hydro has to produce to avoid a situation
13 like we did several years ago where there was a
14 dispute as to what had to be produced and what was
15 confidential or not, but our view is it doesn't change
16 the jurisdiction. The role and jurisdiction continues
17 to be the same.

18 MS. DAYNA STEINFELD: Mr. Williams...?

19 MR. BYRON WILLIAMS: Yes. And just to
20 going to page 2 still under rate increases and rate
21 impacts, the last item above financial targets is
22 input/output models. And certainly -- we should have
23 flagged this before. We don't consider that an issue
24 in the hearing. That is a mechanism by which you
25 might try to assess the implications of some of these

1 activities, and the implications for Hydro's forecast.

2 So we don't see that as an issue. It's
3 just an economic analysis tool that -- that our
4 consultants may use.

5 I apologize if I went too fast on that.

6 MS. PATTI RAMAGE: In terms of the
7 pre-hearing conference and what will ultimately come
8 out of it, a scoping order and who is in and who is
9 out, Manitoba Hydro asks for consideration of whether
10 parties can indicate whether they take -- intend to
11 take a lead role on an issue as opposed to ask
12 questions perhaps if something arises 'cause I think
13 that would be of assistance to the Board and to our
14 understanding of the roles taken because, for example,
15 we have General Service Small and General Service
16 Medium who've answered yes to virtually every single
17 issue on the col -- in -- in the document.

18 And I'm fairly certain they don't
19 intend to take a lead on all of those and -- whereas
20 others have named only one (1) or two (2) and I guess
21 gen -- anyways, we thought it would be helpful if
22 parties could indicate that, if the Board so desires.

23 MS. DAYNA STEINFELD: Why don't I turn
24 it over to Mr. Monnin to address that, if you have any
25 comment. And then if -- if the Chair would permit, we

1 -- we could perhaps go party by party, and, to the
2 extent possible, that question could be answered.

3 THE CHAIRPERSON: I'm just wondering
4 if, on -- on the point from Manitoba Hydro, if --
5 later if we want to take a break for ten (10) minutes
6 or so and have counsel get together, the Intervenor
7 get together and determine if they have an answer on
8 who will take the lead on which issues because I don't
9 know if they've even had that discussion yet.

10 MS. PATTI RAMAGE: I think that's a
11 good idea. At the same time, I should clarify that I
12 expect that, in some cases, you're going to have two
13 (2) leads because you're going to have different
14 perspectives.

15 THE CHAIRPERSON: We may have -- we
16 may have everybody participating. I think it's -- I
17 think it's a fair question if there's an expectation.
18 I don't know if you're going to have an answer today.
19 You know, it may be something where we have some
20 indication, or they may come back and say, You know,
21 we'll let you know by the end of the month, or -- or
22 something like that.

23 But I'm not sure that they've even --
24 even discussed. At previous hearings, certain counsel
25 have taken the lead on specific issues. I just don't

1 know how much before the hearing that's actually been
2 discussed.

3 MR. BYRON WILLIAMS: I can just
4 indicate that, between ourselves and our friends at
5 MIPUG, we've had some conversation. And we've done
6 this before so we kind of know that depreciation gives
7 me headaches, so Maitre Hacault will address that.

8 But I -- I would suggest that rather
9 than kind of going through all of these items, it
10 might be helpful to -- for Intervenor counsel to
11 converse. I just did want to indicate that we have
12 had a fairly significant conversation with our friends
13 from the Manitoba Industrial Power Users Group.

14 THE CHAIRPERSON: Sorry to interrupt.
15 Did you -- I'm just wondering if we want -- if Me.
16 Monnin wants to speak to the issue now or wants to
17 wait for the opportunity to talk to other counsel.

18 MR. CHRISTIAN MONNIN: I would -- if I
19 can just short-circuit this, to the extent that
20 GSS/GSM has answered yes, it's -- many times it's
21 qualified with to the extent that it affects GSS and
22 GSM. And this was populated -- this issue wasn't
23 populated in a silo.

24 And certainly I fully expect that the
25 level of participation from customer class GSS/GSM, if

1 they're allowed to intervene, the level of
2 participation will narrow when we have further
3 discussions with the -- the Intervenor that have been
4 accepted.

5 THE CHAIRPERSON: M. Hacault...?

6 MR. ANTOINE HACAULT: I would also --
7 also suggest that the thought is going to mature on
8 that over the next bit, as soon as we have an idea of
9 what the Board wants to focus on as far as issues, if
10 there's any that are out of scope.

11 And just as a practical matter, counsel
12 in this room over the last decade, in my experience,
13 have been very good at speaking to each other and
14 having one take the lead on a cross-examination or
15 other issue to make sure that, as much as possible,
16 we're efficient in presenting the information to the
17 Board so that it's an ongoing process of cooperation.
18 And sometimes that occurs pretty much in the hearing,
19 too, not necessarily in advance, although we do have
20 discussions in advance and meetings in advance to try
21 and work that out.

22 THE CHAIRPERSON: Okay. Thank you.

23 MS. DAYNA STEINFELD: Perhaps then I
24 would turn to my next question, which -- which may
25 assist this discussion in -- in some way.

1 Does Manitoba Hydro or -- or any
2 perspective Intervenor take a firm position that any
3 of the issues on the issues list is out of scope? If
4 I could just put that question to -- perhaps to Ms.
5 Ramage first.

6

7

(BRIEF PAUSE)

8

9 MS. PATTI RAMAGE: Manitoba Hydro has
10 comments on a couple of the issues that have been
11 raised.

12 The first one I'll address, they're not
13 in any particular order or priority, would be the
14 comments of the Assembly of Manitoba Hydro -- of
15 Manitoba Chiefs, that the First Nation education
16 account rate be included in the process. It's not on
17 the issue list, but it was raised by counsel this
18 morning.

19 Manitoba Hydro's view is this is not a
20 diesel rate hearing. There are no diesel rates being
21 proposed in this hearing. Having said that, and
22 particularly given we are dealing with a fairly new
23 board, I can give a little bit of background, and
24 that's that it should be understood that residential
25 customers in diesel communities represent the vast

1 majority of customers in those communities, and those
2 customers are on grid rates.

3 So to such extent that the grid rates
4 change, they will apply to diesel communities, but
5 that is not a diesel rate per se. The First Nation
6 education rate, however is only applicable in diesel
7 communities. It was a product of the diesel
8 settlement agreement. It is a rate that applies the
9 same as what is known as the government rate in those
10 communities.

11 There are essentially three (3) rates:
12 a residential rate, a general service rate -- and by
13 way of background, the general service rate is also a
14 grid rate for the first 2,000 kilowatt hours of
15 consumption in a month, followed by what has been
16 known as the full cost rate. The government and First
17 Nation education accounts have an additional surcharge
18 on them, and that surcharge assists in -- in
19 addressing the grid rates subsidy. It's a subsidy
20 towards the grid rate application in those
21 communities.

22 It -- as I said, it is part of the
23 tentative settlement agreement. It was created in
24 that process. And certainly our view would be, until
25 we first have the settlement agreements on that

1 process in front of this Board, it -- it's not a
2 matter to be addressed at a -- at this hearing.

3 Those -- those settlement agreements
4 need to come in. We need to ratify those now
5 outstanding interim orders that go -- date back to
6 2004. And then we can have a discussion going forward
7 on diesel rates. But Manitoba Hydro would not be in a
8 position to put forward a diesel rate application in
9 the context of this hearing. It's a completely
10 different cost base and -- and not part of this
11 process.

12 I note that the Board itself in Order
13 18 of 2015 indicated that that -- that was at the
14 2014/'15, 2015/'16 GRA, that MKO was approved to
15 intervene on the finalization of diesel rates provided
16 that the settlement documents are provided. That's
17 the finalization.

18 So that may occur in this process if
19 those agreements do, in fact, materialize and that is
20 in the application, but to look forward at these other
21 components of the rate are outside the application
22 before the Board.

23 And I -- to clarify, Manitoba Hydro has
24 not applied for any change to the full cost or
25 government or First Nation education account rates in

1 those communities. So it -- it's not a matter before
2 the Board in this -- in this process.

3

4 (BRIEF PAUSE)

5

6 MS. DAYNA STEINFELD: Ms. Ramage, were
7 there any other issues that were out of scope before
8 we move on to other parties?

9 MS. PATTI RAMAGE: There was also
10 raised the matter of DSM during this. As parties in
11 this room are aware, the Government of Manitoba has
12 issued a bill to create a new entity called Efficiency
13 Manitoba. Efficiency -- going forward, Efficiency
14 Manitoba will be delivering programs with respect to
15 DSM. It will not be Manitoba Hydro's -- it will no
16 longer be in our bailiwick to be doing DSM
17 programming.

18 Manitoba Hydro's view of DSM is that to
19 such extent DSM costs are included in the test years,
20 they can be reviewed. To such extent they are in the
21 forecasts, recognizing that we have used as a proxy
22 for DSM expenses Manitoba Hydro's plan, knowing that
23 the plan will change and that's -- that's a financial
24 plan and the -- the financial underpinnings of those
25 programs, questions can be asked about that.

1 I will put the caveat that I don't that
2 we'll know the answers, because it's part of the bill,
3 but when it comes to actual programming and discussing
4 what is being delivered, that should not be a matter
5 for this hearing. It will come before this Board.
6 The new legislation has the PUB reviewing the DSM
7 programs, but it would not be, in our view, an
8 efficient use of precious hearing time to include a
9 review of programming that will be very soon out of
10 Manitoba Hydro's hands.

11 Another topic that was raised was
12 different organizational models for Manitoba Hydro.
13 The Manitoba Hydro structure is dictated by the
14 Manitoba Hydro Act. It -- it is not something that
15 we, as a Corporation, have control over to change that
16 organizational structure in terms of -- in -- in the
17 bigger picture, the interaction as between government
18 and the Corporation, or the regulator and the
19 Corporation.

20 And it wouldn't be within the Public
21 Utility Board's jurisdiction to change that structure
22 and, therefore, we don't see that as valuable use of
23 hearing time to discuss something that is -- is
24 dictated by legislation.

25 I can also comment just while we're on

1 -- it's -- it's not quite as jurisdictional, but the
2 comments that have been made about the provincial
3 economy and Ms. Kapitany's questions about
4 jurisdiction.

5 Manitoba Hydro recognizes that this
6 rate increase will have an impact on the economy. I
7 think anybody would be foolish to think it -- it
8 wouldn't.

9 Manitoba Hydro questions whether any
10 amount of evidence will tell us ahead of time what
11 that impact will be. But more importantly, Manitoba
12 Hydro shares the concern regarding jurisdiction and
13 whether this Board should be examining impacts on the
14 provincial economy or the general health of the
15 province.

16 Manitoba Hydro has provided evidence
17 regarding what it will take to allow the Corporation
18 to remain self-sustaining. It is a reality that the
19 province guarantees Manitoba Hydro's debt. It's also
20 a reality that if Manitoba Hydro is not self-
21 sustaining the province will be called to step in and
22 there will be impacts.

23 That's quite different, though, from
24 taking -- looking at it through the lense of what the
25 impact on businesses and others will be in the

1 province from this rate increase. That perspective
2 we'll try to drill down and determine what the impacts
3 will be. We question whether you could discover that
4 and it's not part of rates for service, and it not --
5 and it ought not be an issue at this hearing. The
6 fiscal health of the -- the Utility is quite different
7 from the fiscal health of the province.

8 Mr. Hacault has referenced government
9 charges and the impact on rates. To such extent those
10 charges are a cost and they go into rates, I would
11 suggest that's fair game. It's something that's
12 always been disclosed in these hearings.

13 However, there is no jurisdiction
14 whatsoever, or value in debating the value of those
15 charges. They are imposed by law in Manitoba Hydro,
16 and Manitoba Hydro must pay them. So we don't see
17 value in -- in debating those charges, nor do we
18 believe the Board has jurisdiction, given that it
19 can't change those charges anymore than the
20 Corporation can.

21 And if you'll allow me one (1)
22 moment...

23

24

(BRIEF PAUSE)

25

1 MS. PATTI RAMAGE: There is -- there
2 are some concerns with respect to how far bill
3 affordability can go, but I think that discussion
4 would be better heard if -- our plan was, and a
5 discussion with Board counsel, have Mr. Barnlund weigh
6 in on exactly what he was thinking we would be doing,
7 and we can then elaborate on where we see the
8 parameters of what we're proposing versus what other
9 parties in the room may be thinking falls within bill
10 affordability.

11 Both -- and that discussion is both
12 jurisdiction and what is achievable, so I would
13 suggest we just defer that piece for a moment and
14 finish on the issues list.

15 MS. DAYNA STEINFELD: I believe Mr.
16 Orle had a comment, and then we'll go to Mr. Shefman.

17 MR. GEORGE ORLE: Thank you. Just to
18 -- to echo some of the comments made by Ms. Ramage in
19 regard to the Diesel educational rates.

20 Those are part and parcel of the
21 agreement that has not come before the Board yet, but
22 I can tell you that the Diesel First Nations were a
23 signatory to that agreement, and so that the rates in
24 there are not something that those MKO Nations or MKO
25 is intending on opening up, or -- or having discussed

1 before the Board.

2 MS. DAYNA STEINFELD: Mr. Shefman...?

3 And then we'll go to Mr. Williams.

4 MR. COREY SHEFMAN: Thank you -- thank
5 you. Our discussion about the First Nation Education
6 rate was based on Manitoba Hydro's application for a
7 7.9 percent across-the-board rate increase, and the
8 comments in Appendix 9.3 which lists as Tariff 2017-
9 41, that rate. If we misunderstood that, then we
10 apologize for that.

11 MR. GREG BARNLUND: If I could
12 confirm. Our 7.9 percent rate increase is applied
13 against all grid rates. However, we did not apply any
14 increase to the general service rate above 2,000
15 kilowatt hours in diesel communities or the government
16 First Nations' rate. There's been no increase applied
17 to those.

18 MR. COREY SHEFMAN: And if I can just
19 clarify that this is something which we expect upon a
20 -- a more detailed review of the application with the
21 assistance of our expert that we will be able to avoid
22 in the future. Thank you.

23 THE CHAIRPERSON: Ms. Ramage, if I
24 could ask you a question. You raised the issue about
25 government charges, and the fact that we don't have

1 jurisdiction.

2 I take it you mean that we don't have
3 jurisdiction in making an order on government charges?

4 MS. PATTI RAMAGE: That's correct. In
5 terms of -- you certainly have jurisdiction to
6 understand and to get information about what those
7 charges are and -- and how they're paid, and the --
8 our forecast of how they'll be paid, but in terms of
9 having a discussion about the value of those charges,
10 that's where we say they are what they are. The
11 government has imposed them, and we --

12 THE CHAIRPERSON: Do -- do we have the
13 jurisdiction to make recommendations about those
14 charges?

15

16 (BRIEF PAUSE)

17

18 MS. PATTI RAMAGE: In terms of -- the
19 Board does have a history of making recommendations
20 with respect to certain matters. I would -- I would
21 hesitate to be making recommendations myself in terms
22 of matters of law, but I -- I can't address whether
23 the Board -- because recommendations have historically
24 always been on things outside of rates for service,
25 because rates for service is a fairly defined matter,

1 and -- and it's a fairly narrow focus on which the
2 Board has broad discretion how it determines that.

3 The Board does have a history of making
4 other recommendations that are non-binding on -- on
5 the parties.

6 THE CHAIRPERSON: Thank you.

7 MR. BYRON WILLIAMS: Perhaps I could
8 best do this through a -- a question for our friends
9 from Manitoba Hydro. Ms. Ramage, in terms of issues
10 related to demand-side management and energy
11 efficiency, you'll know that our clients have usually
12 been quite involved in those issues. We're mindful of
13 the changes related to Efficiency Manitoba, and that -
14 - the comments you've made about what Hydro considers
15 within an efficient scope of this hearing and -- and
16 otherwise.

17 The one (1) matter that I may not have
18 heard, and if I do -- if I hear -- if I should have
19 heard it and I missed it, I apologize, but in terms of
20 the implications of the demand-side management
21 forecast and its reliability on load forecast, that
22 would surely be within -- within the ambit of the
23 hearing?

24 In other words, can Hydro del --
25 deliver on what it forecasts?

1 (BRIEF PAUSE)

2

3 MS. PATTI RAMAGE: Yes, Mr. Williams,
4 we do think that is fair game, and that will be
5 addressed to some degree in the -- in the updated load
6 forecast.

7 MR. BYRON WILLIAMS: Thank you.

8 MS. DAYNA STEINFELD: I believe Mr.
9 Battershill has a comment.

10 MR. JAMES BATTERSHILL: I just have a
11 question about the issues. And I apologize for not
12 knowing whether this would be included in issues
13 previously identified, but whether or not it would be
14 appropriate for us to be bringing evidence and doing
15 an investigation on Manitoba Hydro's demand
16 forecasting in relation to provincial -- within
17 Manitoba and within Canada with relation to carbon
18 pricing schemes?

19 I expect that -- I'm asking
20 specifically, because I expect that we'll be getting
21 subsequent information about Manitoba's carbon pricing
22 scheme in the very near future, and the expected
23 impact that it would -- would have transitioning
24 natural gas customers over to electricity. And I
25 think that if it's not already included within the

1 scope of economic outlook forecast assumptions and
2 load forecasting, whether it needs to be identified
3 specifically.

4

5 (BRIEF PAUSE)

6

7 MS. PATTI RAMAGE: I would expect that
8 carbon will be a discussion we'll be having. I expect
9 we will be seeing it, in particular, in terms of our
10 export projections and what the impact of carbon
11 pricing will be there. And we will be bringing
12 Manitoba Hydro subject matter experts to discuss that.

13

14 (BRIEF PAUSE)

15

16 MS. DAYNA STEINFELD: I think then,
17 without seeing any hands, I will -- oh, sorry, Mr.
18 Hacault.

19

20 MR. ANTOINE HACAULT: I might just --
21 I'd like to pipe in a little bit about the comments on
22 the guarantee fee or government charges. We have done
23 a previous hearing where finances had been an issue,
24 and we had previously suggested that we have an
25 opportunity to bring witnesses or evidence on that
issue.

1 And what happened is the subject was
2 quite a bit wider when it was brought in by the
3 witness than we had anticipated, and then we were left
4 without an opportunity to have a meaningful expert or
5 testimony on that very issue. So I would just urge
6 the Board to be careful with respect to the issue of
7 government charges, because the government does get
8 increased revenue, so it has a positive impact on its
9 finances, and you can't easily separate the -- the two
10 (2) issues when you're talking about is there any
11 potential impact on government -- on the government
12 and the government finances.

13 So that's my comment with respect to
14 that particular subject matter.

15 MS. PATTI RAMAGE: And Mr. Hacault
16 just reminded me of one (1) other topic area. And I
17 don't know how -- how crystalized this is in MIPUG's
18 proposed intervention, but they referred to retaining
19 a witness to discuss the role of Manitoba Hydro and
20 its mandate. I would -- the same comment applies,
21 that's -- the role of Manitoba Hydro and its mandate
22 is something that's dictated by legislation.

23 I would suggest we don't need a special
24 witness for that, that the legislation is there, and
25 that's a matter that counsel can argue what -- what

1 that means. But we do not need experts coming in from
2 other jurisdictions to tell us how Manitoba Hydro
3 should be operating in the Manitoba environment.
4 That's something that our legislature has decided.
5 And there is a -- I -- I would suggest, a -- a fairly
6 detailed des -- description of our mandate in the
7 Manitoba Hydro Act.

8 And I think it's a matter for this
9 Board to hear what that mandate means, but not to tell
10 us to bring in an outside expert to tell us what --
11 what a mandate should be.

12 MS. DAYNA STEINFELD: Mr. Williams,
13 for the Business Council?

14 MR. KEVIN WILLIAMS: I thought it
15 might help the Board. I took a quick look at, when
16 the Order in Council was passed, what the Finance
17 Minister said about it. And it said:

18 "The decision was made to give the
19 PUB authority to look at both the
20 financial health of the Company and
21 how it is financed through debt.

22 'Serious concerns have been raised -
23 -'"

24 And this is in quotes.

25 "'Serious concerns have been raised

1 in recent months about the debt of
2 Manitoba Hydro and its impact on
3 both the Corporation and the
4 Province's,' Friesen said in the
5 release."

6 So I would respectfully submit that --
7 that there is jurisdiction -- you -- you've been given
8 the jurisdiction pursuant to that order, as I
9 indicated, to consider those issues.

10 MS. DAYNA STEINFELD: I think with
11 that I will call -- oh, Board member...

12

13 (BRIEF PAUSE)

14

15 BOARD MEMBER MCKAY: I just have a
16 question, just going back to communities that are
17 powered by diesel and the 2,000 kilo -- kilowatt
18 hours. Is that reasonably enough to provide enough
19 power to a school in remote communities? Like, that's
20 the first charge, right?

21 MS. PATTI RAMAGE: It's a fairly --
22 it's a fairly complex rate structure that was done
23 through settlement. The reason, I can tell you,
24 behind the First Nation education account, and Mr.
25 Anderson, is he still here, because he was the other

1 person still around, was -- was not based on as much
2 the -- the amount of 2,000 kilowatt hours, it was the
3 Federal Government's funding formula for First Nation
4 education, and it -- it related to how those accounts
5 are funded.

6 And that was an area that received a
7 hundred percent of the funding formula. Hence, MKO
8 put forward that that would be an appropriate account
9 to charge the government charge to. And I don't want
10 to put words in Mr. Anderson's mouth, but that would
11 be why that was done that way.

12 BOARD MEMBER MCKAY: Just one (1)
13 follow-up question. Am I to understand then the
14 surcharge to the First Nation? We're talking about
15 the -- the actual First Nation. Do they pay for that
16 charge, like, what you're talking about?

17 MS. PATTI RAMAGE: Yes. Historically,
18 they paid the surcharge on a number of different First
19 Nation government accounts. And following that
20 settlement, it was limited to that one (1) single
21 First Nation education-type account. And, yes, they -
22 - that -- they are funded by the Federal Government,
23 and then pay Manitoba Hydro.

24

25

(BRIEF PAUSE)

1 THE CHAIRPERSON: You know what, can
2 we finish the iss -- no? Let's take a fifteen (15)
3 minute break, and we'll -- we'll come back and
4 complete it and --

5 MS. DAYNA STEINFELD: I think with
6 your indulgence, Chair Gabor, we have maybe five (5)
7 more minutes where I just --

8 THE CHAIRPERSON: Okay.

9 MS. DAYNA STEINFELD: -- I wasn't sure
10 if there was another question from the panel, but I
11 would suggest we spend five (5) more minutes.

12 I -- I'm going to call on Mr. Barnlund
13 for two (2) things. The first is for him further
14 explain the proposal that's been brought forward for
15 the workshop, including how Manitoba Hydro is
16 suggesting it will address the Board's requirement in
17 its April 24th letter, that it -- the Utility file its
18 proposals and supporting materials for rate-related
19 matters, including rate rebalancing, time of use
20 rates, and conservation rates.

21 So if you could first address that, Mr.
22 Barnlund. And then we'll turn to one (1) final quick
23 matter before a break.

24 MR. GREG BARNLUND: Certainly. Thank
25 you. Our proposal to deal with rate design matters is

1 a fairly focussed approach you'd want to take because
2 admittedly time is quite scarce here. We have
3 approximately four (4) to six (6) weeks before the
4 first round of IRs, potentially.

5 And what we would be endeavouring to do
6 would be to come up with a workable alternative
7 residential rate design that takes into consideration
8 impacts on electric heat customers. In other words,
9 it would be a rate design that would adopt some level
10 of cross-subsidy within the residential class between
11 electric heat and non-electric heat customers.

12 Our view would be we would sit down
13 with -- with the consultants that are retained by the
14 Intervenors and with interest in residential class,
15 and simply work out the math on a working straw dog
16 that we would then introduce in time for First Round
17 Information Requests. And that that would be an
18 alternative rate design that could be tested through
19 the course of the hearing to determine the merits of
20 it versus the approach that we have taken by a single
21 energy rate for residential customers with a 7.9
22 percent increase associated with it.

23 I think the important thing to
24 recognize is that in our bill affordability work, the
25 key finding we had last year was a very, very weak

1 correlation between household income and household
2 energy consumption. And that's an important measure
3 to understand when we're talking about conservation
4 rates as described by Green Action Centre.

5 Conservation rates in that context
6 benefit low usage customers. They charge high usage
7 customers more. And I think what we've heard is that
8 there's a strong likelihood that we're going to end up
9 with a certain number of high usage customers that are
10 also low income customers. And those high usage
11 customers are going to be electric heat customers.

12 So that has to be approached very
13 carefully, but I think it's possible for us to put
14 together a working model in the next four (4) to six
15 (6) weeks to be able to introduce into this process so
16 that we have some means of evaluating between the two
17 (2).

18 I just wanted to follow up a little bit
19 on the comments made this morning by Green Action
20 Centre describe -- describing I think a fairly
21 ambitious set of objectives for the next period of
22 time in terms of bill affordability.

23 And I just want to point the Board's --
24 the panel's attention to the fact that the work that
25 had been undertaken in the last twelve (12) to

1 fourteen (14) months in the Bill Affordability working
2 group is represented in that working group's final
3 report filed at Appendix 10.4 in our Application, and
4 Manitoba Hydro's responses to the recommendations of
5 that report Appendix 10.5.

6 And we view that as being fully in
7 scope with regards to this hearing, and this hearing
8 is the appropriate venue to test the inner workings of
9 that working group and that report, that analysis, and
10 the recommendations that came from it. And that
11 should be done, I think, so that we can draw some
12 conclusions in terms of the value of the existing
13 programs, and the opportunities for any further
14 programs above and beyond the recommendations made in
15 that working group report.

16 So I just wanted to make sure that we
17 focussed our efforts appropriately in the very limited
18 time we have in the next four (4) to six (6) weeks to
19 be able to really target what we can do but yet, you
20 know, recognize that significant work has been
21 undertaken on bill affordability since the last
22 General Rate Application, and that this matter should
23 be reviewed by this panel in terms of the report of
24 the working committee.

25 MS. PATTI RAMAGE: And if I can just

1 build on what Mr. Barnlund was going to -- has said, I
2 would point out to the Board that in Order 73 of '15
3 the Board indicated that:

4 "Upon completion of the
5 collaborative process --"

6 That being the bill affordability
7 process Mr. Barnlund led:

8 "-- the Board will evaluate the
9 options presented, and decide upon
10 their implementation."

11 So in Manitoba Hydro's view, that
12 should take place before we bring -- go to next steps
13 and start bringing in witnesses and doing other --
14 taking other steps. Some parties may accept the
15 findings of that report, others may choose to
16 challenge those recommendations.

17 One (1) of the -- one (1) of the
18 factors that came out for me was that -- that came
19 loud and clear out of that is that conservation rates
20 will favour low-consumption customers, and they will
21 penalize high-consumption customers. And I think the
22 Board and parties in the room need to examine those
23 type of -- of factors before we jump into the next
24 steps.

25 And we ought to do what the Board

1 originally thought of with this process is to evaluate
2 the options presented and then decide upon their
3 implementation, not -- not jump in -- both feet in
4 until we understand the implications and have tested
5 those.

6 MR. DAYNA STEINFELD: But, Mr. -- Mr.
7 Barnlund, you spoke sort of generally about a workshop
8 process to look at an alternative rate design. Does
9 that include conservation rates, time-of-use rates,
10 differentiated rates?

11 MR. GREG BARNLUND: I think that it
12 would include certainly elements of many of those. We
13 would be looking to get suggestions, if you would,
14 from the consultant involved with Green Action with
15 regards to the consultant involved with the Coalition,
16 others, to get some ideas in terms of some of the
17 attributes we want to -- we want to incorporate in
18 that rate design. And that's certainly something we
19 would take into consideration and then share this data
20 set with the Intervenor representatives and
21 consultants prior to us filing these materials so that
22 there's, you know, complete transparency in terms of
23 what we're trying to develop here in terms of these
24 options.

25 So we're not taking a proprietary stake

1 in terms of this. Our starting point is looking at
2 our rate design goals we've set out in our
3 application, but certainly taking into consideration
4 the input and suggestions from -- from the Intervenor
5 in terms of different options. And then those options
6 can be evaluated through the course of this hearing
7 through Information Requests and through the oral
8 hearing itself.

9 MS. DAYNA STEINFELD: I'll allow Mr.
10 Williams to -- to provide a comment. And then, Mr.
11 Barnlund, if you could just speak very briefly as to
12 the benchmarking question.

13 MR. BYRON WILLIAMS: I'm not actually
14 seeking that comment, just a clarification. I'm not
15 sure I understood My Learned Friend Ms. Ramage's
16 comments in terms of what needs to be completed, what
17 we should wait on in terms of this.

18 So just so I understand, Ms. Ramage,
19 out of the working group, I do not believe a bill
20 assistance plan was one (1) of the outputs of that
21 working group.

22 So, is it Hydro's position that we --
23 we deal with the -- we deal with the working group
24 report, and then if, for example, our friends from
25 Green Action Centre want to bring a bill assistance

1 proposal, we deal with that in a later hearing? Just
2 so -- so I understand your meaning.

3 MR. GREG BARNLUND: Thank you, Patti.
4 So, Mr. Williams, I think that what we're saying is
5 that there were recommendations that came out of the
6 working group, some of them directed at bill
7 assistance in terms of dealing with customers in terms
8 of collection of bills, arrears management, those
9 types of things, pilot programs, et cetera, et cetera,
10 that we are working on right now. And to -- to I
11 think take a step beyond that, to be recommending
12 something that requires the provision of a discrete
13 subsidy to low-income customers would have to be --
14 was not agreed upon in the working group because it's
15 not revenue neutral. And that's a separate matter
16 that would have to be dealt with, we think, at some
17 future time.

18 Which directive was that now?

19 MS. DAYNA STEINFELD: So I believe we
20 were going to turn briefly to benchmarking.

21 MR. GREG BARNLUND: Right, right.
22 There's a long-standing directive since probably 2008
23 with regards to Manitoba Hydro providing the terms of
24 reference for a benchmarking study on O&M costs.

25 That directive was pending our

1 completion of the adoption of IFRS. In other words,
2 until we basically solidified our financials and our
3 reporting system to IFRS, that it was too much of a
4 work in progress to be trying to attempt benchmarking
5 through that period of time.

6 We have completed that transition to
7 IFRS. What we also have encountered here -- what
8 we've accomplished in the last year is, by virtue of
9 some of the work that had been done in the last twelve
10 (12) months by Manitoba Hydro management and Manitoba
11 Hydro Electric Board in terms of assessing the
12 finances and the operations of the Corporation, was
13 that there was a certain amount of benchmarking work
14 that had been undertaken by an external consultant.

15 And while we -- it is not directly resp
16 -- responding to the Board's request for an -- for a
17 terms of reference, it is a summary of benchmarking
18 information results that have been compiled that we
19 are currently working with that consultant to try and
20 provide -- pull together a document that we could put
21 on the record and provide as a response to that
22 outstanding directive.

23 And we would expect to have that
24 available -- we're hoping to be able to have that in
25 time -- that we would provide that along with the

1 responses to the remaining MFRs at the end of June.

2 MS. DAYNA STEINFELD: So with that,
3 Mr. Chair, I would suggest now would be a -- a good
4 time maybe for a -- I would suggest maybe a brief
5 break so that we can finish the remaining agenda
6 items.

7 THE CHAIRPERSON: We'll take ten (10)
8 minutes. Thank you.

9

10 --- Upon recessing at 3:41 p.m.

11 --- Upon resuming at 3:55 p.m.

12

13 THE CHAIRPERSON: Yeah, if we could --
14 if we could resume.

15 MS. DAYNA STEINFELD: Mr. Chair, if
16 you'll permit, I believe Mr. Hacaault had a few more
17 comments on the issues list matters and then we'll
18 move on to Manitoba Hydro's comments on the Intervenor
19 applications.

20 MR. ANTOINE HACAULT: Thank you very
21 much.

22 Mr. Barnlund, could I just have a point
23 of clarification? When Board counsel had asked you
24 about what would move to the workshops and not be in
25 the hearing, I think we had talked about differentiate

1 -- she asked about differentiated rates.

2 Could you clarify with respect to
3 applying, for example, the Cost of Service Study to
4 the General Service Large, whether it would be
5 intended to deal with that type of issue in the
6 hearing?

7 MR. GREG BARNLUND: Certainly, Mr.
8 Hacault. Let me -- let me clarify that matter.

9 As a result of the Cost of Service
10 Reviews conducted last year and the adoption of new
11 Cost of Service Methodology here by Manitoba Hydro,
12 one (1) of the matters for this public hearing is the
13 output of that Cost of Service Study.

14 In other words, where do the revenue-
15 to-cost-coverage ratios for each of these customer
16 classes reside verses the zone of reasonableness we
17 talked about as being between 95 percent and 105
18 percent. That matter is a matter for full discussion
19 within the hearing as opposed to in the workshop.

20 That there will be certain customer
21 classes that are above the one-o-five (105) boundary
22 in the zone of reasonableness and we would expect that
23 that would be a matter to be fully canvassed
24 throughout the course of this hearing.

25 The workshop itself, when I spoke of

1 differentiated rates, that was only because we were
2 talking about residential class rates. And to deal
3 with electric heat and non-electric heat separately
4 means you have to differentiate the rate increase
5 between electric heating customers and non-electric
6 heating customers.

7 The matter that Mr. Hacault and I have
8 just talked about is not related to that. It's
9 related to the output of the Cost of Service Study and
10 the treatment of the zone of reasonableness and
11 various customer class revenue cost coverage ratios.

12 MR. ANTOINE HACAULT: Thank you for
13 that clarification, Mr. Barnlund.

14 The only other point I'd like to
15 clarify if our position wasn't clear from the written
16 material, which I didn't go through in a lot of
17 detail, with respect to Ms. Ramage's comment on us
18 asking -- or getting an outside expert to say what the
19 Act means.

20 We're not intending to call an outside
21 expert. We're not intending to suggest the Act needs
22 to be changed. We have had in the past, though,
23 testimony with respect to the role of a Crown
24 corporation in contrast to the role of, say, of a
25 private corporation, and private equity. And if you

1 read our submission, it will better explain the type
2 of issues we think are relevant to this hearing as it
3 relates to the Manitoba Hydro mandate, which has seen
4 now a -- a change after some thirty (30) years.

5 So the Acts remain the same, but now
6 thirty (30) years later somebody is thinking something
7 else should be done and we think we need to have a
8 discussion about that. And that's what the witness
9 would be about. It wouldn't be somebody from outside
10 the province telling us what to do.

11

12 (BRIEF PAUSE)

13

14 MANITOBA HYDRO COMMENTS ON INTERVENOR APPLICATIONS:

15 MS. DAYNA STEINFELD: With that, I'll
16 turn it to you, Manitoba Hydro, for comments on
17 Intervenor applications, following which, if the panel
18 permits, there will be some time for Intervenors to
19 comment on the applications of other Intervenors to
20 the extent there are comments.

21 Ms. Ramage...?

22 MS. PATTI RAMAGE: Thank you. And if
23 I may indulge, Manitoba Hydro has a few comments on
24 process, too, that I'll -- I'll lead with. And that
25 was just to confirm it -- it seems that there's --

1 it's fairly unanimous in terms of two (2) rounds of
2 IRs is appropriate, and Manitoba Hydro agrees with
3 that.

4 We would, however, caution that any
5 schedule that's put forth will be dependent on a
6 reasonable number of IRs. At this point and without
7 any changes, we have ten (10) proposed Intervenors.
8 There is some suggestion of this being more than a
9 typical GRA.

10 And I would just give the Board some
11 numbers. It -- MIPUG helpfully provided IR numbers in
12 its submission to support the notion that it has asked
13 reasonable IR numbers. I took that. I looked at that
14 chart, and then added some of our, what I'll call
15 special hearings to it, just so the Board understands
16 how quickly this can unravel.

17 And, for example, in the last GRA,
18 there were fourteen hundred and ten (1,410) First
19 Round IRs. This -- it was scheduled for four (4)
20 weeks. Between posing IRs and completing, it, in
21 fact, took six (6) weeks. If we compare that to a
22 hearing where there was an added component, like the
23 risk review, Round One was twenty-three hundred and
24 twenty-one (2,321) IRs. And I can't tell you the
25 time, but it was in excess of six (6) months, I

1 believe, to turn those around.

2 We had a similar issue at the NFAT.
3 And Board members Grant and Kapitany will remember the
4 struggle we had to do those First Round IRs, where it
5 was in the -- the range of twenty-two hundred (2,200).

6 And so I just caution, in terms of when
7 we're -- when we get to the scheduling discussion, if
8 we don't have IRs under control, the schedules can't
9 be met because you physically can only answer --
10 there's only so many hours in the day to answer those
11 questions.

12 So to such -- particularly to such
13 extent, this is a special hearing. And the notion
14 that whatever -- however many weeks are -- are granted
15 in a schedule, I think Manitoba Hydro proposed six
16 (6), that's what it actually took at the 2016 GRA --
17 or 2015 GRA.

18 Manitoba Hydro also -- there is no
19 objection to a written process if there's a -- a
20 division of issues. The one (1) caveat we put on that
21 is that, as applicant, Manitoba Hydro has the final
22 right of reply.

23 Another process matter, if we could
24 jump to that, is budgets. There are a -- a couple of
25 budgets that we've seen and/or numbers that have been

1 quoted with -- that exceed the PUB's policy on -- on
2 billing rights for advisory services. Manitoba
3 Hydro's position is that the policy is there for a
4 reason, and it should be adhered to.

5 We also suggest -- we heard about the
6 10 percent rule this morning. We would suggest it
7 apply to components of an Intervenor's budget in that
8 if you -- if you're exceeding one (1) component, it's
9 not -- we shouldn't hear at the end of the day that
10 you decided to drop part of your intervention in order
11 so that you could spend more money on another
12 component of it that was not approved. We think the
13 Board should be continually advised of -- of those
14 developments and not hear about that at the end of a
15 hearing.

16 In terms of the interventions
17 themselves, I will start with -- there was comments
18 made regarding advancing -- regarding costs within the
19 hearing. The rules contemplate the parties who
20 participate in hearings for the sole purpose of
21 protecting the Intervenor's business interests will
22 not be awarded costs. This has been a longstanding
23 practice of the Board, and Manitoba Hydro supports
24 this practice.

25 The Board has made exceptions to this

1 rule, most notably, recently in the cost-of-service
2 process, but -- the Board made an exception, but it
3 was -- the Board specifically said it was for the
4 purpose of the cost-of-service methodology review
5 application only, and not as a precedent or policy for
6 future applications.

7 "The Board is prepared to determine
8 the award of cost to approve
9 Intervenors without consideration of
10 the sufficiency of financial
11 resources of the prospective
12 Intervenor."

13 And they did not apply the typical
14 criteria, but that was intended to be a one (1) off,
15 and it was where -- essentially, I can think of one
16 (1) other instance over the years that has occurred,
17 at least one (1), and it's where the business
18 Intervenor is asked by the PUB to take on a greater --
19 greater role than they came to the hearing to take.
20 And so we think those same principles should apply in
21 this process.

22 In terms of Intervenors, I'll start
23 first with individual Intervenors. The PUB has always
24 strictly enforced the requirement that Intervenors
25 represent the interests of a substantial number of

1 ratepayers. Individuals have not been authorized to
2 mount their own interventions, and have instead been
3 directed to meet with like-minded Intervenor groups
4 and have the Intervenor group advance the issues under
5 a single banner.

6 In this regard, I can refer you to
7 Board Order 136 of '07, and in that case, the Board
8 said:

9 "Approving Intervenor status for an
10 individual representing only his/her
11 interest risks extraordinary
12 regulatory costs and time
13 commitments for the Board, Manitoba
14 Hydro, and other parties. And for
15 this and future hearings, it's not
16 considered in the public interest."

17 And Manitoba Hydro, in that regard,
18 suggests that our individual Intervenors, they -- we
19 certainly do not discount their perspectives. We
20 suggest that they bring those perspectives as
21 presenters, and follow the Board's recommendations in
22 the past where the Board has recommended individuals
23 to provide specific issues to counsel, or one (1) of
24 the parties that is closely aligned with their issues.

25 In this case, I -- from what I heard,

1 Dr. Gray's issues appear to be aligned with the
2 Coalition and GAC. Mr. Finkle seemed to be aligned
3 with the Coalition also, and ultimately, we suggest
4 the Board take that same view here.

5 Another comment we'd have with respect
6 to Intervenors is that Intervenors speak on behalf of
7 their members. They -- they don't speak on behalf of
8 those who listen to their presentations. They don't
9 speak on behalf of an entire customer class. We
10 recognize there can be more than one (1) Intervenor in
11 a customer -- that have -- that represents groups from
12 the same customer class, and where they come with
13 different perspectives, we think that's fair. When
14 they come with the same perspective, we believe they
15 should be grouped together.

16 So we think a critical test for the
17 Board is that -- to look at what unique perspectives
18 an Intervenor brings, what issues they intend to lead,
19 and how the treatment of the issue will materially
20 differ from other Intervenors.

21 There are ten (10) applicants for
22 Intervenor status in this process. The process
23 historically accommodates roughly four (4) active
24 Intervenors. So again when we go back to the
25 schedule, that schedule dealt with -- with typically

1 four (4) active Intervenors.

2 So with those principles in mind, we
3 note that, for example, the Assembly of Manitoba
4 Chiefs have identified three (3) key issues, the DSM
5 pros -- programming, the First Nation education
6 accounts, and I have noted jurisdictional differences.
7 We would suggest that the Board recommend they -- or
8 direct that they combine with MKO as a single
9 intervention.

10 With respect to General Service Small
11 and General Service Medium, Manitoba Hydro does have a
12 concern regarding whether these Intervenors will
13 provide a unique perspective not already covered by
14 the Coalition and MIPUG, or by the MKO/Assembly of
15 Manitoba Chiefs intervention.

16 The witnesses that they're proposing to
17 bring have significantly higher rates than allowed
18 under the tariff. I think that should be a
19 consideration also in -- in terms of their role.

20 So to that end, we're of the view that
21 General Service Small and General Service Medium
22 should perhaps intervene under the umbrella, join with
23 MIPUG, join with Coalition as the Board deems
24 appropriate. Perhaps MIPUG -- I'm thinking MIPUG and
25 with Keystone coming in with that group also, because

1 I'm trying to come down to a manageable number of
2 intervenors, because if we get ten (10) sets of IRs,
3 or eight (8) sets of IRs, we're going to have trouble
4 turning them around in accordance with the schedule.

5 So if we had a lead -- a lead -- a
6 designated lead for each group and the others fell
7 under their umbrella, that would be, we think, the
8 preferred and more efficient manner of proceeding with
9 this hearing.

10

11 (BRIEF PAUSE)

12

13 MS. PATTI RAMAGE: I thought I'd
14 captured everybody. Mr. McCallum points out I have
15 not commented at all on Business Council. We heard
16 Mr. Hacaault's what I would call cross-examination of
17 Business Council. I would caution that I didn't know
18 the answer to who is in what group, but it appears to
19 me that they're coming with different perspectives.

20 And Manitoba Hydro has -- accepts that
21 different perspectives exist, and we don't want to
22 stifle anyone with a different perspective and force
23 them under the umbrella of someone not advancing that
24 perspective. So I don't know how relevant it is in
25 terms of their crossover, because the -- these two (2)

1 groups have certainly very different perspectives.

2 And I don't know who belongs in which
3 group, and I don't know that it -- it's particularly
4 relevant, because Business Council appears to be a
5 long-standing group in our community that have
6 advanced views on -- not in this forum, but in other
7 forums. And it appears they would have their day --
8 they should have their day to advance it here, same as
9 General Service Medium.

10 I don't claim to understand how they're
11 organize -- that group is organized. It's a fairly
12 loose organization. It was created for the purposes
13 of having some representation, so, again, for that
14 group, I would suggest that they seem to be advancing
15 the same perspectives or similar to MIPUG and -- and
16 could go together.

17 MS. DAYNA STEINFELD: We can turn now
18 then to comments from the Intervenor applicants. I
19 think we will go down the -- the list on the first
20 page of the order of...

21

22 (BRIEF PAUSE)

23

24 THE CHAIRPERSON: Sorry. Didn't press
25 it hard enough. I'm a little confused. Are you

1 suggesting that the Business Council brings a
2 different perspective or that the Business Council and
3 MIPUG should be -- go together, because it sounded
4 like you were going in one way, and then --

5 MS. PATTI RAMAGE: Sorry. I apologize
6 if --

7 THE CHAIRPERSON: -- the other way.

8 MS. PATTI RAMAGE: -- if I was
9 confusing. I did not -- I was not suggesting they
10 should go together. My intent was to say I didn't
11 want either one to stifle the other. And to put
12 parties going different directions, I don't think
13 would be appropriate, and that is why --

14 THE CHAIRPERSON: Okay.

15 MS. PATTI RAMAGE: -- Business Council
16 appear to have a unique perspective in this room. And
17 so I -- I haven't been able to group them with another
18 group.

19 THE CHAIRPERSON: Okay. And -- and
20 Green Action Centre? You didn't comment on them.

21 MS. PATTI RAMAGE: They too take a
22 different perspective than other groups from -- they
23 come from the environmental and low-income
24 perspective. And they work -- we have a history here
25 where we see where they work with the Coalition and --

1 and trade off on that. So --

2 THE CHAIRPERSON: Yeah.

3 MS. PATTI RAMAGE: -- they work well
4 when they're together, and when they're apart, they're
5 apart.

6 THE CHAIRPERSON: Okay.

7 MS. PATTI RAMAGE: Maybe that's the
8 point of clarification on my comment on Business
9 Council. The expectation would still be, and I think
10 I heard it from Mr. K. Williams, that they would be
11 looking to collaborate on areas where they -- where
12 they can, because we always look for collaboration on
13 witnesses where parties agree.

14 But when they're -- when you see the
15 final arguments going a totally different direction,
16 that's when we're not pushing them into the same room.

17

18 COMMENTS FROM THE INTERVENOR APPLICANTS:

19 MS. DAYNA STEINFELD: I would suggest
20 then that we run down the list of Intervenors that's
21 on the first page of the outline of the proceedings
22 and provide each Intervenor applicant with an
23 opportunity to provide any comments they have on the
24 applications of others, and also to respond to
25 anything that Manitoba Hydro has said in their

1 comments.

2 That takes us first to Mr. Williams for
3 the Coalition.

4 MR. BYRON WILLIAMS: Thank you. It's
5 not my brother for the Business Council. It's the --
6 the 'B' Williams. Just in terms of -- our clients
7 have no comments on the applications of other
8 intervenors. We always do our best to -- to work with
9 them.

10 We've tried to outline our areas of
11 collaboration and -- and information sharing. The one
12 (1) issue I do want to respond to in terms of the
13 comments of Manitoba Hydro relates to hourly rates. I
14 anticipated that in my comments this morning.

15 We have had, I think, three (3) of the
16 experts we've presented are significantly below the
17 tariff. One (1) of the experts we have brought is
18 significantly above. We see that as a -- if you look
19 at the package as a whole, that's appropriate.

20 We note that the -- the expert who is
21 above would be charging no more in terms of an hourly
22 rate than the Public Utilities Board paid that expert
23 during the NFAT proceedings. And we also note that in
24 terms of that particular witness, we have examined the
25 marketplace. We have got competitive bids.

1 This was a -- our number one ranking in
2 terms of quality and it was also very price
3 competitive. So we think from protecting overall
4 ratepayer funds, this is the best witness for a very
5 comparable cost and we ask you to take into account
6 our efforts as well to bring in three (3) of our
7 proposed witnesses at rates significantly below the
8 tariff.

9 MS. DAYNA STEINFELD: Mr. Hacault...?

10 MR. ANTOINE HACAULT: Yes, thank you.

11 With respect to the groups being
12 interested in this proceeding and having Intervenor
13 status, I've always understood this Board to want to
14 ensure that it had all the major ratepayers of this
15 province represented. So the Consumers' Group
16 represents residential, and then there's specific
17 aspects to that, the First Nations, and -- the General
18 Service Small and General Service Medium, one (1) of
19 the issues, and dealt with this in -- when we go to
20 CAMPUT conferences, they largely aren't represented.

21 And -- and the previous Chair made an
22 effort to ensure that they were represented. And
23 they're a significant portion of the power usage in
24 this province. The -- based on the cost of service as
25 I remember it, there's seven point four (7.4) -- or

1 seventy-four hundred megawatts as residential, while
2 seven thousand (7,000) is General Service Small and
3 General Service Medium.

4 And my -- Manitoba Industrial Users are
5 eight thousand (8,000). So you've got three (3)
6 groups that have different power characteristics, but
7 are approximately equal in consumption in this
8 province. So I think it would be important to have
9 the perspectives of those groups.

10 The issue of people appearing for the
11 sole purpose of protecting their interests, we can
12 deal with that in our submission on -- on costs;
13 that's really a cost issue. But if you boil it down
14 to the basics, well, the consumers are there to
15 protect the consumers, if -- if you take that
16 attitude.

17 So you're going to refuse funding for
18 the consumers and the residential people because
19 they're there to protect the residential interest? I
20 -- I think from past hearings everyone in this hearing
21 takes the General Rate Application and a general rate
22 view even though they're there hired by a particular
23 group, so.

24 With respect to Manitoba Hydro's view
25 that it -- it's good to have people with different

1 views, one (1) of the reasons I asked questions of
2 clarification of the Business Council is we heard that
3 General Service Small and General Service Medium is
4 composed of a lot of the Building and Owners Manage
5 (BOMA) Association; that's a group of ratepayers.

6 There's Canadian Manufacturers and
7 Exporters, that's a group of ratepayers. Add the
8 Hotel Association. That's another group of
9 ratepayers. And, for some reason, it appears that the
10 same group of ratepayers that are members of the
11 Business Council have a different perspective, it
12 appears, based on the intervention application,
13 depending on whether they're represented by Mr. Monnin
14 or they're represented by Mr. Williams.

15 What's the perspective of the
16 ratepayers? That's why I asked some questions with
17 respect to when the policy of this Business Council
18 was set. Was it set by the ratepayers, or was it set
19 at a time when there were four (4) Board members of
20 Manitoba Hydro on the board of the Business Council?
21 And the response was that the policy was set in March
22 of this year prior to the May application.

23 So I'm not so sure that we're getting
24 the perspective of the ratepayers. And I'm not too
25 sure, if I looked at the Intervenor application, we're

1 talking about restoring a utility to a dividend-
2 generating asset. That was one (1) of the focusses of
3 their Intervenor application, or concerns over the
4 challenging and managing the debt and protecting the
5 credit rating of the Province of Manitoba.

6 I'm not too sure what that relates to
7 in ratepayers and rate setting. And that was one (1)
8 of the purposes of the stated intervention. Surely
9 the Minister of Finance and the government is capable
10 of dealing with its own finances, its own priorities
11 on spending and not spending on -- on ways that it can
12 deal with its debt and its own credit rating which is
13 affected by a lot of its own policy decision.

14 So for those reasons, the Industrial
15 Users Group doesn't believe that the Business Council
16 has been able to demonstrate to this Board that it
17 actually sought and obtained the instructions of
18 ratepayers, which formed part of its members, and that
19 it can demonstrate that it is meeting the test that
20 Ms. Ramage indicated, that somebody should be able to
21 demonstrate that they res -- represent a substantial
22 group of ratepayers. And that's why she objected to
23 individuals not participating.

24 I don't think, contrary to the
25 presentation made by the General Service Small and

1 General Service Medium where they've actually had
2 people here, where they've consulted them, and the
3 represent those groups, that the Business Council has
4 demonstrated that it actually has sought and obtained
5 meaningful input from that sector, being the General
6 Service Small and General Service Medium. Thank you.

7 MS. DAYNA STEINFELD: Mr. Gange...?

8 MR. WILLIAM GANGE: Thank you, Ms.
9 Steinfeld. We don't -- Green Action Centre does not
10 have any commentary with respect to other
11 applications. That's, from our perspective, for the
12 Board to decide.

13 With respect to the issues -- the
14 commentary that was made by Manitoba Hydro with
15 respect to the two (2) workshops that we've put forth
16 the ideas, with respect to the rate design, we were
17 encouraged to hear Mr. Barnlund discuss the -- the
18 idea that -- that this would move at -- at -- with
19 dispatch.

20 We do think that PUB counsel should
21 facilitate the workshop because we -- we do believe
22 that there ought to be an independent voice in terms
23 of running the agenda on that. We also think that --
24 that during that workshop, the various parties ought
25 to be -- and -- and -- well, the various parties ought

1 to be putting forward alternate rate scenarios and
2 that PUB counsel would be in a -- in a -- an excellent
3 position to address the -- the alternate rates
4 scenarios, and to give proper consideration to them.
5 We recognize that -- that those alternate rates
6 scenarios would have to include both all elect --
7 electric heating, and income -- income qualified all
8 electric.

9 So that we -- we put forward earlier a
10 proposal that -- that -- with respect to bill
11 affordability, that the bill affordability may be
12 applied appropriately at different levels in terms of
13 the low income approaches that were being advanced.
14 And -- and that is something that -- that we think
15 that would be useful if PUB counsel were involved in
16 that process.

17 We also wonder who would be responsible
18 for analyzing, and what approach would be used in
19 terms of the analysis in terms of putting forward the
20 outcome of the workshop to the Board for consideration
21 at the hearing. So that those are the comments with
22 respect to the rate design.

23 And -- and I'm not quite certain that I
24 understood the proposal that Manitoba Hydro was -- was
25 putting forward with respect to the affordability

1 process. We do think that there is a need for the
2 affordability process to be finished off
3 appropriately, and -- and that obviously is -- is for
4 the Board to decide how that's going to be dealt with.

5 But if, in fact, the Board is to say
6 that the -- the affordability report that's in
7 Appendix 10.4 is what is to be considered, we do
8 believe that it is incumbent upon the Board to permit
9 the Intervenors to provide evidence with respect to
10 those issues, and with respect to bill affordability
11 in general, at the hearing.

12 And -- and so -- and this was the point
13 that I wasn't really sure that I understood My Friend
14 Ms. Ramage's comments where she was saying that --
15 that if it wasn't in the report is it to be deferred
16 to a future hearing or is it to be deferred to the
17 hearing in this Rate Application, which is the way
18 that we would see it.

19 That -- that if -- if there's further
20 evidence that we feel should be brought forward for
21 consideration by the Board, it should be brought
22 forward at this hearing. Those are my comments.

23 MS. DAYNA STEINFELD: Thank you. Mr.
24 Orle...?

25 MR. GEORGE ORLE: Mr. Chair, members

1 of the Board, I have to be careful in regards to the -
2 - the way that I'm going to deal with this matter.
3 I'm here representing MKO. MKO has been part of the
4 process for a number of years. They have applied to
5 be Intervenor on each and every one (1) of those
6 occasions.

7 It's our submission that it's up to the
8 Board to decide who has Intervenor status, and once
9 having established that Intervenor status to see
10 whether or not there are areas that they can work
11 together on as a part of that process.

12 I would be very hesitant to have
13 Intervenor status granted to two (2) groups
14 independent and quite different from one another to
15 make them a joint Intervenor. And I'm -- I'm trying
16 to do this in -- in as an easy way as possible but I
17 have no instructions from Grand Chief as to what steps
18 we were to take in terms of agreeing or not agreeing
19 to any other Intervenor. But we do have instructions
20 that to the extent that we are able to work with
21 another Intervenor, that we shall do so.

22

23 (BRIEF PAUSE)

24

25 MS. DAYNA STEINFELD: Mr. Monnin...?

1 MR. CHRISTIAN MONNIN: Thank you. I'd
2 like to -- to the -- adopt and rely on the comments
3 made by My Friend Me. Hacault on behalf of MIPUG. And
4 just a few comments with respect to those that were
5 made by Manitoba Hydro with respect to the proposed
6 class of General Service Small and General Service
7 Medium.

8 In particular regard to the issue of
9 seeking to intervene for the sole purpose of
10 protecting business interests, that is not what
11 General Service Small and General Service Medium is
12 doing. That is reflected by the collaboration that
13 intends to deal with MKO with regards to General
14 Service and General Service -- General Service Small
15 and General Service Medium that form part of that
16 class.

17 M. Hacault has quite white -- quite --
18 quite rightly identi -- identified that there is
19 distinction between General Service Small and General
20 Service Medium, but that they include a significant
21 amount of ratepayers that ought not be neglected.
22 That would be comfortable and convenient for Manitoba
23 Hydro if you look at the zone of reasonableness, but
24 it treats General Service Small at 107.7 percent.

25 With regards to the comments made about

1 Business Council, I'm sorry, fellows. We're beating
2 up on you over here, but Hydro made the -- the comment
3 that they -- they have a different perspective. Well,
4 how convenient is that different perspective that it's
5 in lockstep with what Hydro wants this Board to find?

6 What you need are perspectives that
7 have -- that are truly different perspectives of the
8 ratepayers on which the backs of these hikes are going
9 to -- the -- they're going to be carried. And I would
10 respectfully submit that General Service Small and
11 General Service Medium encompasses exactly those
12 ratepayers that are asked to carry the -- carry the
13 bucket here. Thank you.

14 MS. DAYNA STEINFELD: Ms. Gray or Mr.
15 Battershill?

16 MR. JAMES BATTERSHILL: Thank you. We
17 have no comments on -- on their Intervenor
18 applications at this time, but simply with respect to
19 Manitoba Hydro's comments regarding the potential for
20 our application to be combined with that of other
21 organizations and -- and Intervenors, while we
22 recognize that there's certainly an opportunity for
23 collaboration and will respect and make an effort to
24 not duplicate costs regarding bringing in external
25 witnesses and consultants, we do believe that the

1 agriculture community, primary producers, have fairly
2 unique needs in this matter that deserve individual
3 attention.

4 First and foremost, relative to other
5 commercial and industrial users, the variability, both
6 in terms of -- between users within the industry and
7 the timing of use is quite different from other
8 commercial users. And there's specific
9 vulnerabilities that that creates, and considerations
10 that need to be made.

11 I think that there may be -- there's an
12 argument to be made that the exposure to global prices
13 and the return that farmers are able to receive from
14 the marketplace exclude them from passing on any costs
15 which other industrial users may have an opportunity
16 to do so, depending on their market conditions.

17 As well, our membership is not only
18 here represented as commercial operations, but also as
19 rural residences, as I mentioned, that are dependent
20 largely on electric heat because of a lack of
21 availability of natural gas, and the immediate and --
22 and critical need for our industry to be investing in
23 energy-intensive infrastructure to build our capacity
24 to be -- capacity to be resilient against changing
25 production conditions that are quite unique to the --

1 the agriculture industry.

2 MS. DAYNA STEINFELD: Mr. Shefman...?

3 MR. COREY SHEFMAN: Thank you. I'll
4 start by echoing the sentiment of Mr. Orle and Ms.
5 Ramage that Intervenors who have diverse and separate
6 interests should not be compelled to combine their
7 interventions, but should rather collaborate where
8 appropriate. And I think that's the perspective that
9 we've tried to bring today.

10 It's our position that the Assembly of
11 Manitoba -- the Assembly of Manitoba Chiefs has a
12 unique perspective to offer. While every First Nation
13 has its own independent and unique interests, there
14 are some interests that are common to all or most
15 First Nations and which are themselves unique to First
16 Nations, relative to other ratepayers.

17 Concurrently, there are other issues
18 which are particularly and uniquely relevant to just
19 Northern Manitoba First Nations, which, in our view,
20 MKO is the best place to discuss and produce evidence
21 on. And that's why we support the independent
22 intervention of MKO separate from any -- any other.

23 As I said earlier, we'll endeavour to
24 ensure that there is no duplication in our evidence.
25 Indeed, in some places I expect that our evidence may

1 not seem -- may not be eye to eye, and that's another
2 reason why it's important that interventions be
3 independent. But where there is commonalties we hope
4 to collaborate with MKO as well as with the Green
5 Action Centre and the Consumers' Coalition and any
6 other Intervenor with whom we share a perspective.

7 I close simply by submitting that, in
8 our view, it would not be either the most effective or
9 most efficient way of providing the Board with the
10 evidence in order to assist you in your rate making
11 job to have AMC provide a combined intervention with
12 any other party. Thank you.

13 MS. DAYNA STEINFELD: Mr. Williams or
14 Mr. Leitch, for the Business Council?

15 MR. KEVIN WILLIAMS: Thank you. We
16 have no comments with respect to the other
17 intervention applications. I do have some comments to
18 make regarding the comments that were made about our
19 intervention application.

20 First of all, this isn't a new position
21 that's been advanced by the -- by the Business
22 Council. As I indicated in the original submission,
23 they've gone to the government in pre -- in pre-
24 budgetary consultations for the last three (3) years
25 and raised concerns about Manitoba Hydro's debt and

1 its health.

2 And it's eighty-four (84) CEOs that
3 have come together with a common view that the debt at
4 Manitoba Hydro is -- is an issue. In terms of those
5 CEOs, they represent a cross-section of ratepayer
6 groups. It's not a single ratepayer group. It's a
7 cross-section of ratepayer groups from both rural and
8 urban centres within the Province of Manitoba.

9 Substantially, all but a handful of
10 those eighty-four (84) CEOs, their businesses are
11 headquartered in Manitoba. From what we can look at
12 from MIPUG's submission, Winpak is the only entity on
13 its list that's actually headquartered in Manitoba.

14 Collectively, those companies employ
15 more than thirty thousand (30,000) employees. And so
16 what you're getting by way of a divergent view is
17 you're getting a CEO's perspective which is attempting
18 to transcend the interests of individual user groups,
19 and they bring a very unique perspective to the issues
20 that they see surrounding Manitoba Hydro's debt.

21 In terms of how it affects rates, it's
22 fairly easy to understand that if a debt is downgraded
23 interest rate goes up -- interest rate goes up. And
24 you can rest assure that at the very next rate
25 application there'll be a request for rate increases

1 because the cost of borrowing has gone up, which is --
2 whi -- which forms part of the cost that -- that Hydro
3 -- Manitoba Hydro has to bear.

4 So I respectfully submit that we -- we
5 -- our perspective is very unique. And -- and the
6 fact that, to some degree, we -- some of the
7 Intervenors see us as aligning with Manitoba Hydro
8 doesn't mean that we ought not to be heard given the
9 breadth of -- of representation that these -- that --
10 that this group has. So, those are my comments.

11

12 DISCUSSION RE: TIMETABLES:

13 MS. DAYNA STEINFELD: We're getting
14 close to the end of the agenda here. I would like to
15 turn to a discussion on timetables at this point.
16 Sent out earlier was a Fillmore Riley Board counsel
17 timetable that has not been adjudicated by the Board
18 but is one (1) option for a potential timetable for te
19 hearing.

20 There was also a Manitoba Hydro
21 timetable. I'm going to call that Manitoba Hydro
22 timetable. I'm going to call that Manitoba Hydro
23 Timetable number 1. It has a hearing starting in
24 January. I believe Mr. Simonsen is distributing a new
25 Manitoba Hy -- Hydro Timetable number 2 that has a

1 hearing starting in December.

2

3

(BRIEF PAUSE)

4

5 MS. DAYNA STEINFELD: On the -- I'd
6 like to just open the floor in a -- in a few moments
7 if anyone has comments on the timetable. There's a
8 few points I would just like to make before we do so.

9 One (1) is that it was mentioned in
10 opening comments that Intervenors requesting costs
11 will be required to file within the next two (2)
12 business days information regarding demonstration of
13 their financial need. So that's one (1) thing to add
14 to your timetables.

15 The other is that we have now had from
16 the Board an indication that there will be
17 consideration of an -- of the interim rate request.
18 Manitoba Hydro has a filing deadline for information
19 requested by the Board. However, we still need to set
20 a date for the oral hearing that is discussed in the
21 Board's letter, so that is something that if there are
22 comments on we would welcome those comments.

23 I would also note that there has been
24 some mention, I believe from Mr. Hacault and perhaps
25 others, that one (1) week is enough time for

1 Intervenor responses to Information Requests asked of
2 them. And if anyone else would like to speak to that,
3 I would welcome that.

4 Finally, and -- and perhaps Manitoba
5 Hydro can speak to this, on the issue's list there's a
6 workshop proposed it seems on depreciation, as well.
7 The Filmore Riley timetable included a tentative
8 workshop, if needed. I'm not sure if that was
9 envisioned that that's where the depreciation workshop
10 would fall and then what would be included in that
11 workshop, but that should be part of this discussion
12 as well.

13 So I think we can have a free-flowing
14 discussion, and I'll start with Mr. Williams.

15 MR. BYRON WILLIAMS: Thank you. And
16 in terms of the first two (2) Applications, the -- the
17 Filmore Riley one (1) and the -- the Manitoba Hydro
18 one (1), we'll just -- our preference is for --
19 largely for Manitoba Hydro, too.

20 I'll just say in terms of the first two
21 (2) proposals, our clients would accept the comments
22 of the Manitoba Industrial Power Users Group that were
23 presented in their June 9th letter, so I won't run
24 through those. If we're looking at either of those
25 two (2) proposals though, that would be our -- our

1 commentary.

2 In terms of the Manitoba Hydro Applica
3 -- revised timetable which was presented today -- and,
4 Diana, is that on the screen? Thank you. We have
5 five (5) comments.

6 One (1) is item number 4 relating to
7 rate design workshops. We have two (2) different
8 visions of the rate design workshop, at least as our
9 clients understand it. Manitoba Hydro has a more
10 truncated one. I think focussing -- I -- I think the
11 words of Mr. Barnlund were "a straw dog" but to create
12 a -- one (1) rate proposal relating to a cross-subsidy
13 from residential non-all electric to residential
14 electric.

15 I'll just say in terms of that actual
16 proposal, I would -- we would have to get instructions
17 from our clients to participate. They usually like to
18 participate. I can pretty much guarantee you that
19 would be without prejudice to their abilities to argue
20 that it's not lawful, and also that it might not be
21 good public policy but if -- in terms of participating
22 in a workshop that's carefully constrained, our
23 clients certainly could make that June/July time frame
24 work.

25 If we're looking at what is a more

1 ambitious workshop on rate design issues relating to
2 not only the hydro straw -- straw dog, I don't know if
3 that's a politically correct statement, I hope it is,
4 but as well bill assistance and -- and inverted rates,
5 from our client's perspective that is not manageable
6 within the June/July time frame.

7 One (1) of the key reasons being is
8 that in our client's submission no real consumer
9 engagement -- direct consumer engagement on bill
10 assistance and conserve -- conservation rates has
11 been conducted.

12 And another two (2) reasons being our
13 clients -- actually the Consumers' Association have a
14 -- what we think is a very important report on energy
15 poverty coming out -- being prepared for the office of
16 Consumer Affairs. It is unlikely that that will even
17 be approved and translated until August or September.

18 And finally, we have some math problems
19 in terms of what the -- some of the conclusions drawn
20 by the PRA consultants. And if we were going to
21 pursue those challenges in a workshop process, we
22 suspect it would take longer. So that's one (1)
23 issue.

24 The second issue is -- does not appear
25 on this draft Hydro schedule. We had heard some

1 comment we thought this morning about a workshop on
2 sustaining capital. On behalf of our clients this
3 morning, I suggested if we're interested in reducing
4 Information Requests to our clients that would be the
5 number one (1) priority.

6 Our clients are certainly not happy
7 with the filing that's currently on the record, and
8 that may be a way to -- to minimize or -- 'minimize'
9 is the wrong word, but significantly reduce
10 Information Requests. So from our client's
11 perspective, priority number 1 would be sustaining
12 capital.

13 A -- a more minor point, but still
14 important; if you go down the Hydro Timetable number 2
15 to Tuesday, September 5th, you see that Manitoba Hydro
16 is filing responses to Information Requests and
17 proposing that eight (8) days later, Intervenors file
18 their Second Round Information Requests.

19 From our client's perspective, that is
20 a bit aggressive. We expect that Second Round
21 Information Requests would be rest -- restricted to
22 necessary follow-up, but we would suggest that the
23 Board consider looking at a September 15th or a
24 September 18th date, which we still think gives
25 Manitoba Hydro about a month to respond.

1 So that would just buy a little bit
2 more time. Our consultants are used to working with
3 very tight time frames, but that is a bit aggressive,
4 from our perspective.

5 The fourth one relates to -- Ms.
6 Steinfeld had spoken about the time frame for
7 Intervenors to respond to Int -- Information Requests
8 put to them. We're raising one (1) logistical
9 challenge relating to specifically to one (1) of our
10 experts. The METSCO team is -- is committed --
11 they're available November 9th and 10th. They're not
12 available after that for about -- until on or about
13 November 22nd.

14 So we're just flagging a logistical
15 concern. We always try to live within the PUB time
16 frames, but there may be a bit of slippage in terms of
17 METSCO's responses if -- if we live by these time
18 frames.

19 Our friends from -- from MIPUG have
20 suggested that Intervenors don't need a lot of time to
21 respond to Information Requests, because they're
22 usually fairly limited. We think that's a -- a fair
23 observation. We're not uncomfortable with the
24 November 22nd time frame. We probably couldn't --
25 could do with a shorter time frame, maybe two (2) or

1 three (3) days shorter, but we would observe that we
2 do have the one (1) specific logistical challenge with
3 METSCO.

4 Finally, in terms of the GRA oral
5 hearing suggesting early December to late January, and
6 our clients are certainly mindful of Me. Hacault's
7 challenges with his proposed trip with his spouse and
8 other issues like that, which may run into February.

9 Just our client's experience, we -- we
10 are -- we are going to lose some time over the holiday
11 season. Productivity does -- does -- is not quite as
12 good as we might like. And we would certainly
13 recommend that the Board consider building in a bit of
14 a contingency at the back end into early February.

15 Hopefully, we don't need those dates,
16 but one of the challenges we had in 2010/2011 was we
17 didn't set enough hearing dates initially, and all of
18 a sudden we ended up deferring the hearing for many
19 months while everyone scrambled to find dates. So out
20 of abundance of caution, we would recommend that the
21 Board consider a contingency into early February.

22 Again, we're not mindful of the Hacault
23 family schedule, but apart from that, we think that
24 might be useful.

25 MS. DAYNA STEINFELD: Any other

1 comments on the timetable either generally or
2 specifically?

3 MR. ANTOINE HACAULT: Yes, it's
4 Antoine here. And now that I've been thoroughly picked
5 on, we also agree that on Hydro's draft, the time
6 frame between Round 1 responses, which is due
7 September 5, and the Round 2 requests will be
8 challenging.

9 The Fillmore Riley draft had given us
10 nineteen (19) days to deal with the responses. Our
11 experience, and this is nothing to do with Manitoba
12 Hydro, is that there are challenges, even though they
13 work really, really hard, to meet the deadline for all
14 the responses.

15 So some of them flow in after the
16 relevant date. And to the extent that they flow in,
17 there may be Second Round IRs that are required with
18 respect to the ones that aren't produced by that time
19 limit, so it gives us a little bit of flexibility that
20 way.

21 The -- I also will agree with Mr.
22 Williams's indication that it would be prudent to
23 reserve a couple of extra days or -- at the beginning
24 of February for overflow, just in case we need them,
25 and things not going exactly how we had planned.

1 With respect to the written submissions
2 portion or -- and that's both for issues that are to
3 be dealt with by written submission, and the written
4 submissions after the hearing, it's always been the
5 request of Manitoba Industrial Power Users Group that,
6 given it's Manitoba Hydro's application, same way as
7 every other board I appear in front of, the applicant
8 puts its written submission in.

9 They're the one making the request.
10 People that want to challenge it, respond to it -- and
11 Ms. Ramage views that they want to have the right of
12 reply. Certainly, they should have a right of reply
13 on any issues they haven't anticipated.

14 But it's always proved to be
15 challenging to guess what the ultimate submission of
16 Manitoba Hydro is going to be with it not having to
17 file anything in writing, and then in effect, the way
18 the hearings have proceeded, the Intervenors never get
19 a reply.

20 We file first, Hydro files second, and
21 there's no reply, so there's no opportunity for us.
22 We have to guess at what their main submission is
23 going to be. We do it, and then they put their
24 argument in. So that's always proved to be
25 challenging for us to deal with, and I just repeat the

1 request again for the record.

2 MS. DAYNA STEINFELD: I'm not
3 intending to go down any kind of list here. I'm just
4 mindful of the time. If parties have comments on the
5 timetable that they haven't already made today, I -- I
6 would suggest to you to speak up and just make some
7 sort of eye contact with me, and then it can be your
8 turn.

9 So Patti is making very strong eye
10 contact, and then Mr. Monnin would like to speak after
11 that.

12 MS. PATTI RAMAGE: I'll defer to
13 Christian, and -- and then I can address everyone's
14 concerns.

15 MR. CHRISTIAN MONNIN: I'd like -- I -
16 - I --just very quickly, I -- I agree with the
17 comments made by Mr. Williams and Mr. Hacault with
18 respect to stretching out the -- the days between the
19 Round 1 and Round 2, looking at the Hydro-proposed
20 schedule, September 5 to 13. And I also agree to
21 building in some contingency relief in -- in February
22 as -- as recommended by Mr. Williams.

23 MS. PATTI RAMAGE: Okay. Now, in
24 terms of Manitoba Hydro's comments, we -- we'd first
25 say the second schedule, we think, is the optimum

1 schedule. We recognize in terms of days to respond,
2 that sort of thing, for Second Round IRs, that can be
3 played with. But this general schedule is optimum.

4 And why I think it is critical is
5 because we will be filing an update in mid-July, and
6 it would be wasteful to start an IR process when
7 there's updates coming. We -- we've run into that
8 before mid-hearing.

9 We're fortunate in this case, at least,
10 that the timing of these updates are coming so that we
11 can get something to you before First Round IRs. So I
12 think that's a -- critical date in here to look at and
13 -- and not try to rush it and begin before then.

14 In terms of Intervenor comments, the
15 one (1) that I feel compelled to address is the
16 suggestion that I -- Manitoba Hydro never had to file
17 anything in writing. I find that preposterous. We
18 have filed three (3) binders of materials already that
19 set out our case. You know our case better than
20 anybody else in this room, everybody knows. We will
21 have answered thousands of IRs at that point.

22 To suggest that we haven't filed
23 anything in writing before final argument -- I've
24 heard that suggestion before. It has been rejected
25 before, and I think it should be reject -- continue to

1 be rejected because Manitoba Hydro was the one who
2 puts out -- lays bare what its case is from day 1 and
3 why it thinks it needs the -- it -- it needs the rate
4 increase it's seeking.

5 If I can back up to Mr. Gange's
6 comments about a workshop for just a moment, we would
7 just see -- we don't know that it's Board counsel's
8 role to facilitate a workshop. I think Board counsel
9 should create independence, and also isn't going to be
10 testifying. So that to us doesn't make sense, to have
11 Board counsel do that.

12 What we were proposing is a real role
13 up your sleeves, bring your experts in. Mr. Barnlund
14 will walk through. If there are three (3)
15 consultants, four (4) consultants, it's put their
16 heads together and try to come up with something that
17 works, not to try to slow down this process by adding
18 facilitators or anything else.

19 And I recognize that Mr. Gange was
20 trying to come up with a workable solution by
21 recommending Board counsel, but we think the parties
22 can -- can do this. And to such extent -- to such
23 extent it is achievable, they don't need an extra
24 facilitator in there.

25

1 (BRIEF PAUSE)

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3 MS. PATTI RAMAGE: And I would add on
4 the -- on the rate design that that does not
5 presuppose that they would not put in their own
6 evidence and -- and describe what happened at that
7 workshop if they -- if they so desired.

8 Mr. Williams -- Mr. B. Williams has
9 asked -- has whispered to me he would like some
10 clarification on asset condition. And I'm going to
11 turn the mic over to Mr. Barlund -- Barnlund, if
12 that's okay, because that would be something he would
13 be leading.

14 MR. GREG BARNLUND: With respect to
15 the question about sustaining capital, and we had also
16 mentioned depreciation as a matter that may be well
17 suited to discussion in a workshop prior to
18 Information Requests, I think we could probably
19 schedule a day or a half day where we could have our
20 internal experts be able to sit down with Intervenor
21 representatives and consultants and walk through those
22 -- those two (2) particular subject matter areas and
23 address any particular aspects of that prior to
24 Information Requests being -- being formulated.

25 Mr. Williams indicated that -- that his

1 consultant would want to have some discussion with our
2 internal experts on that matter. And I think that
3 could be a useful mechanism in terms of facilitating
4 some understanding that could help streamline the
5 Information Request process here as we move forward.

6 So we would offer to host a half day or
7 a day as required prior to the end of -- or prior to
8 the submission of First Round Information Requests to
9 be able to address those two (2) particular topic
10 areas.

11 MS. PATTI RAMAGE: And if we haven't
12 thrown enough at you, the -- my one (1) other comment
13 would be listening to the various parties in the room
14 and what their issues are, and then looking at our
15 Order in Council that this Board has an obligation to
16 address.

17 One (1) of the things I have not heard
18 is a great deal of interest in historic capital. It's
19 also historic capital and CPJs and disclosure of
20 historic documents is also, we're finding at our end,
21 one (1) of the biggest challenges in terms of
22 commercially sensitive information.

23 So we would ask the Board consider a
24 practice that has been done in the past, perhaps
25 retaining an expert consultant and having that expert

1 consultant deal with the Manitoba Hydro people outside
2 of an IR process to gather the information they need,
3 prepare a report that is available for everyone in the
4 room, and to work forward from there on.

5 I am not trying to take away anything
6 anyone's interested in in terms of what their rate
7 case is in the future rates, but to such extent, if
8 it's historic and of not critical importance to anyone
9 in the room, we believe that that process of an -- an
10 independent consultant appointed by the Board meeting
11 with Manitoba Hydro staff would be appropriate and to
12 give the Board a feel for what challenges we're facing
13 in -- in the MFR process.

14 There are a number of MFRs that are
15 generating literally tens of thousands of pages of
16 documents. And it would be -- this process would move
17 much quicker if we could have them come over and look
18 at what they want to see and go through those
19 documents rather than -- and preparing a report on
20 them rather than going through a line-by-line
21 redaction process involving bringing in past
22 contractors to go through that.

23 And I'm not meaning to throw something
24 out right at the end of the hearing but it's something
25 for the Board, we thought, in terms of trying to move

1 this hearing along is that kind of process is
2 something that I think we would certainly be amenable
3 to, and would be happy to speak with Board counsel to
4 try to make something work.

5 MR. BYRON WILLIAMS: Just on that last
6 point, and I can indicate on behalf of our clients
7 that -- that like our friends from the Manitoba
8 Industrial Power Users Group, we did not see the Order
9 in Council sig -- expanding the Board's jurisdiction
10 in any meaningful way. We did say it -- see it as
11 streamlining the transfer of information between the -
12 - the regulatory process and Manitoba Hydro.

13 From our client's perspective on large
14 capital, we're certainly on a going-forward basis very
15 interested in -- in the con -- in the aggregate
16 contingencies that have been -- been assigned,
17 including the material changes in con -- in
18 contingencies. I think almost 900 million for Keeyask
19 quite recently.

20 We're very interested in the
21 underlaying interest costs forecasts, and whether
22 they're reliable. We certainly are interested at a
23 high level in the -- the -- just the -- a high level
24 good prudent management of the projects.

25 In terms of digging back into exact

1 contractual relationships, we left it in our
2 application that we were -- our clients were certainly
3 hoping for some direction from the Board. Our clients
4 are focussed on the large capital in the sense of what
5 are the implications, how reliable are those numbers,
6 how demonstrative are -- are they of good management.

7 The Board will be aware that our
8 clients were not supportive of these major projects,
9 did not endorse them, but we're not trying to revisit
10 those decisions. We want to understand the
11 implications going forward for our clients.

12 MS. DAYNA STEINFELD: Unless anyone
13 has any other comments at this time, Board counsel
14 does not have any other comments and we would turn it
15 back over to the Chair.

16 THE CHAIRPERSON: It's been a long
17 day. I want to thank everybody for participating in
18 such a positive manner. And the -- I appreciate on
19 behalf of the panel the tone and substance of the --
20 of the comments today. I thank you for your efforts
21 today.

22 The Board will meet later -- this panel
23 will meet later this week and start the process of
24 working towards an Order, which we will get to you as
25 soon as possible. Thank you.

1 --- Upon adjourning at 5:02 p.m.

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5 Certified correct,

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10 Cheryl Lavigne, Ms.

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