

**2021 Electrification, Conservation and Demand Management Application**

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- 1 Q. Reference: Pre-Filed Testimony of Patrick Bowman, page 4, lines 10-19 and lines  
2 20-21, InterGroup states that the need to mitigate rate levels is an acute policy  
3 objective and that the province has noted that rates are the priority.
- 4 a) Please provide the support/documentation that InterGroup is relying on that  
5 specifically states rate mitigation is the priority policy goal for the provision of  
6 electricity in the province.
- 7 b) InterGroup notes that Step 1 in the National Standard Practice Manual is to  
8 “Articulate Applicable Policy Goals”. In InterGroup’s opinion, who is responsible for  
9 determining the priority policy goals for a particular jurisdiction: the province, the  
10 regulator, and/or the Utilities?

11 A.

- 12 (a) The Island system is facing one of the most acute rate impact pressures seen in  
13 Canada over recent decades. It is also in one of the most unique positions in terms  
14 of potential material energy surpluses which are otherwise of relatively low net  
15 value if exported. Significant rate increases on their own will lead to erosion of the  
16 very loads needed to pay for the fixed costs, before any efficiency programs are  
17 run. Further driving up rates adds risks of driving even more challenges recovering  
18 system costs from the remaining customers and loads.

19 To the extent rate impacts are avoided by government action, these government  
20 resources are themselves presumably coming at the expense of fiscal ability to  
21 address other important priorities.

22 The above backdrop was the impetus for the only known “Rate Mitigation” focused  
23 regulatory proceeding in Canada. It would appear, on its face, that rate mitigation  
24 is a priority goal.

25 Outside of mitigating rates, the main significant role for energy efficiency  
26 programming would be limited to controlling peak. Saving energy, and losing  
27 revenue, so that the same energy can be exported from the province for far less  
28 value, is not an economically sensible outcome for the Island. All this achieves is  
29 bill benefits to the customer that participates, and rate increases to the remainder.  
30 With the massive difference between the value of power on the island (the retail

1 rate) and off Island (the export value, net of transmission tariffs), any reduced load  
2 is a high cost to the system. In some cases, this high adverse cost effect may be  
3 offset by system savings from reduced peak loads, but if the reduced peak comes  
4 with any material amount of reduced energy consumption, the revenue on the  
5 system will be worse off, and the remaining customer facing even larger rate  
6 increases, simply to run a peak load reduction program. If rates must go up more  
7 to supply peak loads through efficiency than they must to supply peak loads  
8 through standby generators, then the outcome is not fair or reasonable for most  
9 system customers. The only way to know if the above outcome is arising is with  
10 proper rate impact analysis.

11 (b) If there were to be explicit policy goals associated with energy efficiency or  
12 electrification, these would appropriately be set by a government in legislation or  
13 other binding policy instrument. Examples would include Manitoba's *Efficiency*  
14 *Manitoba Act*, which requires savings of 1.5% of load to be achieved each year.

15 In the absence of such explicit guidance, a regulator would apply the appropriate  
16 legislative ratemaking tests such as *EPCA, 1994* section 3(b)(i) and (iii); that is,  
17 achieving the most efficient approach to production, transmission and distribution  
18 that achieves the lowest possible cost consistent with reliable service.