

Manitoba Hydro Undertaking #108

Manitoba Hydro to indicate if CAC/MSOS should be employing the lower inflation number of 11.29 percent in the table at Tab 3 of Exhibit CAC/MSOS-14.

CAC/MSOS has chosen a starting point of fiscal 2003/04. Accordingly, the appropriate baseline starting point should be August 1, 2003, which is one year prior to the rate increase approved by the PUB for August 1, 2004. The table at Tab 3 of Exhibit CAC/MSOS-14 would then be amended as follows:

	<u>CPI</u> <u>August 1, 2003 = 100</u>	<u>Residential Rate Index</u> <u>August 1, 2003 = 100</u>
August 1, 2003	100.0	100.0
August 1, 2004	102.5	105.0
August 1, 2005	105.5	107.4
August 1, 2006	107.8	107.4
August 1, 2007	109.2	109.8
August 1, 2008	113.0	115.3
August 1, 2009	112.5	118.6
August 1, 2010	112.8	122.0

The series above indicates that, over the seven year period, the rate of annual increase of Manitoba Hydro residential rates has averaged 2.88% compared to the average annual rate of inflation of 1.75%.

Selection of this particular seven year period may not be appropriate given its context that the period begins with a major drought and follows a period of seven years and four months during which there were no rate increases to the Residential class. This was discussed in PUB Order 40/11 on pages 26-27.

If the period of comparison is extended back to August 1, 1997, then the cumulative inflation in the Manitoba CPI is 26.6 percent. Over this longer period, the Residential rate level average annual increase was 1.54% compared to average annual increase in the CPI of 1.83%.