Manitoba Hydro Undertaking #100

Manitoba Hydro to provide an explanation as to why the difference occurs as between the export revenue shown in the assumptions in the export revenue utilized by Manitoba Hydro in the COSS. Include why merchant sales which had been removed from the volumes should not also be removed from the revenues.

The Total Export Sales as shown in the 'IFF09 Export Revenue Assumptions' table in PUB/MH II-45(a) exclude revenue from non-energy related items such as merchant sales, and includes net transmission charges, in an attempt to provide meaningful average prices for physical export sales. Although the non-energy related items are excluded for the purposes of determining an average price, these items are valid revenue recognized for the purposes of financial statement reporting and are therefore included in the total Extraprovincial revenue in IFF09-1, and subsequently used in PCOSS11.

The following shows the reconciliation of extraprovincial revenues in IFF09-1 to those in PUB/MH II-45(a):

	2010/11 Forecast ($ million)
IFF 09-1 Extraprovincial Revenue	383
Less: Other Export Revenue[1]	(51)
Less: PSO Transmission Charges[2]	(40)
PUB/MH II 45 (a) Total Export Sales	292

Merchant sales, to the extent they exceed the cost of related purchases, defray the costs that need to be recovered from domestic customers and as such are appropriate to include in the PCOSS. It would be inappropriate to include the volumes for these sales that are not sourced from MH generation in the Energy-based allocation of Generation costs in the PCOSS.

Export revenue included in the PCOSS includes a further $0.6 million related to surcharges on sales made to extraprovincial customers at a retail level. This revenue is included in the General Consumers revenue on page 34 of IFF09-1, but considered Export revenue in the PCOSS.

Note 1: Includes revenue from Ancillary Service Market, Merchant Sales and Congestion Management

Note 2: Directly charged to Export class as part of purchased power in the PCOSS