

Manitoba Hydro Undertaking #101

Manitoba Hydro to refile Schedules B1 and B2 from both the 2010 and 2011 PCOSS, with columns added to reflect results on a comparative basis using actual average export prices (as directed by PUB in Order117/06) with merchant sales and purchases also being removed.

Manitoba Hydro has prepared the attached tables to show the requested revisions to Schedules B1 and B2 of PCOSS10 and PCOSS11 as requested. However, Manitoba Hydro is of the view that it is not appropriate to use historical prices reflective of actual water flows which can be considerably higher or lower than median flows as a basis of forecasting export revenues in a PCOSS that is based on median flows. Manitoba Hydro is also of the view that it is not appropriate to prepare a Cost of Service Study which is inconsistent with assumptions used in the IFF.

Forecast export revenue for PCOSS11 has been adjusted as follows:

- The forecast sales of 7,122 GWh have been re-priced to use the actual average export prices for 2009/10 of 3.3¢/kWh, which is then increased 1.9% to reflect CPI. The comparable average price embedded in the unadjusted PCOSS11 forecast export revenue was 4.4¢/kWh
- Merchant sales of \$30 million have been removed from revenue
- No adjustments have been made to the \$41 million of revenue related to MISO Transmission credits, Ancillary Service Market revenues or Congestion Management included in the forecast revenue
- Total reduction to export revenues is \$104 million.

Adjusting the revenue side of the transaction requires a corresponding adjustment to the cost of the supply that is subject to many of the same market forces and conditions. Forecast power purchases for PCOSS11 have been adjusted as follows:

- The forecast imports (including wind) of 1,508 GWh have been re-priced to use the actual average import price for 2009/10 of 4.1¢/kWh, which is then increased by 1.9% to reflect CPI. The comparable average price embedded in the unadjusted forecast imports in PCOSS11 was 3.3¢/kWh
- Merchant purchases of \$26 million have been removed
- No adjustments have been made to the \$44 million of Open-Access Transmission costs, Net Financial Transmission Rights and other purchases included in Purchased Power and Transmission in the PCOSS
- Total reduction to imports is \$14 million.

Implementing the requested changes to forecast export revenue, as well as the associated change in import costs, results in a \$90 million reduction in net income. As a result the Interest expense in the PCOSS, which includes these contributions to reserves, will be reduced by the same amount.

Manitoba Hydro
 Prospective Cost Of Service Study
 March 31, 2011
 Revenue Cost Coverage Analysis
Undertaking 101 - Export Revenue Based on 2009/10 Actual Average Prices
S U M M A R Y

Customer Class	Total Cost (\$000)	Class Revenue (\$000)	Net Export Revenue (\$000)	Total Revenue (\$000)	RCC % Adjusted	PCOSS11 RCC % Published	Change
Residential	507,619	497,455	(13,534)	483,920	95.3%	95.9%	-0.6%
General Service - Small Non Demand	111,701	119,914	(2,895)	117,019	104.8%	104.8%	0.0%
General Service - Small Demand	107,753	115,086	(2,771)	112,315	104.2%	103.8%	0.4%
General Service - Medium	157,837	164,114	(4,099)	160,016	101.4%	101.1%	0.3%
General Service - Large 0 - 30kV	75,164	70,730	(1,948)	68,782	91.5%	91.9%	-0.4%
General Service - Large 30-100kV*	30,847	33,070	(817)	32,253	104.6%	104.2%	0.4%
General Service - Large >100kV*	161,774	188,679	(4,262)	184,417	114.0%	112.6%	1.4%
*Includes Curtailment Customers							
SEP	1,003	852	-	852	85.0%	84.7%	0.3%
Area & Roadway Lighting	18,388	20,339	(171)	20,168	109.7%	105.2%	4.5%
Total General Consumers	1,172,084	1,210,239	(30,497)	1,179,742	100.7%	100.6%	0.1%
Diesel	12,123	4,793	(328)	4,466	36.8%	42.6%	-5.8%
Export	311,388	280,564	30,824	311,388	100.0%	100.0%	0.0%
Total System	1,495,596	1,495,596	-	1,495,596	100.0%	100.0%	0.0%

Manitoba Hydro
 Prospective Cost Of Service Study - March 31, 2011
 Customer, Demand, Energy Cost Analysis
Undertaking 101 - Export Revenue Based on 2009/10 Actual Average Prices
SUMMARY

Class	CUSTOMER			DEMAND				ENERGY		
	Cost (\$000)	Number of Customers	Unit Cost \$/Month	Cost (\$000)	% Recovery	Billable Demand MVA	Unit Cost \$/KVA	Cost (\$000)	Metered Energy mWh	Unit Cost ¢/kWh
Residential	123,705	470,975	21.89	201,186	0%	n/a	n/a	196,263	6,771,781	5.87 **
GS Small - Non Demand	24,462	53,170	38.34	41,761	0%	n/a	n/a	48,373	1,571,227	5.74 **
GS Small - Demand	7,524	11,451	54.75	46,102	38%	2,100	8.34	56,898	1,883,200	4.54
General Service - Medium	6,624	1,867	295.71	67,081	87%	6,978	8.39	88,230	3,015,078	3.21
General Service - Large <30kV	3,319	259	n/a	29,538	100%	3,646	9.01 *	44,254	1,538,688	2.88
General Service - Large 30-100kV	2,272	30	n/a	7,591	100%	1,681	5.87 *	21,801	846,683	2.57
General Service - Large >100kV	2,352	14	n/a	28,978	100%	8,969	3.49 *	134,705	5,310,790	2.54
SEP	257	23	932.59	159	0%	n/a	n/a	587	15,200	4.90 **
Area & Roadway Lighting	13,592	154,961	7.31	2,664	0%	n/a	n/a	2,303	101,099	4.91 **
Total General Consumers	184,107	692,750		425,061		23,374		593,414	21,053,746	
Diesel	282	760	30.92	423	0%	n/a	n/a	11,746	13,664	89.05 **
Export	n/a	n/a	n/a	43,335	0%	n/a	n/a	268,053	7,122,000	4.37 ***
Total System	184,389	693,510		468,819		23,374		873,213	28,189,411	

* - includes recovery of customer costs

** - includes recovery of demand costs

*** -includes recovery of customer and demand costs

Forecast export revenue for PCOSS10 has been adjusted as follows:

- The forecast sales of 7,901 GWh have been re-priced to use the actual average export prices for 2008/09 of 4.9¢/kWh, which is then increased 2.0% to reflect CPI. The comparable average price embedded in the unadjusted PCOSS10 forecast export revenue was 5.9¢/kWh
- Merchant sales of \$48 million have been removed from revenue
- No adjustments have been made to the \$28 million of revenue related to MISO Transmission credits and Ancillary Service Market revenues included in the forecast revenue
- Total reduction to export revenues is \$123 million.

Forecast power purchases for PCOSS10 have been adjusted as follows:

- The forecast imports (including wind) of 1,974 GWh have been re-priced to use the actual average import price for 2009/10 of 5.1¢/kWh, which is then increased by 2.0% to reflect CPI. The comparable average price embedded in the unadjusted forecast imports in PCOSS10 was 5.4¢/kWh
- Merchant purchases of \$44 million have been removed
- No adjustments have been made to the \$23 million of Open-Access Transmission costs, Net Financial Transmission Rights and other purchases included in Purchased Power and Transmission in the PCOSS
- Total reduction to imports is \$48 million.

Implementing the requested changes to forecast export revenue, as well as the associated change in import costs, results in a \$75 million reduction in net income. As a result the Interest expense in the PCOSS, which includes these contributions to reserves, will be reduced by the same amount.

Manitoba Hydro
 Prospective Cost Of Service Study
 March 31, 2010
 Revenue Cost Coverage Analysis
Undertaking 101 - Export Revenue Based on 2008/09 Actual Average Prices
S U M M A R Y

Customer Class	Total Cost (\$000)	Class Revenue (\$000)	RCC % Pre Export Allocation	Net Export Revenue (\$000)	Total Revenue (\$000)	RCC % Adjusted	PCOSS10 RCC % Published	Change
Residential	534,689	486,651	91.0%	26,906	513,557	96.0%	96.4%	-0.4%
General Service - Small Non Demand	110,663	111,651	100.9%	5,403	117,054	105.8%	105.7%	0.1%
General Service - Small Demand	117,305	115,256	98.3%	5,696	120,952	103.1%	102.8%	0.3%
General Service - Medium	164,462	158,991	96.7%	8,050	167,041	101.6%	101.3%	0.3%
General Service - Large 0 - 30kV	77,895	67,889	87.2%	3,807	71,696	92.0%	92.3%	-0.3%
General Service - Large 30-100kV*	43,632	44,588	102.2%	2,190	46,778	107.2%	106.8%	0.4%
General Service - Large >100kV*	183,733	192,906	105.0%	9,163	202,069	110.0%	109.2%	0.8%
*Includes Curtailment Customers								
SEP	1,509	1,315	87.1%	-	1,315	87.1%	86.9%	0.2%
Area & Roadway Lighting	19,662	19,837	100.9%	324	20,161	102.5%	100.0%	2.5%
Total General Consumers	1,253,550	1,199,084	95.7%	61,540	1,260,624	100.6%	100.5%	0.1%
Diesel	12,369	4,665	37.7%	630	5,295	42.8%	47.1%	-4.3%
Export	361,151	423,321	117.2%	(62,170)	361,151	100.0%	100.0%	0.0%
Total System	1,627,070	1,627,070	100.0%	-	1,627,070	100.0%	100.0%	0.0%

Manitoba Hydro
 Prospective Cost Of Service Study - March 31, 2010
 Customer, Demand, Energy Cost Analysis
Undertaking 101 - Export Revenue Based on 2008/09 Actual Average Prices
SUMMARY

Class	C U S T O M E R			D E M A N D				E N E R G Y		
	Cost (\$000)	Number of Customers	Unit Cost \$/Month	Cost (\$000)	% Recovery	Billable Demand MVA	Unit Cost \$/KVA	Cost (\$000)	Metered Energy mWh	Unit Cost ¢/kWh
Residential	115,723	466,759	20.66	194,904	0%	n/a	n/a	197,156	6,811,218	5.76 **
GS Small - Non Demand	21,969	52,716	34.73	37,496	0%	n/a	n/a	45,795	1,478,206	5.63 **
GS Small - Demand	7,087	11,260	52.45	44,516	38%	2,203	7.73	60,006	1,983,393	4.41
General Service - Medium	5,720	1,859	256.39	61,683	100%	7,008	8.80	89,009	3,032,155	2.94
General Service - Large <30kV	2,885	259	n/a	27,004	100%	3,452	8.66 *	44,199	1,533,322	2.88
General Service - Large 30-100kV	1,811	30	n/a	9,966	100%	2,455	4.80 *	29,666	1,151,746	2.58
General Service - Large >100kV	2,098	14	n/a	29,232	100%	9,476	3.31 *	143,239	5,626,174	2.55
SEP	352	25	1,174.24	242	0%	n/a	n/a	915	22,550	5.13 **
Area & Roadway Lighting	14,714	153,710	7.98	2,374	0%	n/a	n/a	2,250	99,432	4.65 **
Total General Consumers	172,358	686,631		407,416		24,594		612,236	21,738,196	
Diesel	258	732	29.43	388	0%	n/a	n/a	11,093	12,820	89.55 **
Export	n/a	n/a	n/a	49,557	0%	n/a	n/a	311,594	7,901,000	4.57 ***
Total System	172,616	687,363		457,361		24,594		934,923	29,652,016	

* - includes recovery of customer costs

** - includes recovery of demand costs

*** -includes recovery of customer and demand costs