

Manitoba Hydro Undertaking #103

Manitoba Hydro to file an updated Appendix 13.1.

Please see the attached Report to the Public Utilities Board, re: Partial Bill Payment Deferral program (Billing Demand Concession) filed with the Public Utilities Board on March 11, 2010.

REPORT TO
THE PUBLIC UTILITIES BOARD

PARTIAL BILL PAYMENT
DEFERRAL PROGRAM
(BILLING DEMAND CONCESSION)

February 2010



PARTIAL BILL PAYMENT DEFERRAL PROGRAM (BILLING DEMAND CONCESSION)

Background:

On August 7, 2009, Manitoba Hydro applied to the Public Utilities Board for Interim *Ex Parte* approval of a temporary change to allow billing concessions for General Service Medium (GSM) and Large (GSL) customers who were experiencing reduced electrical consumption as direct result of the global economic downturn. The temporary billing concession was intended to absorb much of the impact of Manitoba Hydro's rate structure on per unit energy costs as a result of the reduced production schedules being implemented by these customers.

PUB Order 126/09 issued on September 4, 2009 approved Manitoba Hydro *"to offer and implement a partial bill payment deferral program"* and *"provide monthly reports on the impacts of this Order to the Board, containing the number of customers that are eligible for the within relief, the number of customers accepting the within relief, as well as the calculation of the energy reductions and demand billings deferred"*. Due to the time-frame required to notify and consult customers, implementation of the deferrals was not applied until the November billing period. This report therefore includes deferrals provided to customers on their November, December and January billing statements related to the months of June through November 2009.

The amounts presented in this report will vary from those provided by Manitoba Hydro in its preliminary status report to the Public Utilities Board dated November 18, 2009 and responses to questions filed on December 18, 2009. This is primarily due to the conclusion of a review of one customer's eligibility within the framework and intent of the application as noted in response to PUB Question 2 b) filed on December 18, 2009.

Criteria for Determining Demand Concessions:

Manitoba Hydro's analysis of all General Service Large and Medium customers indicated that some customers with curtailed operations were paying higher unit costs for energy than they paid prior to the onset of the global downturn. With approval from the Public Utilities Board to implement a "partial bill payment deferral program", Manitoba Hydro issued letters to 29 GSL and 47 GSM customers beginning September 23, 2009 (template included as

Attachment 2). The letters advised customers that, based on their historical usage and reduced consumption levels in the January to June 2009 period, they may be eligible for receiving a deferral on the demand portion of their energy bill if they met the pre-defined criteria set out in the Board Order. Given that some customers have more than one account or more than one meter associated with an account, the actual number of accounts advised was 33 GSL and 48 GSM services (meters).

As noted in the customer letter, Energy Advisors contacted each customer to further review their account and discuss their eligibility requirements. The onus was on the customer to prove to Manitoba Hydro that their cost per kW.h had increased demonstrably due to economic circumstances and not due to other factors such as holiday or maintenance shut downs.

Subsequent to the delivery of the letters, analysis was conducted on a monthly basis to determine whether additional customers became eligible for deferrals under the requirements of the program. This analysis determined that 13 accounts identified in the original analysis were no longer eligible for deferrals due to improvements in their load factor. An additional three accounts were determined to be ineligible as a result of a change in rate class, leaving a total of 60 customers with 65 accounts from the original analysis. Further analysis also determined that 16 additional accounts had become eligible in the June 09 - Nov 09 period, which had not been identified in the original analysis covering the Jan 09 - Jun 09 period, increasing the total number of eligible accounts to 81.

Manitoba Hydro reviewed each customer's application to evaluate evidence that the customer's operation has been negatively affected by the current economic downturn, and calculated the energy bill deferral amount. The amounts were then forwarded to the Vice-President, Customer Service and Marketing for final approval. Once approved, the Customer Accounting Department applied the deferred amounts to each customer's account.

Uptake of Program:

Many customers were hesitant to participate in the demand concession program since it was approved as a "partial bill payment deferral" rather than a concession. Customers believed that, due to the uncertainty associated with the possible re-payment of the concession, deferral amounts remained on their ledgers as a liability, meaning they could not pass on these savings to their customers. In total 24 General Service customers, with a total of 26 accounts, applied for the partial bill payment deferral program. Of these, 13 were classed as

Medium; 5 were Large 750 V - 30 kV; 2 was Large 30 - 100 kV; and the remaining 4 customers were Large >100 kV.

Deferrals (Concessions) Processed: June 2009 to November 2009

Determination of the monthly demand concession deferrals was based on the following approved methodology:

- (a) Calculate the customer's normal load factor based on actual usage during the 24-month period ended August 2008 (or other period due to exceptional circumstances).
- (b) Calculate unit cost per kW.h during the 24-month period based on normal load factor ('Baseline Normal Unit Cost') at current rates.
- (c) Determine the unit cost per kW.h in each billing period of the concession period based on standard bill calculation.
- (d) If the unit cost per kW.h determined in (c) is at least 10% higher than Baseline Normal Unit Cost, a demand concession is calculated to reduce unit cost to baseline normal unit cost plus 10%.

The monthly concessions shown in Attachment 1 were applied to approved customers' November, December and January bills using this methodology, which for the six month period ending November 2009 totaled \$1,291,190. This amount differs from the \$1,971,528 reported to the PUB on December 18, 2009 in response to Question b) due to the acceptance of additional customers into the program, a final review of one customer's application, which determined that it did not fall within the spirit and intent of Manitoba Hydro's application, and a smaller variance in the amount of \$568 resulted from adjustments made for seasonal behavior and maintenance shutdowns.

The table provided in Attachment 1 shows the number of customers who were eligible in each rate class, by month, based on the methodology provided above, as well as the actual number and amount of deferrals processed for the 6-month period.

Conclusion:

As indicated on December 18, 2009, Manitoba Hydro chose not to extend the Partial Bill Payment Deferral program beyond November 30, 2009.

Manitoba Hydro has applied for confirmation of Board Order 126/09 and deferrals to be made permanent concessions in its General Rate Application filed with the Public Utilities Board on December 1, 2009.

**APPROVED BILLING DEMAND CONCESSION DEFERRALS BY RATE CLASS
(June 2009 to November Periods)**

Rate Class	JUNE 2009				JULY 2009				AUGUST 2009			
	Customers		Deferral Amts		Customers		Deferral Amts		Customers		Deferral Amts	
	Eligible	Approved	\$	kV.A	Eligible	Approved	\$	kV.A	Eligible	Approved	\$	kV.A
Medium	38	8	4,885	586	45	11	6,386	766	48	13	9,306	1,116
L <30	10	4	23,213	3,689	12	4	28,688	4,428	12	5	37,811	5,891
L 30-100	0	0	-	-	2	2	28,822	4,756	2	2	31,154	5,141
L >100	5	5	190,750	35,324	5	5	466,168	86,327	5	5	141,946	26,286
Total	53	17	218,848	39,599	64	22	530,064	96,277	67	25	220,217	38,434
Rate Class	SEPTEMBER 2009				OCTOBER 2009				NOVEMBER 2009			
	Customers		Deferral Amts		Customers		Deferral Amts		Customers		Deferral Amts	
	Eligible	Approved	\$	kV.A	Eligible	Approved	\$	kV.A	Eligible	Approved	\$	kV.A
Medium	48	10	5,739	688	44	12	8,387	1,006	45	9	6,361	763
L <30	10	4	28,052	3,962	10	5	30,078	4,248	10	5	23,475	3,316
L 30-100	2	2	6,185	1,021	2	2	12,889	2,127	2	2	17,744	2,928
L >100	2	2	17,793	3,295	3	3	81,192	15,035	3	3	84,166	15,586
Total	63	18	57,769	8,966	61	22	132,546	22,416	61	19	131,746	22,593
Rate Class	TOTAL (June - November)											
	Deferral Amounts											
	\$		kV.A									
Medium	41,064		4,925									
L <30	171,317		25,534									
L 30-100	96,794		15,973									
L >100	982,015		181,853									
Total	1,291,190		228,285									

2009 09 XX

Mr. X
Company Name
Street
City/Town, MB
Postal Code

Dear Mr. X:

RE: DISTRESSED COMPANY DEMAND BILLING CONCESSION

While many of Manitoba Hydro's business customers continue to grow and prosper in these tough economic times, others struggle to maintain their operations within Manitoba. We at Manitoba Hydro recognize that this downturn has caused some industries to take capacity out of global production, due to a lack of sales, as they attempt to stabilize prices for their products. Companies within various industrial sectors are closing higher cost facilities or adopting a batch plant approach to production in an effort to match production to consumer demand. As a result, the standard (and normally appropriate) demand billing practice may now be adding significantly to unit electricity costs, particularly for customers where electricity represents a significant portion of their total operating costs.

Manitoba Hydro recently made an application to The Public Utilities Board (PUB) for interim ex parte approval of temporary billing demand concessions. On September 4, 2009, Manitoba Hydro received approval to offer and implement a partial bill payment deferral program, rather than the billing demand concessions requested in Manitoba Hydro's application. Based on our initial analysis of changes to your operating profile, this program may have application to your company.

Where a customer's load factor has decreased (and per unit energy cost increased) as a result of the economic downturn, Manitoba Hydro will, effective the June 2009 billing cycle, consider, partial electricity bill deferral. The amount of this bill deferral may be fully or partially forgiven subject to final approval of the program by the PUB. Manitoba Hydro will continue to maintain the position that this deferral should be fully forgiven and treated as a billing demand concession to the customers. This partial electricity bill deferral program will be in effect during the six month billing period commencing June 2009 through November 2009, at which point it will be reviewed by Manitoba Hydro to determine if continuation is warranted.

Your Manitoba Hydro Account Advisor has reviewed your company's recent electricity consumption and noticed that your operating hours and electricity load factor appear to have been reduced, and that this action has significantly increased your average electricity cost. If

this change in operating profile is clearly demonstrated and verified to be due to the current downturn in the economy, Manitoba Hydro may be able to help mitigate some of these incremental unit cost increases.

Manitoba Hydro is committed to working with our business customers, and continuing to assist them to prosper and grow within Manitoba. Your Account Advisor, (name and phone number), will contact you shortly to provide you with additional information about how changes to our demand billing concession policy could impact your electricity costs and how our Power Smart programs can assist you in further reducing your total energy costs.

I look forward to working cooperatively with you as you manage your company through these difficult economic times.

Yours truly,

RBB/dmh

c: Account Advisor