

**CAC/MH (DIESEL) I-1**

**Subject: Proposed Rates**

**Reference: 2011 Application, page 1 and Attachment 4, page 1  
Manitoba Hydro 2010 Diesel Application (DA2010), Attachment I**

- e) **What is the full cost rate (i.e., equivalent to the 54.71 cents/kWh in the DA2010 based on PDCOSS10 excluding any provision for capital additions, {\$7,912,823-\$580,507}/13,403,047 kWh} from Attachment 1, Schedule 1) based on:**
- 1. DCOS11 per part (b)**
  - 2. The Prospective Cost of Service Study for 2010/11**
  - 3. The Prospective Diesel COSS for 2011/12**

**ANSWER:**

The applicable full cost rates are included as Schedule 2 of the PDCOSS12 (Attachment 3).

The full cost rates are:

2012 (forecast) – 53.5¢/kWh  
2011 (actual) – 49.2¢/kWh  
2010 (actual) – 47.0¢/kWh

**CAC/MH (DIESEL) I-1**

**Subject: Proposed Rates**

**Reference: 2011 Application, page 1 and Attachment 4, page 1  
Manitoba Hydro 2010 Diesel Application (DA2010), Attachment I**

**g) Using the most current Diesel COSS and forecast Diesel Zone sales for 2011/12 please provide:**

- 1. A set of schedules similar to those filed with DA2010 (Schedules 4.1-4.6) consistent with the rate setting principles approved by the PUB in Order 134/10), and**

**ANSWER:**

See attached schedules. Note that Schedule 4.6 no longer exists as original application contained former Schedule 4.4 for Provincial Government accounts on proposed GS rate which was denied in Order 134/10.

**SCHEDULE 4.1**

**Calculation of Customer Class Revenue @ Proposed Rates to March 31, 2012  
FISCAL YEAR ENDING MARCH 31, 2012**

**Forecast Revenue Requirement and Revenue**

Total Forecast kW.h for 2011/12	7,812,367
Calculated Full Cost Rate	<u>\$0.5916</u>
Gross Revenue Requirement	\$4,621,796
Less: Residential Revenue (Below)	<u>(\$562,717)</u>
Unrecovered Revenue Requirement	<u><u>\$4,059,079</u></u>
Revenue Cost Coverage	<u><u>12.2%</u></u>

**Block Rates as Follows:**

Basic Monthly Charge	6.85 \$/month	x	6,648	=	45,539
First 900 kW.h/month	6.620 ¢/kW.h	x	7,812,367	=	517,179
Next 1,100 kW.h/month	6.620 ¢/kW.h	x		=	-
Balance of kW.h/month	6.620 ¢/kW.h	x		=	-
Revenue			<u><u>7,812,367</u></u>		<u><u>562,717</u></u>

**Allocation of Subsidies**

Manitoba Hydro RCC Subsidy (18% of Revenue Requirement)	\$831,923
Difference between calc full cost & proposed tail rate	
Remaining deficiency to Government Surcharge	\$3,227,155
Total Deficiency	<u><u>\$4,059,079</u></u>

**SCHEDULE 4.2**  
**Calculation of Customer Class Revenue @ Proposed Rates to March 31, 2012**  
**AND REVENUE COST COVERAGE @ PROPOSED RATES**

**Forecast Revenue Requirement and Revenue**

Total Forecast kW.h for 2011/12	3,323,771
Calculated Full Cost Rate	<u>\$0.5916</u>
Gross Revenue Requirement	\$1,966,343
Less: General Service Revenue (Below)	<u>(\$835,997)</u>
Unrecovered Revenue Requirement	<u><u>\$1,130,346</u></u>
Revenue Cost Coverage	<u><u>42.5%</u></u>

**Block Rates as Follows:**

Basic Monthly Charge	18.25 \$/month	x	1,336	=	24,382
First 2,000 kW.h/month	6.960 ¢/kW.h	x	1,254,299	=	87,299
Balance of kW.h/month	35.000 ¢/kW.h	x	<u>2,069,472</u>	=	<u>724,315</u>
Revenue			<u><u>3,323,771</u></u>		<u><u>835,997</u></u>

**Allocation of Subsidies**

Manitoba Hydro RCC Subsidy (11% of Revenue Requirement)	\$216,298
Difference between calc full cost & proposed tail rate	
Remaining deficiency to Government Surcharge	\$914,049
Total Deficiency	<u><u>\$1,130,346</u></u>

**SCHEDULE 4.3**  
**Calculation of Government Surcharge @ Proposed Rates to March 31, 2012**  
**FISCAL YEAR ENDING MARCH 31, 2012**

**Government Revenue Requirement**

Total Forecast kW.h for 2011/12	2,135,900
Calculated Full Cost Rate	\$ 0.5916
Government Revenue Requirement	\$ 1,263,598
Less: Revenue from Basic Charge	(14,326)
Revenue for Energy Rate	<u>1,249,272</u>
Energy Rate Before Surcharge	<u>\$ 0.5849</u>

**Calculation of Government Unit Subsidy**

Unrecovered Residential Revenue Requirement (Schedule 1)	\$ 3,227,155
Unrecovered General Service Revenue Requirement (Schedule 2)	\$ 914,049
Total	<u>\$ 4,141,204</u>
Deficit to recover in Government Surcharge	\$ 4,141,204
Total Government Energy (kW.h)	<u>2,135,900</u>
Government Unit Subsidy	<u><u>\$ 1.9389</u></u>

**Government Surcharge**

Total Government Rate	\$ 2.524
Less: Proposed Residential/GS Tail Block	<u>0.350</u>
Government Surcharge	<u>\$ 2.174</u>

**SCHEDULE 4.4**  
**Reconciliation of Class Revenue Requirement and Class Revenue**  
**Calculation of Customer Class Revenue @ Proposed Rates to March 31, 2012**

	<b>Residential</b>	<b>General Service</b>	<b>Government</b>	<b>Total</b>
<b><u>Revenue Deficiency:</u></b>				
Class Revenue Requirement	\$4,621,796	\$1,966,343	\$1,263,598	\$7,851,738
Class Revenue	\$562,717	\$835,997	\$5,404,803	\$6,803,517
Revenue Deficiency	\$4,059,079	\$1,130,346	(\$4,141,204)	\$1,048,221
<b><u>Funding of Revenue Deficiency by Manitoba Hydro</u></b>				
RCC Subsidy to Residential			\$831,923	
RCC Subsidy to General Service			\$216,298	\$1,048,221
Tail Rate Subsidy to Residential*				
Tail Rate Subsidy to General Service*				
Total Manitoba Hydro subsidies				\$1,048,221
<b>Overall Diesel Zone Revenue Cost Coverage</b>				86.6%

## SCHEDULE 4.5

### Calculation of Customer Class Revenue @ Proposed Rates to March 31, 2012

<i>Fiscal Yr 2012</i>	Block 1	Block 2	Run Off	Total								Run Off	
	kW.h	kW.h	kW.h	kW.h	Bills	Revenue	Avg Use	Block 1	Rate	Block 2	Rate	Rate	Basic Chg
<b>Residential</b>													
2012	7,812,367			7,812,367	6,952	\$562,717	1,124					0.6620	\$ 6.85
<b>General Service</b>													
2012	1,254,299	2,069,472		3,323,771	1,367	\$835,997	2,431	2,000	0.06960			0.3500	\$ 18.25
<b>Federal Government</b>													
2012			1,757,800	1,757,800	541	\$4,446,120	3,249					2.5237	\$ 18.25
<b>Provincial Government</b>													
2012			378,100	378,100	244	\$958,683	1,550					2.5237	\$ 18.25

13,272,038	8,628	6,803,517
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Full Cost *	7,851,738
Surplus/(Deficit)	(\$1,048,221)

\* - estimated costs for 2010/11 based on total kW.h at \$0.5916 per kW.h.

**CAC/MH (DIESEL) I-4**

**Subject:** PUB Directives

**Reference:** Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64

**Preamble:** The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

a) In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.

1. Has Manitoba Hydro accepted the Board’s invitation? If yes, please explain. If no, please explain why not.

**ANSWER:**

Please see Attachment 1 of the Application.



**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

- a) **In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**
2. **What actions has Manitoba Hydro taken since the issuance of Order 134/10 to eliminate the use of diesel fuel to supply power to off-grid communities?**

**ANSWER:**

Please see Attachment 1 of the Application.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

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**a) In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**

**3. Please provide copies of all reports provided to the PUB on Manitoba Hydro’s progress toward successfully resolving the issue of land lines to Diesel Zone communities per Order 134/10, page 64.**

**ANSWER:**

No such reports have been provided to the PUB.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

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- a) **In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**
4. **Please provide the most recent cost estimates for land lines to connect the four Diesel Zone communities.**

**ANSWER:**

Please see Attachment 1 to the Application.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

**a) In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**

**5. Please indicate the amortization period for a transmission line.**

**ANSWER:**

For depreciation expense on transmission lines there are several components that depreciate at different rates. An average value of 50 years is estimated and used in part 6 of this same response.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

- a) **In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**
6. **Please provide Manitoba Hydro’s best estimate of the annual cost of transmission lines to the four diesel communities, including interest, depreciation, maintenance and any other relevant costs.**

**ANSWER:**

Assuming the cost of \$383 million (base \$2010) (see Attachment 1 to the Application), the annual costs for interest and depreciation would be approximately \$24.6 million (interest at 6.1%). In addition, operating and maintenance costs would add about \$1.0 million per year.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

**a) In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**

**7. Please confirm whether Manitoba Hydro would consider building transmission lines to the four diesel communities without a major capital contribution from a third party or parties, such as government.**

**ANSWER:**

Manitoba Hydro would not consider building transmission lines to the four diesel communities without a major capital contribution from a third party or parties, such as government.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

**a) In Order 134/10 (page 63) the Board invited Manitoba Hydro to “assume a position of leadership in eliminating the use of diesel fuel to supply power to off-grid communities”.**

**8. Please indicate the current status of any discussions Manitoba Hydro has had with either provincial or federal government departments regarding the willingness of these parties to contribute toward the cost of a land line connection for these communities.**

**ANSWER:**

Please see Attachment 1 to the Application.

**CAC/MH (DIESEL) I-4**

**Subject:** PUB Directives

**Reference:** Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64

**Preamble:** The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

**b) Directive #6 (Order 134/10) states that Manitoba Hydro should file a plan for migrating Diesel Zone customers to grid rates in the event that there is no positive support for eliminating the use of diesel fuel (i.e. establishing a land line grid connection) and removing service restrictions.**

**2. If yes, what is the basis for this conclusion?**

**ANSWER:**

While Manitoba Hydro will continue to raise this matter with governments, at present Manitoba Hydro believes it is unlikely that they will make funding available.

Please see Attachment 1 to the Application.



**CAC/MH (DIESEL) I-4**

**Subject:** PUB Directives

**Reference:** Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64

**Preamble:** The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

**b) Directive #6 (Order 134/10) states that Manitoba Hydro should file a plan for migrating Diesel Zone customers to grid rates in the event that there is no positive support for eliminating the use of diesel fuel (i.e. establishing a land line grid connection) and removing service restrictions.**

**3. If yes, why is Manitoba Hydro continuing to review the feasibility of land line grid connections (per Attachment 5, page 4)**

**ANSWER:**

Manitoba Hydro is committed to evaluating all options to best serve the remote diesel communities.

**CAC/MH (DIESEL) I-4**

**Subject:** PUB Directives

**Reference:** Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64

**Preamble:** The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

**b) Directive #6 (Order 134/10) states that Manitoba Hydro should file a plan for migrating Diesel Zone customers to grid rates in the event that there is no positive support for eliminating the use of diesel fuel (i.e. establishing a land line grid connection) and removing service restrictions.**

**4. If no, why has Manitoba Hydro decided to file an Application at this time to migrate the Residential rates to grid rates?**

**ANSWER:**

Please see Manitoba Hydro’s response to PUB/MH (DIESEL) I-1(a).

**CAC/MH (DIESEL) I-4**

**Subject:** PUB Directives

**Reference:** Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64

**Preamble:** The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

c) **Directive #6 (Order 134/10) called for Manitoba Hydro to prepare a fully costed five year plan for migrating Residential and non-government General Service customers to grid rates if there was no positive support for the elimination of the use of diesel fuel to supply power .**

2. **Will the subsequent application described on page 3 include a five-year fully costed plan? If not, why not?**

**ANSWER:**

Please see Attachment 2 to the Application.

**CAC/MH (DIESEL) I-4**

**Subject:** PUB Directives

**Reference:** Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64

**Preamble:** The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

c) **Directive #6 (Order 134/10) called for Manitoba Hydro to prepare a fully costed five year plan for migrating Residential and non-government General Service customers to grid rates if there was no positive support for the elimination of the use of diesel fuel to supply power .**

**3. Will the subsequent application be filed before January 11, 2012 in accordance with the one year time line set out in Directive #6? If not, why not and what is the expected filing date?**

**ANSWER:**

Manitoba Hydro currently expects to file this Application on or before December 22, 2011.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

- d) At page 67 of Order 134/10, the Board ordered Manitoba Hydro to include in its plan for migrating Residential and non-government General Service customers to grid rates, cost considerations for capital and operating expenses (ie generation, fuel, fuel transportation, storage of fuel, environmental, etc). Please provide that information.**

**ANSWER:**

Please see Attachments 1 and 2 of the current Application.

**CAC/MH (DIESEL) I-4**

**Subject: PUB Directives**

**Reference: Application, page 1 and Attachment 5, pages 3-4  
Order 134/10, pages 63-64**

**Preamble: The application states that “the elimination of the tail block for Residential customers is consistent with the direction provided by the PUB in Order 134/10”.**

**In order 134/10 the Board directed (Directive #6) that:**

*In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and non-government General Service Diesel Zone customers to grid rates for all consumption.*

- e) **Also at page 67 of Order 134/10, the Board directed that Residential and non-government General Service customers be migrated to grid rates for all consumption, including space heating. With this Application, Manitoba Hydro is not proposing to eliminate the 60 amp service restriction for Residential customers (Application, page 3, line 5). Please explain why not, when Manitoba Hydro expects to eliminate the service restriction, and the anticipated impact of that change, including the impact on consumption, capital and operating expenses.**

**ANSWER:**

Please see Attachments 1 and 2 of the current Application.

**CAC/MH (DIESEL) I-7**

**Subject: Proposed Rates**

**Reference: Application, Attachment 3, page 1  
DA2010, PUB/MH I-5 a) – c)**

- c) **Please update the responses to DA2010, PUB/MH I-5 a) – c) based on 2010/11 actual data.**

**ANSWER:**

Below are the updated responses to DA2010, PUB/MH I-5 a) – c) based on 2010/11 actual data:

- a) Number of Federal Government accounts:

Brochet – 5 accounts (2 customers)  
Lac Brochet – 4 accounts (2 customers)  
Shamattawa – 3 accounts (2 customers)  
Tadoule Lake – 6 accounts (4 customers)

- b) Number of Provincial Government accounts:

Brochet – 18 accounts (3 customers)  
Lac Brochet – 2 accounts (1 customer)  
Shamattawa – 1 account  
Tadoule Lake – 1 account

- c) Number of First Nation community accounts which are fully funded by INAC:

Brochet – 0 accounts  
Lac Brochet – 20 accounts  
Shamattawa – 2 accounts  
Tadoule Lake – 7 accounts

**CAC/MH (DIESEL) I-8**

**Subject: Proposed Rates**

**Reference: DA2010, PUB/MH I-9**

**b) Please file updated versions of the charts referred to in (b) and (c) in the above interrogatory.**

**ANSWER:**

9b) – This chart remains the same.

9c) –

**Post 2005 Items  
Diesel Cost of Service  
To Fiscal Year End 2011/12**

	Total	INAC/FN	Other Gov	Grid
RCC Subsidy shown in 2010*	4.87			4.87
Addn amounts to 2012	1.63			1.63
RCC Subsidy to 2012	6.50	-	-	6.50
Accumlated Oper Deficit in 2010*	7.10			7.10
Addn amounts to 2012	(0.90)			(0.90)
RCC Subsidy to 2012	6.20	-	-	6.20
Capital not Recovered in 2010*	7.30	5.04	0.73	1.53
Contributions Rec'd since 2010	(2.30)	(2.30)		
Addn amounts to 2012	5.60	3.86	0.56	1.18
Capital not Recovered to 2012~	10.60	6.60	1.29	2.71
~capital only excl interest				
Total	23.30	6.60	1.29	15.41

\*As filed July 2010 as PUB/MH I-9(c)

Please see Schedule 3 of PDCOSS12 attached to this application for treatment of interest and depreciation expense.



**CAC/MH (DIESEL) I-9**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Attachment 5, page 2, Directive #3  
Order 159/04, pages 6-8**

- b) Order 159/04 outlines the terms of the tentative settlement agreement entered into by the parties in 2004. Please indicate any changes between the tentative and final agreement.**

**ANSWER:**

There have been no changes to the fundamental terms outlined in the Tentative Settlement Agreement and the final agreement.

**CAC/MH (DIESEL) I-9**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Attachment 5, page 2, Directive #3  
Order 159/04, pages 6-8**

- c) Please document the interim approved rates for which final rate approval is required.

**ANSWER:**

Final approval is still pending for the following interim orders:

Order 17/04;  
Order 46/04;  
Order 159/04;  
Order 176/06;  
Order 1/10;  
Order 134/10;  
Order 1/11; and  
Order 148/11.

**CAC/MH (DIESEL) I-10**

**Subject: Settlement Agreement and Interim Rates**

**Reference: DA2010, CAC/MSOS/MH I-7 c)  
DA2010, PUB/MH I-14 a)**

- a) **Please update the response to CAC/MSOS/MH I-7 c) to include the actual consolidated statement of operations (based on variable costs) for the years 2009/10 and 2010/11 and also include the forecast results for 2011/12. For each year (2005-2012) please also include the total kWh consumption, the revenue per kWh and the cost per kWh.**

**ANSWER:**

Please see Schedule 2 of Attachment 3 - PDCOSS12.

**CAC/MH (DIESEL) I-10**

**Subject: Settlement Agreement and Interim Rates**

**Reference: DA2010, CAC/MSOS/MH I-7 c)**

**DA2010, PUB/MH I-14 a)**

**b) Please update the response to PUB/MH I-14 a) to include the actual results for 2009/10 and 2010/11 and the forecast results for 2011/12.**

**ANSWER:**

See table below:

	2010	2011	2012*
Residential			
Class Rev Requirement	\$2,881,753	\$3,094,918	\$3,789,873
Class Revenue	\$595,583	\$630,142	\$640,325
Revenue Deficiency	\$2,286,170	\$2,464,776	\$3,149,548
General Service			
Class Rev Requirement	\$1,383,969	\$1,428,076	\$1,750,045
Class Revenue	\$974,739	\$938,985	\$835,997
Revenue Deficiency	\$409,230	\$489,091	\$914,048
Amt to Gov't Surcharge	\$2,681,183	\$2,939,595	\$4,049,270
Rate Variance	\$264,788	\$299,439	\$516,033
Total	\$2,945,971	\$3,239,034	\$4,565,303
Surcharge Revenue	\$3,050,145	\$2,578,092	\$3,801,902
Annual Revenue Deficiency	(\$104,174)	\$660,942	\$763,401
			<i>*Forecast</i>
Res RCC Subsidy	\$632,580	\$679,372	\$831,923
GS RCC Subsidy	\$171,052	\$176,504	\$216,298
Total Subsidy	\$803,632	\$855,876	\$1,048,221

**CAC/MH (DIESEL) I-10**

**Subject: Settlement Agreement and Interim Rates**

**Reference: DA2010, CAC/MSOS/MH I-7 c)  
DA2010, PUB/MH I-14 a)**

- c) **Please reconcile any differences in the revenue deficiencies reported as between the responses to parts (a) and (b) for the years 2005-2012.**

**ANSWER:**

There are no discrepancies other than those due to volume and weather.

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- a) **Please update the response to PUB/MH I-16 a) to include actual capital spending through to March 31, 2011 and correct any of the historical values as required.**

**ANSWER:**

Please see attached table.

**Capital Additions by year 2005 to forecast 2011**

	<b>Years</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
<b><i>Brochet</i></b>									
Fall Arrest Protection	n/a	18,880	37,221	16,219	382,451	-	-	-	454,770
Soil Remediation	15	-	2,816,050	55,874	-	-	-	-	2,871,924
Well Monitoring Installation	18	-	-	-	27,687	-	-	-	27,687
Engine Failures / Upgrades	10	-	-	-	-	85,837	-	147,793	233,630
Miscellaneous Small Capital	12	-	-	-	-	11,530	26,856	-	38,386
		<b>18,880</b>	<b>2,853,271</b>	<b>72,093</b>	<b>410,137</b>	<b>97,367</b>	<b>26,856</b>	<b>147,793</b>	<b>3,626,397</b>
<b><i>Lac Brochet</i></b>									
Fall Arrest Protection	n/a	15,280	20,112	11,208	466,584	-	-	-	513,184
Corporate Fire Protection Halon Replacement	15	-	-	-	-	-	-	1,208,861	1,208,861
Well Monitoring Installation	18	-	-	-	31,326	-	-	-	31,326
Engine Failures / Upgrades	10	-	-	-	-	-	381,387	-	381,387
Miscellaneous Small Capital	12	-	-	-	-	53,391	50,262	1,291	104,943
		<b>15,280</b>	<b>20,112</b>	<b>11,208</b>	<b>497,910</b>	<b>53,391</b>	<b>431,649</b>	<b>1,210,152</b>	<b>2,239,701</b>
<b><i>Shamattawa</i></b>									
Fall Arrest Protection	n/a	13,470	52,027	2,918	332,945	-	-	-	401,359
Heat Recovery System		-	-	-	-	-	105,281	-	105,281
Potable Water Supply	18	-	-	-	-	96,550	-	-	96,550
Engine Failures / Upgrades	10	-	-	-	-	587,173	176,924	190,085	954,182
Powerhouse Modifications	14	(2,467)	293,230	14,095	-	-	-	-	304,858
Miscellaneous Small Capital	12	-	-	-	-	39,160	25,513	-	64,673
		<b>11,003</b>	<b>345,257</b>	<b>17,012</b>	<b>332,945</b>	<b>722,883</b>	<b>307,718</b>	<b>190,085</b>	<b>1,926,903</b>
<b><i>Tadoule Lake</i></b>									
Fall Arrest Protection	n/a	15,340	20,366	20,707	384,702	-	-	-	441,115
Heat Recovery System	14	43,343	-	-	-	-	-	-	43,343
Corporate Fire Protection Halon Replacement	15	-	-	-	-	-	-	1,789,411	1,789,411
New Genset	10	-	1,467,508	730,072	(6,914)	-	-	-	2,190,666
Well Monitoring Installation	18	-	-	-	33,047	-	-	-	33,047
Engine Failures / Upgrades	10	-	-	-	-	-	244,339	290,935	535,274
Miscellaneous Small Capital	12	-	-	-	-	20,283	57,296	2,817	80,396
		<b>58,683</b>	<b>1,487,874</b>	<b>750,779</b>	<b>410,836</b>	<b>20,283</b>	<b>301,635</b>	<b>2,083,163</b>	<b>4,672,137</b>
<b>Total Capital Additions by Year</b>		<b>103,846</b>	<b>4,706,513</b>	<b>851,092</b>	<b>1,651,828</b>	<b>893,923</b>	<b>1,067,858</b>	<b>3,631,193</b>	<b>12,906,252</b>

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- b) Based on the response to part (a) please provide a calculation demonstrating that the \$2,296,447 received from INAC covers all of its required capital contributions except for soil remediation.**

**ANSWER:**

Please see Schedule 3 of Attachment 3 - PDCOSS12.



**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- c) **Please identify all capital projects since March 31, 2004 for which Manitoba Hydro has not requested/received a capital contribution from INAC (apart from soil remediation) and, in each case, explain why no capital contribution was requested/required, or where it has been refused, provide the stated reasons for the refusal.**

**ANSWER:**

Please see Schedule 3 of Attachment 3 - PDCOSS12.

As noted in the application Manitoba Hydro continues to discuss unfunded items with AANDC.

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- d) **Attachment 5, page 2 suggests that accrued interest on INAC contributions is still outstanding.**
1. **Do the monies (i.e., the \$2,296,447) received from INAC include any provision for accrued interest? If so how much?**
  2. **Please indicate the total accrued interest attributable to INAC's contributions (excluding soil remediation) based on the tentative settlement agreement provisions as set out in Order 159/04, page 7.**
  3. **What is Manitoba Hydro's estimate regarding the outstanding accrued interest still to be paid by INAC (excluding soil remediation)?**

**ANSWER:**

1. No, at the time of the payment AANDC had indicated that interest was not to be included.
2. Please see Manitoba Hydro's response to PUB/MH (DIESEL) I-10(a).
3. Please see Manitoba Hydro's response to PUB/MH (DIESEL) I-10(a).

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

e) **During the 2010 Diesel Application review, Manitoba Hydro indicated that it had not approached other federal and provincial departments for their share of the capital funding for post March 31, 2004 projects (PUB/MH I-11 a)).**

- 1. Has Manitoba Hydro approached the other government customers in the Diesel Zone for their share of the capital costs incurred since March 31, 2004? If not, why not? If yes, what (if any) capital contributions have been received and from whom?**
- 2. Please provide a calculation (based on the responses to parts (a) and (c)) of the capital contributions attributable to other federal and provincial government departments for capital spending up to March 31, 2011.**
- 3. Please indicate separately any accrued interest associated with these contributions, whether paid or unpaid.**
- 4. If there are expected contributions from these parties that are still outstanding, how does Manitoba Hydro propose to address the shortfall?**

**ANSWER:**

1. Manitoba Hydro has not approached other government customers at this time due to uncertainty as to the form of payment by AANDC. Now that AANDC has made Contributions in respect of much the outstanding capital items, Manitoba Hydro will take steps to recover payment in respect of those capital costs from other government customers.
2. See attached table. Note that interest was to March 2011 the date contribution payment was received from AANDC.
3. Please see Schedule 3 of PDCOSS12 included as part of Manitoba Hydro's application.

4. As stated Manitoba Hydro continues to work with AANDC in resolving the outstanding Contributions due. If AANDC declines to contribute toward the remaining items, Manitoba Hydro's intent is to include these items into future revenue requirements.

ALLOCATION OF \$2.3 MILLION CONTRIBUTION RECEIVED FROM INAC March 31, 2011

	ISD	Actual Cost	Interest Inservice	Implied Interest	FN/INAC Share	Other Fed	Prov	INAC	Other Fed	Prov	MB Hydro
<b>Capital Projects in Service Since March 31, 2004</b>											
		% 'age		6.10%							
<b>Brochet</b>											
Soil Remediation	2005-08	2,871,924	3,914,648	1,042,723	45.1%	5.3%	10.9%	1,765,506	207,476	426,697	1,514,969
Well Monitoring Installation	2008	27,687	33,562	5,875	45.1%	5.3%	10.9%	15,136	1,779	3,658	12,988
Engine Failures	2009	85,837	98,069	12,232	45.1%	5.3%	10.9%	44,229	5,198	10,690	37,953
Fall Arrest	2005	454,770	562,594	107,824	45.1%	5.3%	10.9%	253,730	29,817	61,323	217,724
Misc. Small Capital	2009	11,530	13,173	1,643	45.1%	5.3%	10.9%	5,941	698	1,436	5,098
<b>Total Brochet</b>		<b>3,451,747</b>	<b>4,622,045</b>	<b>1,170,298</b>				<b>2,084,542</b>	<b>244,968</b>	<b>503,803</b>	<b>1,788,732</b>
<b>Lac Brochet</b>											
Fall Arrest	2005-08	513,184	629,576	116,393	85.0%	3.5%	1.0%	535,140	22,035	6,296	66,106
Well Monitoring Installation	2008	31,326	37,973	6,647	85.0%	3.5%	1.0%	32,277	1,329	380	3,987
Engine Failures	2010	138,000	148,602	10,602	85.0%	3.5%	1.0%	126,311	5,201	1,486	15,603
Miscellaneous Small Capital	2009	53,391	60,999	7,609	85.0%	3.5%	1.0%	51,849	2,135	610	6,405
<b>Total Lac Brochet</b>		<b>735,900</b>	<b>877,151</b>	<b>141,251</b>				<b>745,578</b>	<b>30,700</b>	<b>8,772</b>	<b>92,101</b>
<b>Shamattawa</b>											
Powerhouse Modifications	2005-07	304,858	414,698	109,840	74.1%	9.0%	1.2%	307,291	37,323	4,976	65,108
Potable Water Supply	2009	96,550	110,309	13,759	74.1%	9.0%	1.2%	81,739	9,928	1,324	17,319
Engine Failures	2009	601,931	687,712	85,781	74.1%	9.0%	1.2%	509,595	61,894	8,253	107,971
Fall Arrest	2005-08	401,359	497,847	96,488	74.1%	9.0%	1.2%	368,905	44,806	5,974	78,162
Minor Overhaul	2010	170,125	183,194			9.0%	1.2%		16,488	2,198	164,509
Miscellaneous Small Capital	2009	39,160	44,741	5,581	74.1%	9.0%	1.2%	33,153	4,027	537	7,024
<b>Total Shamattawa</b>		<b>1,613,984</b>	<b>1,938,502</b>	<b>311,449</b>				<b>1,300,683</b>	<b>174,465</b>	<b>23,262</b>	<b>440,092</b>
<b>Tadoule Lake</b>											
Major Overhaul	2010	232,626									
Fall Arrest	2005-08	441,115	542,971	101,855	79.3%	6.2%	1.7%	430,576	33,664	9,231	69,500
Well Monitoring Installation	2008	33,047	40,060	7,013	79.3%	6.2%	1.7%	31,767	2,484	681	5,128
Engine Failures (added)	2010	150,000	161,523	11,523	79.3%	6.2%	1.7%	128,088	10,014	2,746	20,675
Miscellaneous Small Capital	2009	20,283	23,173	2,890	79.3%	6.2%	1.7%	18,377	1,437	394	2,966
<b>Total Tadoule Lake</b>		<b>877,072</b>	<b>767,727</b>	<b>123,282</b>				<b>608,808</b>	<b>47,599</b>	<b>13,051</b>	<b>98,269</b>
<b>Total All Diesel Sites</b>		<b>6,678,703</b>	<b>8,205,425</b>	<b>1,746,279</b>				<b>4,739,611</b>	<b>497,733</b>	<b>548,888</b>	<b>2,419,193</b>

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

**f) Please provide a schedule that sets out the post-2004 capital projects (per response to part (a)) for which Manitoba Hydro is making capital contributions. Please distinguish between those projects for which:**

- Manitoba Hydro is contributing a portion of the overall capital cost consistent with its assumed obligation under the Settlement Agreement for Residential and General Service customers that are neither First Nations members nor government accounts. Note: In this case please explain how the Manitoba Hydro contribution was determined.**
- No contribution is sought from INAC and/or other government departments and, as result, Manitoba Hydro is contributing the difference.**

**ANSWER:**

Please see tables included in response to PUB/MH (DIESEL) I-10(a).

The percentages paid are based on the share of energy used by each customer group over a six-year rolling average.

Please see response to CAC/MH (DIESEL) I-12(e) for Manitoba Hydro notional contribution share.

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- g) **Please confirm that Manitoba Hydro absorbs the impact of its “capital contributions” by not including the associated depreciation and interest in the Diesel COSS, which effectively reduces Manitoba Hydro’s net income by a corresponding amount.**

**ANSWER:**

Confirmed.

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- h) With respect to the responses to parts ((f) and (g), please provide a schedule that sets out the 2004-2011 revenue requirement (i.e., depreciation and interest costs) associated with Manitoba Hydro capital contributions.**

**ANSWER:**

Please see Schedule 3 of the PDCOSS12 included in Manitoba Hydro's Application.



**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- i) Please provide a table listing all capital expenses in the diesel zone since March 31, 2004, and indicating:**
- i. the date the project was completed (month and year)**
  - ii. the original cost estimate**
  - iii. the final cost**
  - iv. the amount and percentage originally sought from INAC and the First Nations**
  - v. the amount and percentage received from INAC and the First Nations, and the date it was received (month and year)**
  - vi. where the amount or percentage received was different from the amount or percentage originally sought, please explain the reasons for the difference**
  - vii. the amount and percentage sought from any other customer(s)**
  - viii. the amount and percentage received from any other customer(s), and the date it was received (month and year)**
  - ix. where the amount or percentage received was different from the amount originally sought, please explain the reasons for the difference**

**ANSWER:**

- i. Please see Manitoba Hydro's response to PUB/MH (DIESEL) I-10(a). The year the project was completed has been included in the capital table previously provided. Month is not shown as it is not relevant. Manitoba Hydro practice with capital has been to charge interest and depreciation in the year following it was in-service and thus month does not offset the calculations.**
- ii. Original cost estimates are only shown for forecast additions, any contributions sought for prior years is based on actual cost and thus is not relevant.**

- iii. Please see Manitoba Hydro's response to PUB/MH (DIESEL) I-10(a).
- iv. Please see Manitoba Hydro's response to PUB/MH (DIESEL) I-10(a).
- v. Notwithstanding the issue of accrued interest (which would understate the percentage) AANDC's payment was based on the schedule provided by Manitoba Hydro which was in accordance with the percentages shown in response to CAC/MH (DIESEL) I-12(f).
- vi. Please see Manitoba Hydro's response to PUB/MH (DIESEL) I-10(a).
- vii. Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-12(e).
- viii. No contributions have been received from any other customers other than AANDC to date.
- ix. Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-12(e).

**CAC/MH (DIESEL) I-12**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**DA2010, PUB/MH I-16 a)**

**DA2010, PUB/MH I-11 a)**

- j) Please provide an update on the development of a consultation process with respect to capital expenditures in the diesel zone.**

**ANSWER:**

Manitoba Hydro is meeting with the diesel communities and presenting the details of a five-year capital plan specific to their community. This process has been completed with three of the four communities where the 2011/12 five-year capital plan was presented. A Band Council Resolution (BCR) has been received from each of these communities acknowledging an understanding of the details of the plan along with a request to Aboriginal Affairs and Northern Development Canada (AANDC) to provide capital funding to Manitoba Hydro for these projects.

Manitoba Hydro is currently arranging a meeting with the fourth community.

**CAC/MH (DIESEL) I-13**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**Order 159/04, pages 7-8**

**2010DA, INAC/MH I-16 a)**

- a) **Please confirm that capital contributions have been received from INAC and other government customers to cover the \$28.8 M in undepreciated capital that existed as of March 31, 2004.**

**ANSWER:**

Confirmed.

**CAC/MH (DIESEL) I-13**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**Order 159/04, pages 7-8**

**2010DA, INAC/MH I-16 a)**

- b) **Please confirm that, for any payments received after July 7, 2005, the amounts received included a provision for accrued interest in accordance with the description on page 7 of Order 159/04.**

**ANSWER:**

The following payments were received after July 7, 2005:

INAC	\$19,871,870 plus interest
Other Federal	\$622,348
Other Provincial	\$451,756

The Settlement Agreement required INAC (now AANDC) to pay interest on payments after July 7, 2005. Interest was not charged in respect of other government agencies that paid after this date.

**CAC/MH (DIESEL) I-13**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**Order 159/04, pages 7-8**

**2010DA, INAC/MH I-16 a)**

- c) **If the response to part (b) is not in the affirmative, please indicate, by party, the amount of accrued interest unpaid as of March 31, 2011.**

**ANSWER:**

Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-13(b).

**CAC/MH (DIESEL) I-13**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Application, Attachment 5, page 2**

**Order 159/04, pages 7-8**

**2010DA, INAC/MH I-16 a)**

- d) **Please confirm that Manitoba Hydro absorbs the remaining 21% of un-depreciated capital costs by not including these costs in the Diesel COSS, which effectively reduces Manitoba Hydro's net income by a corresponding amount.**

**ANSWER:**

Confirmed. Please also see Manitoba Hydro's response to CAC/MH (DIESEL) I-12(g).

**CAC/MH (DIESEL) I-14**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 134/10. pages 33-36  
DA2010, PUB/MH I-31 a) & b)**

- a) **What is the post-2004 accumulated deficit for the Diesel Zone as of March 31, 2011?**

**ANSWER:**

As Manitoba Hydro does not intend to recover previous deficits in rates, the post-2004 accumulated deficit is not relevant to this Application. Nevertheless, it is Manitoba Hydro's intention to internally track actual deficits and surpluses with the objective of minimizing net deficits over the longer term.



**CAC/MH (DIESEL) I-14**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 134/10. pages 33-36  
DA2010, PUB/MH I-31 a) & b)**

- b) Using a format similar to that in PUB/MH I-31 b), please provide a calculation of the annual deficit for 2004/05, 2005/06, 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11 that reconciles to the response provided in part (a).**

**ANSWER:**

Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-14(a).

**CAC/MH (DIESEL) I-14**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 134/10. pages 33-36  
DA2010, PUB/MH I-31 a) & b)**

- c) **Is the calculation of the annual “deficit” based on the full cost rate as used for rate setting purposes or the actual full cost rate for the year? If the former, please redo the responses to part (a) and (b) based on the actual full cost rate.**

**ANSWER:**

Please see Manitoba Hydro’s response to CAC/MH (DIESEL) I-14(a).

**CAC/MH (DIESEL) I-14**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 134/10. pages 33-36  
DA2010, PUB/MH I-31 a) & b)**

- d) Please confirm that Manitoba Hydro currently has no plans to “recover” this accumulated deficit from Diesel Zone customers and that the shortfall is effectively absorbed in MH’s net income.

**ANSWER:**

Confirmed.

**CAC/MH (DIESEL) I-15**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 134/10, pages 38-39  
DA2010, CAC/MSOS/MH I-21 b)  
DA2010, PUB/MHI-I-32 a)  
DA2010, Attachment 1, Schedule 7**

**a) Please update Schedule 7 from DA2010, Attachment 1.**

**ANSWER:**

There has been no changes since the last update.

**CAC/MH (DIESEL) I-15**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 134/10, pages 38-39  
DA2010, CAC/MSOS/MH I-21 b)  
DA2010, PUB/MHI-I-32 a)  
DA2010, Attachment 1, Schedule 7**

**b) Please confirm that the “Other Revenue” is effectively paid by MH grid customers. If not, what is the source?**

**ANSWER:**

Confirmed.

**CAC/MH (DIESEL) I-16**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 17/04, page 38, Directives #4 and #6**

**a) Please provide the report that MH was required to file based on Directive #4.**

**ANSWER:**

No formal report was filed with the Board in respect of this directive. There were two specific requests in the noted directive:

1. Reduce the tail block to 1,500 kWh/month from the current 2,000 (MKO suggested 1,000); and
2. Introduce a ‘security blanket’ intermediate rate from 1,501 – 2,000 kWh at a rate higher than the grid rate but lower than the tail rate.

Manitoba Hydro provided comment on this during the hearing in 2004 and addressed this suggestion in its closing arguments January 22, 2004 (Tr. p. 1181):

*“Although at eight or twelve cents or any amount in that range, such an intermediate rate would only be a substantial increase from the customer perspective and not recover, it would recover very little towards variable costs.”*

**CAC/MH (DIESEL) I-16**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 17/04, page 38, Directives #4 and #6**

- b) **Please indicate when and how the report's recommendations were considered by the PUB and other parties as the Board required prior to the confirmation of the interim rates.**

**ANSWER:**

Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-16(a).

**CAC/MH (DIESEL) I-16**

**Subject: Settlement Agreement and Interim Rates**

**Reference: Order 17/04, page 38, Directives #4 and #6**

- c) **Please provide the report submitted to the Board in accordance with Directive #6 and provide an update on actions taken since its filing.**

**ANSWER:**

Manitoba Hydro provided that report to the PUB as an attachment to its Rate Application filed in October, 2004. A copy of that attachment is herewith appended.





## **PUBLIC UTILITIES BOARD**

**APPLICATION FOR NEW  
ELECTRIC RATES  
IN REMOTE COMMUNITIES  
SERVED BY DIESEL  
GENERATION  
TO BE EFFECTIVE  
MAY 1, 2004**

**ATTACHMENT 6 –  
REPORT TO PUBLIC UTILITIES BOARD  
ON CUSTOMER SERVICE ACTIONS IN DIESEL  
COMMUNITIES: RATES, DEMAND MANAGEMENT,  
BILLING AND GENERATION OPTIONS**

**OCTOBER 2004**

**STATUS REPORT**  
**RE: BOARD ORDER 17/04 DIRECTIVE # 6**

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## INTRODUCTION

Public Utilities Board Order 17/04 approved new electricity rates for the remote communities of Brochet, Lac Brochet, Shamattawa and Tadoule Lake on an interim basis effective April 1, 2004, subject to some modifications to the Surcharge and Government Rate. These modifications were made and approved via Board Order 46/04. As part of PUB Order 17/04, Manitoba Hydro was ordered to follow through on various directives, one of which being Directive #6 which states the following:

*“Manitoba Hydro work cooperatively with the four First Nation communities, MKO and other parties, to take action and provide a status report together with a report on their future plans to the Board by no later than September 30, 2004 on the following matters:*

- a) *Actions taken by Manitoba Hydro regarding communications with the Chiefs, Councils and residents in each of the four diesel communities regarding the Surcharge, rate block, and other factors that impact energy costs, including number of meetings in each community, translation of meetings and other information material, and other actions and initiatives.*
- b) *Actions taken by Manitoba Hydro regarding a public education program with the Chiefs, Councils and residents in each of the four diesel communities regarding Demand Side Management Programs and Energy Management initiatives.*
- c) *Actions taken by Manitoba Hydro to make enhancements to the existing billing system to appropriately accommodate the seasonal variability of billing cycles in the four diesel communities.*
- d) *Actions taken by Manitoba Hydro, in consultation with Canada, the First Nations communities, MKO and other parties regarding research and development of alternative energy sources including micro-hydro, wind and other options.”*

This report has been prepared to address all items specified above.

## **BACKGROUND**

By letter dated December 2, 2002, Manitoba Hydro applied to the Public Utilities Board (PUB) to increase rates for electric service applying to the remote communities of Brochet, Lac Brochet, Tadoule Lake and Shamattawa, which are served by diesel generation.

The proposed rates incorporated the following changes in rate design and application:

- 1) Residential customers who previously had access to unlimited consumption at grid rates would now have access to grid rates for all consumption up to 2,000 kW.h per month. Any consumption in excess of 2,000 kW.h per month would be charged at the full cost rate, 79.1¢ per kW.h in the Application.
- 2) General Service customers that had access to grid rates for consumption up to 3,000 kW.h per month would now have access to grid rates for all consumption up to 2,000 kW.h per month. Any consumption in excess of 2,000 kW.h per month would be charged at the full cost rate.
- 3) It was proposed that all First Nation institutional accounts, regardless of the level of funding, be subject to the Government rate, including the Surcharge.

The Cost of Service Study included in the Application included only costs forecast to be incurred to provide service during the fiscal year ending March 31, 2004. The requested rate increases did not address the sizeable deficits incurred during past years to provide service to the remote diesel communities. The deficit was forecast to be approximately \$18.0 million by March 31, 2004, excluding interest charges.

Also not included in the proposed rate schedules was the accumulated deficit of approximately \$3.2 million resulting from unpaid Surcharges applicable to First Nation accounts. In November 2000, Manitoba Keewatinook Ininew Okimowin (MKO) informed Manitoba Hydro that it believed that First Nations administrative facilities and other services provided by the First Nations to their members should not be billed the Government Surcharge. Manitoba Hydro therefore agreed to redirect billings for approximately 40 First Nation accounts for the difference between the Government and General Service rates to the Government of Canada. Canada rejected the direct billings, claiming they already funded the First Nations for the cost of electricity. Up to the implementation of new approved diesel zone rates in May 2004, the billed but unpaid Government portion of the rate accumulated to \$3.2 million, not including interest.

Manitoba Hydro's Application was heard during January 6 to 9, 2004. Major issues discussed at the hearing included:

- 1) The rate block structure of 2,000 kW.h per month of electricity at grid rates with all energy in excess of this amount to be charged at the full cost rate. This raised concerns regarding bill impacts, over/underestimated billings, collection issues, etc.
- 2) The application of the Surcharge rate to all non-residential First Nation accounts regardless of the level of funding. The definition of Government was largely debated, with First Nations insisting that they were to be treated as Non-Government customers. A change in definition would significantly impact the rates charged to the Government class.
- 3) Under recovery of the accumulated deficit and unpaid bills, leading to discussions on whose responsibility these were and how they would be recovered, as well as who should be responsible for future costs.

The PUB, in issuing its interim approval of the proposed rates, recognized that it could not come to a final decision on just and reasonable rates for diesel communities without final resolution and determination of responsibility for a number of related matters which were outside of their jurisdiction. The PUB thereby ordered Manitoba Hydro to meet with INAC, MKO and other interested parties in an attempt to achieve a full and final resolution regarding responsibility for these matters with respect to diesel service in remote communities, which in each case would be subject to approval of the PUB. Giving effect to the resolution in the form of new rates in the Diesel communities is the subject of Manitoba Hydro's current Application. This appended report deals with the issues covered in Directive #6 of PUB Order 17/04, as specified above.

## **COMMUNICATIONS AND PUBLIC EDUCATION PROGRAMS**

Directive #6 of PUB Order 17/04 required Manitoba Hydro to communicate with the Chiefs, Councils and residents of the four diesel communities regarding the surcharge, rate block and other factors that impact energy costs. The following is a journal of events which have occurred since February 2004 depicting these communications, as well as the public education programs provided. The total cost associated with carrying out these initiatives, excluding labor costs, is \$32,272.

Documentation pertaining to communication and public education programs in the four diesel communities exclusive of any material deemed customer sensitive is included in this filing.

## **February 2004**

- Manitoba Hydro prepared a “Diesel Community – Communication Action Plan” to provide all customers in the four (4) diesel generation communities of Brochet, Lac Brochet, Tadoule Lake and Shamattawa with information and assistance regarding the electricity rate changes approved by PUB Order 17/04.

## **March 2004**

- **March 23** - Faxes and letters were sent to the Chiefs of the diesel communities and the Mayor of Brochet Community Council, advising them of the impending rate increase and providing them with a comparison of rates before and after April 1, 2004, an outline showing how the increase would affect each of the band and community council accounts, (based on previous year’s consumption history), a brief explanation of the rate change details and a copy of the proposed communication plan for each community.
- **March 23** - Manitoba Hydro requested a meeting by letter with the Chiefs, their councils and the Mayor of the Brochet Community Council to review the rate change details and the proposed communication plan, which included holding community meetings for the residents of each community.
- Copies of all Chiefs’ letters and the proposed communication plan were sent to MKO for their information. In the letter, MKO staff were invited to participate in the community workshops.
- A letter and fax were sent to the Keewatin Tribal Council (KTC), technical advisors for the diesel communities, advising them of the impending rate increase details and providing them with a copy of the proposed community communication plan. KTC staff were encouraged to participate in the community workshops. Manitoba Hydro staff made personal contact with KTC advisors to inform them of the rate change details.
- A copy of the Chief’s letter was sent to Indian & Northern Affairs Canada (INAC) with details of the impending rate increase along with a copy of the proposed community communication plan. INAC staff were invited to participate with Manitoba Hydro in the rate change and community information workshops and Manitoba Hydro offered to work with

INAC to ensure any demand side management or Power Smart opportunities in the communities were reviewed.

- Details of the impending rate increase and a copy of the communication plan were sent to the Mayor of Brochet Community Council and to the Department of Aboriginal & Northern Affairs, with an invitation for his staff to participate in the community workshops.
- Rate change letters were also sent to all identified “Third Party” Managers of First Nations diesel communities with details of the rate change.
- Rate change letters were sent to all non-First Nations accounts advising of the impending rate increase and affect on their accounts.
- Rate change letters were sent to all Residential First Nations accounts whose monthly electricity consumption exceeded 2,000 kilowatt-hours per month in the previous year, advising them of the significant rate increase for accounts exceeding the 2,000 kW.h plateau and the toll free phone number available to obtain any further information about the rate increase. Chiefs were advised by fax that these letters would be mailed to all residents affected by the 2,000 kW.h plateau.
- A toll free 1-866 phone line was established to allow for residents in the diesel communities and non-First Nations accounts to access information about the impending rate increase from a Manitoba Hydro Energy Service Coordinator. The number was included in all correspondence to customers and was advertised over Native Communications Inc. (NCI) radio and in leaflets/posters distributed to each Band Office and the Community Council Office.
- Advertising concerning the rate increase, possible effects to customers exceeding 2,000 kW.h per month and notice that Manitoba Hydro would be conducting workshops in their communities in the future, to assist in dealing with the increase, was aired over NCI radio from March 29<sup>th</sup> to April 4<sup>th</sup>.
- Manitoba Hydro representatives made a number of telephone calls to Band Offices offering assistance in reviewing the rate change and proposed communication plan.
- All Manitoba Hydro District Offices serving the diesel communities, including the Thompson Office, were advised of the rate change details and explanation along with the

communication plan and spreadsheets of all affected accounts in order to answer any customer inquiries received at those offices where diesel customers normally do business.

### **April 2004**

- Leaflets and posters were prepared in both English and the local native dialect advising customers of the rate increase and proposed community workshops. Residents were also advised in the leaflets that Manitoba Hydro was planning, in cooperation with Chiefs/Mayor and Council, to hold community meetings to review the rate change and to offer assistance information on how they could reduce their electrical energy use and costs. The toll free telephone number was also included. The Chiefs and Mayor were advised by fax that the leaflets and posters were being mailed to their Band/Community Council Offices and that Manitoba Hydro was prepared to hire someone locally to deliver the leaflets and put up the posters in appropriate community locations.
- To ensure that the school component of the communication plan was implemented prior to the end of school term in June, all of the community schools were contacted and informed about the poster contest “Making our Community more Power Smart”. The contest was intended to create awareness amongst the youth for the need to use electrical energy wisely and provide students an opportunity to participate in identifying how energy could be better utilized in their community.
- The Chiefs and Mayor were advised by fax of the poster contest and letters that were sent to the school principals.

### **May 2004**

- Manitoba Hydro met with Chiefs from Barren Lands First Nation (Brochet), Sayisi Dene First Nation (Tadoules Lake), Northlands First Nation (Lac Brochet), the Mayor from Brochet Community Council and the Grand Chief of MKO to review the rate change details and the community communication plans in Winnipeg on May 25, 2004. Manitoba Hydro paid the travel costs for the Mayor and Chiefs. At this meeting the Chiefs agreed to have First Nation representatives meet with Manitoba Hydro to plan the community meetings. All of the Chiefs welcomed Manitoba Hydro into their communities to plan the community meetings. To date, three of the four communities have identified a person to organize the community meetings.



## **June 2004**

- **June 11** - meeting held with Councilors from Shamattawa First Nation, Eagle Vision Resources and KTC representative in Shamattawa to review the rate change and make plans for the community communication meetings/workshops. Shamattawa First Nation will provide a person to assist in planning the communication plan.
- **June 17** - meeting held with Barren Lands First Nation (Brochet) and the Mayor of Brochet in Thompson to plan the community meeting and housing authority workshops. Manitoba Hydro paid travel costs for Band representative and Mayor.

## **July 2004**

- **July 8** - meeting held with INAC and Northern Affairs representatives regarding Brochet residual heat project and possible northern housing initiatives.
- Hydro's Lynn Lake District Operator made personal contact with all residential customers in Brochet whose accounts exceeded 2,000 kilowatt-hours a month in the last year and reviewed with them the consequences and the need to refrain from using electric heating and their ovens to heat their homes.
- **July 14** - Barren Lands First Nation and Brochet Community meeting held in Brochet. Chief of Barren Lands joined the meeting by conference call. Band Council Representative chaired the meeting and provided translation services. A total of 32 residents attended and numerous questions about the rate changes were addressed. KTC Technical Advisor was invited to attend the meeting.

## **August 2004**

- Community posters and radio advertising promoting the community meetings in Lac Brochet, Tadoule Lake and Shamattawa prepared and forwarded to the Band Councils and NCI Radio.
- **August 10** – Posters for Shamattawa were translated into syllabics for the elders in the community.

## **September 2004**

- **September 14** – Northlands First Nation community meeting was held in the Lac Brochet Band Hall with 38 residents attending. A number of questions about the rate changes, energy efficient lighting and the use of electric heat were addressed. The 2,000 kilowatt-hour plateau was stressed upon to ensure all residents attending understood the potential causes for this amount of electrical consumption and the cost consequences if they were to exceed this amount. Translation services were provided.
- **September 15** – Sayisi Dene First Nation community meeting was held in the Tadoule Lake Band Hall with 34 residents in attendance. Again numerous questions were fielded concerning the use of electric heating as well as the use of energy efficient lighting and appliances. Translation services were provided.
- **September 16** – Shamattawa First Nation community meeting was held in the Shamattawa Band Hall with 45 residents in attendance. Again numerous questions were fielded concerning the use of electric heating as well as the use of energy efficient lighting and appliances. Specific question concerning residents homes were addressed and staff made some personal visits to respective homes to provide guidance to customers. Translation services were provided.
- At each of the community meetings, the attendees were provided with a handout package which included an energy saving compact fluorescent light bulb, an energy efficient shower head, wall outlet/switch draft kit and electrical child safety plugs. A lighting display was used to show the use of energy efficient compact fluorescent light bulbs versus standard incandescent light bulbs. Safety and energy efficient coloring books were provided to all of the children attending. In addition, resources were dropped off at all of the schools pertaining to electrical safety and energy efficiency. The poster contest on energy efficiency was re-introduced at the schools and by letter to the principals in hopes that, with the start of a new school year, there would be more interest.
- The community meetings were advertised over NCI radio and the offer of a free microwave oven door prize was noted in order to encourage attendance at the meetings. The microwave oven was chosen in particular as a symbolic means of reducing energy consumption.
- Chiefs were advised that Manitoba Hydro will be reading all energy meters in the four communities monthly. These meters were estimated every second month in order to reduce

costs. The need to provide accurate monthly readings following the rate change was felt necessary at this time to monitor the 2,000 kilowatt-hour plateau.

- Chiefs were advised that Manitoba Hydro District staff would make personal contact with all customers whose monthly consumption exceeds or comes close to exceeding the 2,000 kilowatt-hour plateau per month and will review with them the consequences and the need to refrain from using electric heating and their ovens to heat their homes.
- Each community was left with a package of Power Smart Program information and pamphlets so that the First Nations could assess and perhaps take advantage of Manitoba Hydro's current Power Smart Programs.
- **September 20** – a meeting was held with MKO concerning rate change discussions between MKO, INAC and Manitoba Hydro's Rates & Policies Department. At this meeting MKO was brought up to date on the community meetings.

#### **October 2004**

- **October 6** – Follow-up letters were sent to all residents in the four communities whose electricity accounts had exceeded 2,000 kilowatt-hours per month in the previous year, to remind them of the need to be cognizant of their electricity use in order to remain below the 2,000 kilowatt-hour plateau and to avoid paying the 79.1¢ per kilowatt-hour. Customers were also advised that they can call the toll free number in Thompson for any information or assistance concerning their hydro account. A copy of the letter was forwarded to all Chiefs for their information.
- Manitoba Hydro is encouraging the Northern Stores in these communities to stock energy efficient compact fluorescent light bulbs so that residents and the Band can take advantage of Manitoba Hydro's "Compact Fluorescent Program", buy one, get two free bulbs to a maximum of four per household.

#### **ENHANCEMENTS TO BILLING SYSTEM**

With the application of the May 1, 2004 diesel rates, Manitoba Hydro's billing system was enhanced by creating a report that identifies accounts in the four diesel communities billing 2,000 kW.h or greater in a month. Bills for these accounts are held by the Customer Accounting Department until District staff have reviewed them. Once the account is reviewed, the original

bill is either mailed to the customer or adjusted if the billing does not accurately reflect use for that particular period.

To ensure appropriate billing of Residential and General Service accounts, Manitoba Hydro has commenced reading all meters in the community of Brochet on a monthly basis. The three remaining communities of Shamattawa, Tadoule Lake and Lac Brochet will also have their meters read on a monthly basis commencing in October and November 2004. The monthly readings will coincide with regular collection activities already in place in these communities. This process will improve customer service and avoid confusion for Third Party Managers responsible for payment of these accounts by reducing the number of adjusted accounts due to low estimates.

## **ALTERNATIVE ENERGY SOURCES IN REMOTE COMMUNITIES**

The following summarizes the current status of *“actions taken by Manitoba Hydro, in consultation with Canada, the First Nations communities, MKO and other parties regarding research and development of alternative energy sources including micro-hydro, wind and other options.”*

### **Brochet/ Lac Brochet**

In 1995 Manitoba Hydro completed a technical report of resource options for the communities of Brochet and Lac Brochet (SPED 95-3) which studied a wide range of options including diesel, system connected transmission and small hydro (the small hydro development was identified in an earlier report, (Acres, 1984)). Wind, solar and biomass were also considered, but not evaluated. The report determined that under certain conditions the small hydro in conjunction with diesel could be economic. The report recommended deferring this development due to the risks associated with load growth and cost estimates and opted to continue diesel generation in the interim. The deferral was also recommended to allow for community and government consultation, and consideration of socioeconomic factors such as benefits to communities as a result of expanding to unrestricted service.

Stakeholder consultation was undertaken with the First Nation Community but at that time no interest from the communities was shown. In March 1998, the Northern Manitoba First Nations Development Corporation confirmed an interest in developing a small hydro (no-head) plant as a community project and further studies were engaged to determine likely developments on the Cochrane River. Manitoba Hydro's R&D Committee contributed \$90,000 towards the feasibility study that Acres performed and provided in July 2000, titled "IPP Low Head Generation Study

Cochrane River Pre-feasibility Engineering Study”. A second study titled “Remote Community Project Identification Initiative Western Canada Small Hydro Site Identification”, Cumming Cockburn Ltd., Feb 1999, prepared for NRCan, also provided further technical details.

As a result of this initiative a Tri-Partie Partnership consisting of members from Keewatin Tribal Council (KTC), Manitoba Hydro, the Provincial Government (EDI branch) and the Federal Government (INAC) was formed. The Partnership negotiated an agreement to support KTC’s plan to develop an IPP (Independent Power Producer) for First Nations Communities. The budget, prepared by KTC, was \$580,000 per year for three years of which Manitoba Hydro contributed 25% or \$145,000 per year. To facilitate the initiative an arm of KTC, KTC Energy Inc., was created. The goal of KTC Energy is to initiate and develop economic opportunities in the energy sector in conjunction with First Nations communities of the KTC region.

In 2003, two feasibility studies were presented to the committee by DMSGI (consulting firm contracted by KTC Energy to perform economic studies). The studies were comparative in nature and assessed the feasibility of small hydro generation for the communities of Lac Brochet and Brochet compared with options identified in the 1995 report. Currently Manitoba Hydro is in the process of reviewing the documents as they are still in their draft form.

### Residual Heat Application

The Northlands First Nation in Lac Brochet, in partnership with Manitoba Hydro, is utilizing residual heat from Manitoba Hydro’s diesel generators to “freeze protect” the community water distribution system. Designed by UMA Engineering Limited, the residual heat system displaced the need to install a conventional oil-fired boiler heating system. In doing so, the community was able to achieve a low cost method to protect their water system and avoid costs associated with purchasing, hauling, storing and the consumption of a minimum of 46,000 litres of fuel oil per year, as well as the purchase of boilers, to achieve the same result. Many environmental benefits were achieved through the use of the residual heat system. This was the first such project using residual heat to freeze protect community water lines in Manitoba.

Currently the communities of Brochet, Tadoule Lake and Shamattawa have entered into agreements to utilize the same system in their communities, for their community water systems.

Additional applications for the use of residual heat in these communities are also being pursued, including a North Central Development group looking at the potential for a greenhouse operation to supply fresh vegetables to these communities.

## **SUMMARY**

Manitoba Hydro has carried out PUB Order 17/04 Directive #6 to the best of its ability, and in doing so has developed a harmonious working relationship with the Chiefs, Councils and residents of the four diesel communities. Initiatives will continue to be taken to ensure that these customers continue to receive a safe, reliable electricity supply with the least possible cost to the consumer. Manitoba Hydro is also committed to continually working with MKO, Tribal Councils and INAC in meeting these initiatives.

**CAC/MH (DIESEL) I-17**

**Subject: Proposed Rates and DSM**

**Reference: DA2010, PUB/MH I-28 a)**

**DA2010, CAC/MSOS/MH I-24 a) & b)**

a) **Please re-file and update the response to PUB/MH I-28 a).**

**ANSWER:**

As PUB's jurisdiction does not extend to capital plans and expenditures, the response CAC/MH (DIESEL) I-17 is provided for information purposes:

Manitoba Hydro's programs and costs for improving energy efficiency of houses and buildings located in diesel communities are delivered through three tracks: Commercial Power Smart Programs, Residential Power Smart Programs and the First Nations Power Smart. Past and forecast participation through these programs is as follows.

**Commercial Power Smart**

<b>Location</b>	<b>Program</b>	<b>Annual kWh</b>	<b>Annual kW</b>	<b>Incentive Paid</b>	<b>Date Incentive Paid</b>
Lac Brochet	Commercial Lighting upgrades	21,359	4.63	\$1,467.50	Nov 2004
Brochet	Commercial Refrigeration upgrades	65,205	14.24	\$4,396	Oct 2007
Lac Brochet	Commercial Refrigeration upgrades	95,009	17.93	\$7,580	Jan 2009
Shamattawa	Commercial Lighting upgrades	49,849	17.51	\$9,135	May 2010
Shamattawa	Commercial Lighting upgrades	11,080	3.89	\$1,560	May 2010
Lac Brochet (pending, not included in totals)	Commercial Lighting upgrades	25,400	10.81	\$8,220	STILL ACTIVE
<b>TOTALS</b>		<b>242,502</b>	<b>58.20</b>	<b>\$24,138.50</b>	

Manitoba Hydro estimates participation in Commercial Power Smart Programs on an overall provincial basis and therefore, estimates for participation for individual communities for years 2010/11 and 2011/12 is not available.

**Residential Power Smart**

<b>Location</b>	<b>Program</b>	<b>Annual kWh</b>	<b>Annual kW</b>	<b>Incentive Paid</b>	<b>Date Incentive Paid</b>
Brochet	Appliance Program - washing machine	479	0.1	\$100	Oct 2007
Shamattawa	Residential Compact Fluorescent Lamp Offer	73 728	5.76	768 free bulbs	Jan 2005
Shamattawa Brochet Lac Brochet Tadoule Lake	Community group Initiative	15 360	1.2	240 free bulbs given at community group presentations	Jan 2006

Please note the CFL numbers are the total numbers of bulbs as participation is not tracked to the customer level.

Since 2008 the CFL program has operated on an “instant rebate” basis at retailers, which does not track customer information. As a result, participation of diesel community residents is not known.

Manitoba Hydro estimates participation in Residential Power Smart Programs on an overall provincial basis and therefore, estimates for participation for individual communities for years 2010/11 and 2011/12 is not available.

**First Nations Power Smart Program**

Manitoba Hydro’s First Nations Power Smart Program seeks to improve the energy efficiency of homes by improving insulation and installing basic energy saving materials.



Below are the estimated average savings per home located in a diesel community:

<b>Annual Savings Per Diesel Home</b>	
<b>Added Insulation</b>	
Litres of Fuel Oil Saved	128
Customer Bill Reduction	\$148
<b>Basic Energy Saving Measures</b>	
Electricity Saved (kW.h)	409
Litres of Diesel Fuel Saved	117
Customer Bill Reduction	\$27
<b>Total Customer Bill Reduction</b>	<b>\$175</b>

**NOTES:**

1. Basic Energy Saving Measures includes pipe wrap, faucet aerators, low flow showerheads, gasket covers and caulking.
2. Based on energy costs in effect on November 1, 2011.

Manitoba Hydro's objective is to upgrade and insulate all eligible homes that require improved insulation in the four diesel communities by 2013/14. To date, improvements have been completed in 66 of the estimated 192 eligible homes:

<b>Diesel Target Market</b>						
		<b>Brochet</b>	<b>Lac Brochet</b>	<b>Shamattawa</b>	<b>Tadoule</b>	<b>Total</b>
<b>Total Number of Homes</b>		86	124	142	118	470
<b>Homes requiring Insulation</b>		51	38	75	28	192
<b>Estimated Participation 100%</b>		51	38	75	28	192
<b>Completed</b>	<b>2008/09</b>	0	0	0	0	0
	<b>2009/10</b>	0	0	0	0	0
	<b>2010/11</b>	10	10	0	0	20
	<b>2011/12</b>	16	15	0	15	46
<b>Total Completed</b>		<b>26</b>	<b>25</b>	<b>0</b>	<b>15</b>	<b>66</b>
<b>Total Remaining Homes</b>		<b>25</b>	<b>13</b>	<b>75</b>	<b>13</b>	<b>126</b>

<b>Completion Targets</b>						
<b>Remaining</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>Total</b>		
	2011/12	14	0	15	0	29
	2012/13	11	13	25	13	62
	2013/14			35		35
<b>Total Remaining</b>		<b>25</b>	<b>13</b>	<b>75</b>	<b>13</b>	<b>126</b>

The costs in the following table represent actual material, labour, shipping and travel costs associated with inspecting and retrofitting homes in each of the four diesel communities through the First Nations Power Smart Program. As Manitoba Hydro's administrative costs are estimated, these costs are not tracked specific to each community.

<b>Costs for Completed Homes</b>							
		<b>Labour</b>	<b>Materials</b>	<b>Shipping</b>	<b>Administration</b>	<b>Travel</b>	<b>Total</b>
<b>Completed</b>	<b>2008/09</b>				\$ 2,584	\$ 965	\$ 3,549
	<b>2009/10</b>				\$ 3,928	\$ 1,076	\$ 5,004
	<b>2010/11</b>	\$ 2,500	\$ 13,105	\$ 5,000.00	\$ 19,642	\$ 4,774	\$ 45,021
	<b>2011/12</b>	\$ 12,740	\$ 27,341	\$ 12,700.00	\$ 25,534	\$ 5,860	\$ 84,175
	<b>Total Completed</b>	<b>\$ 15,240</b>	<b>\$ 40,446</b>	<b>\$ 17,700</b>	<b>\$ 51,688</b>	<b>\$ 12,675</b>	<b>\$ 137,749</b>
<b>Estimated Costs for Remaining Homes</b>							
<b>Remaining</b>	<b>2011/12</b>	\$ 11,600	\$ 22,838	\$ 10,150	\$ 15,713	\$ 7,000	\$ 67,301
	<b>2012/13</b>	\$ 24,800	\$ 48,825	\$ 21,700	\$ 15,713	\$ 7,000	\$ 118,038
	<b>2013/14</b>	\$ 14,000	\$ 27,563	\$ 12,250	\$ 7,857	\$ 3,500	\$ 65,169
	<b>Total Remaining</b>	<b>\$ 50,400</b>	<b>\$ 99,225</b>	<b>\$ 44,100</b>	<b>\$ 39,283</b>	<b>\$ 17,500</b>	<b>\$ 250,508</b>
<b>NOTES:</b>							
1. Manitoba Hydro does not track labour costs incurred to specific communities, therefore Administrative costs are estimated.							
2. Costs as of November 15, 2011.							

**CAC/MH (DIESEL) I-17**

**Subject: Proposed Rates and DSM**

**Reference: DA2010, PUB/MH I-28 a)**

**DA2010, CAC/MSOS/MH I-24 a) & b)**

**b) Please re-file and update the response to CAC/MSOS/MH I-24 (a) and (b)**

**ANSWER:**

Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-17(a).

**CAC/MH (DIESEL) I-17**

**Subject: Proposed Rates and DSM**

**Reference: DA2010, PUB/MH I-28 a)**

**DA2010, CAC/MSOS/MH I-24 a) & b)**

- c) **Please describe the successes and failures to date and current plans for the First Nations Power Smart Program as it applies to the four Diesel Zone communities.**

**ANSWER:**

Please see Attachment 1 to the current Application.

**CAC/MH (DIESEL) I-17**

**Subject: Proposed Rates and DSM**

**Reference: DA2010, PUB/MH I-28 a)  
DA2010, CAC/MSOS/MH I-24 a) & b)**

- d) **What is the uptake of Power Smart programs in the diesel zone, and how does it compare to uptake in other parts of the province?**

**ANSWER:**

Please see Manitoba Hydro's response to CAC/MH (DIESEL) I-17(a). Manitoba Hydro considers uptake and planned completion for all homes to compare favorably, relative to the overall Power Smart First Nation Program.

**CAC/MH (DIESEL) I-17**

**Subject: Proposed Rates and DSM**

**Reference: DA2010, PUB/MH I-28 a)**

**DA2010, CAC/MSOS/MH I-24 a) & b)**

- f) Please provide particulars of any efforts, of which Manitoba Hydro is aware, by the diesel First Nations, MKO or INAC to improve energy efficiency in the diesel zone, or to assist customers in the diesel zone to become more energy efficient.**

**ANSWER:**

Manitoba Hydro is currently partnering with Brochet, Lac Brochet and Tadoule Lake, to upgrade all qualifying homes within the communities. While progress has been slow in Shamattawa (see log next page), Manitoba Hydro continues to pursue opportunities in the community. Manitoba Hydro is not aware of any efforts by MKO or AANDC to improve energy efficiency in the diesel zone, or to assist customers in the diesel zone to become more energy efficient.

**Shamattawa Log ( August 2010 to Present)**

December 7, 2011- The proposal was presented to chief and council in Winnipeg. It was explained that participation in the program would have no impact on the line. The chief is still not interested but indicated he would let his council decide

March 16, 2011 – The Department Manager spoke to the chief and he will revisit the proposal and talk to his supplier and get back to us this week. He is not worried about the winter road. The department Manager stressed that it was the most economical way to transport the materials. It was reiterated to the chief that this was a long term project and that we would start with 15 homes as it would help to establish a process.

March 15, 2011 – Department Manager left a message for the Chief.

March 14, 2011 – Manitoba Hydro left a message at the Band office for the Chief.

March 8, 2011 – Department Manager tried cell phone and office. There was no answer. Sent e-mail.

March 4, 2011 – Manitoba Hydro left a message at the Band office for the Chief.

March 3, 2011 – Department Manager tried Chief's cell phone twice. There was no answer. Vice President of Corporate Affairs also attempted to contact the Chief.

March 2, 2011 – Department Manager sent a text to the Chief.

March 1, 2011 – Department Manager left message at ASI (where the Chief had meetings) for Chief. Tried on his cell phone twice and sent text. The Chief responded he was too busy to meet.

February 24, 2011 – Department Manager scheduled to speak with the Chief re: proposal but he was too busy and requested to meet in Winnipeg on Tuesday.

February 18, 2011 – Department Manager tried office - no answer.

February 16, 2011 – Department Manager sent follow-up e-mail to the Chief.

February 14, 2011 – Manitoba Hydro left a message at Band office for the Chief.

February 10, 2011 – Department Manager received confirmation that proposal was received.

February 9, 2011 – Department Manager spoke with Chief and re-sent proposal.

February 8, 2011 – Department Manager left message for the Chief on his cell.

February 4, 2011 – Department Manager left message at band office and sent text to Chief.

February 1, 2011 – Department Manager sent a follow up email which bounced back.

January 28, 2011 - Department Manager sent Manitoba Hydro proposal to the Chief.

January 26, 2011 – Department Manager spoke with the Chief in regard to his proposal and indicated that it was too high. A revised proposal was then sent to the Chief.

January 25, 2011 – Chief sent a proposal to upgrade homes in the community.

January 23 2011 – Department Manager made several attempts to reach the band office with no luck – Voicemail was full on Chiefs cell phone.

January 15, 2011 – Department Manager spoke with the Chief and he committed to putting a proposal together to retrofit homes in the community. Department Manager indicated that they would pay shipping if the costs were reasonable and that we would consider helping with training and labour costs.

January 7, 2011 – Manitoba Hydro left message with band office clerk for the Chief.

January 5, 6, 2011 – Manitoba Hydro called throughout the day no answer.

December 15, 2010 – Manitoba Hydro called several times during the day no answer at band office.

December 8, 2010 – Manitoba Hydro called several times during the day no answer at band office.

November 19, 2010 – Manitoba Hydro left message for Chief at Band office (Clerk indicated that he would be in a half hour, no return call).

November 12, 2010 – Manitoba Hydro left message for the chief at band office. (Clerk indicated that he was on the other line, no return call).

October 20, 2010 – Manitoba Hydro called Chief's cell phone left message and faxed BCR required wording and Agreements to Band office.

October 15, 2010 – Manitoba Hydro called band office no answer.

October 4, 2010 – Manitoba Hydro left message for Chief with band office.

September 27, 2010 – Manitoba Hydro left message for Chief with band office.

September 24, 2010 (Tony) – Manitoba Hydro left message for Chief with band office.



## **ATTACHMENT 1**

August 31, 2010 – Manitoba Hydro spoke with Chief regarding where we left off in February. He would like me to send him all the info again.

**CAC/MH (DIESEL) I-19**

**Subject: Proposed Rates**

**Reference: 2011 Application, page 1, lines 26 - 30**

- a) **Please list and explain the other steps being considered by Manitoba Hydro to improve electricity service in the diesel-served communities.**

**ANSWER:**

Please see Attachment 1 to the current Application.

**CAC/MH (DIESEL) I-19**

**Subject: Proposed Rates**

**Reference: 2011 Application, page 1, lines 26 - 30**

- b) Please indicate when Manitoba Hydro expects to reach a decision about those other steps.

**ANSWER:**

Please see Attachment 1 to the current Application.

**CAC/MH (DIESEL) I-19**

**Subject: Proposed Rates**

**Reference: 2011 Application, page 1, lines 26 - 30**

- c) **Please summarize the communications between Manitoba Hydro, the Diesel First Nations and the Federal and Provincial Governments with respect to improvements to service in the diesel-served communities, including any requests or feedback provided to Manitoba Hydro by those parties.**

**ANSWER:**

Please see Attachment 1 to the current Application.

**CAC/MH (DIESEL) I-26**

**Subject: Reducing the use of diesel fuel**

**Reference: Report: “Recommendations for Reducing or Eliminating the Use of Diesel Fuel to Supply Power in Off-Grid Communities”.**

**a) Please file an electronic copy of the above-noted report.**

**ANSWER:**

The requested document can be viewed at the following link on Manitoba Hydro’s web page:

[http://www.hydro.mb.ca/regulatory\\_affairs/electric/gra\\_2010\\_2012/Appendix\\_13\\_9.pdf](http://www.hydro.mb.ca/regulatory_affairs/electric/gra_2010_2012/Appendix_13_9.pdf)

**CAC/MH (DIESEL) I-26**

**Reference: Report: “Recommendations for Reducing or Eliminating the Use of Diesel Fuel to Supply Power in Off-Grid Communities”.**

**b) Please file copies of any further, related or follow-up reports.**

**ANSWER:**

Please see Attachment 1 to the current Application.

**CAC/MH (DIESEL) I-26**

**Subject: Reducing the use of diesel fuel**

**Reference: Report: “Recommendations for Reducing or Eliminating the Use of Diesel Fuel to Supply Power in Off-Grid Communities”.**

- c) **Please provide an update on the recommendations contained in the report, and any steps taken to implement those recommendations.**

**ANSWER:**

Please see Attachment 1 to the current Application.

**CAC/MH (DIESEL) I-26**

**Subject: Reducing the use of diesel fuel**

**Reference: Report: “Recommendations for Reducing or Eliminating the Use of Diesel Fuel to Supply Power in Off-Grid Communities”.**

- d) **Please file a copy of the report on demand side management potential in diesel communities referred to at page 13 of the report. If the report is not yet completed, please provide an update on its progress.**

**ANSWER:**

Please see Manitoba Hydro’s response to CAC/MH (DIESEL) I-17(a).