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October 3, 2012

Mr. H. Singh
Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Singh:

RE: Manitoba Hydro 2012/13 & 2013/14 General Rate Application- Proposed Rates Effective April 1, 2013

In its 2012/13 & 2013/14 General Rate Application, Manitoba Hydro is requesting approval of a 3.5% General Consumers' Revenue increase effective April 1, 2013. Manitoba Hydro is hereby amending its Application to also request Public Utilities Board of Manitoba ("PUB") approval to implement Time-of-Use ("TOU") Rates for the General Service Large customer class served at greater than 30kV, effective April 1, 2013, and is proposing to increase the demand ratchets for these customers from 25% to 50% of contract demand or 50% of the highest demand in the past 12 months.

This submission will form Appendix 10.11 of Tab 10 of the Application. A detailed Proof of Revenue, Rate Schedules and Bill Impacts for the proposed rates effective April 1, 2013 are enclosed as Appendices 10.12, 10.13 and 10.14.

Time-of-Use Rates

Manitoba Hydro is requesting approval to implement TOU rates for the General Service Large class served at greater than 30kV, effective April 1, 2013. Relative to the current rate structure, the proposed TOU energy rates are higher during the on-peak periods (Monday to Friday from 6:00 am to 10:00 pm excluding statutory holidays) and lower during the off-peak periods (all other hours). In order to design an appropriate on-peak energy price signal without increasing overall class revenue, it was necessary to reduce the prices for off-peak energy and demand. Consequently, the proposed demand charges are reduced by 50% relative to the current demand charges.

The introduction of a TOU rate enables Manitoba Hydro to provide more appropriate price signals to large energy users, providing a clearer indication of the value of energy to Manitoba Hydro, while maintaining revenue neutrality and preserving Manitoba's competitive industrial rate position relative to other provinces and states. Such a rate also partially addresses Manitoba Hydro's concerns about load growth by energy-intensive industries and the potential impact that such growth may have on

profitable on-peak export sales through the creation of a rate structure that is representative of the pricing trends and behavior in the Midwestern Independent System Operator (“MISO”) power market, particularly during the on-peak period.

The proposed TOU rates are reasonably correlated to the rates obtained from current firm export contracts in the on-peak period. Manitoba Hydro will periodically apply to adjust future TOU rates to continue sending a price signal that is comparable to anticipated firm export contracts that may be negotiated going forward.

Manitoba Hydro also proposes to change the ratchets used to determine the General Service Large class over 30kV minimum billing demand. Manitoba Hydro is contractually obligated to provide power up to a customer’s contract demand. Manitoba Hydro is concerned that unused capacity, reserved by customers through their specified contract demand levels, may impede the Corporation’s ability to serve new and/or expanding load with existing transmission infrastructure, resulting in potential costs for new infrastructure that would not be required if unused capacity was released. Manitoba Hydro’s current General Service Large rate structure includes a minimum monthly billing demand charge that is defined as the highest of actual recorded demand, 25% of contract demand or 25% of the highest recorded demand in the past 12 months. The existing billing threshold provides minimal incentive for most large customers to reduce their contracted demand levels if significant contracted capacity remains unused.

Manitoba Hydro is proposing to change the definition of billing demand for the General Service Large over 30kV customers to the greatest of (in kVA):

- The highest measured on-peak demand in the month;
- 50% of the contract demand; or,
- 50% of the highest on-peak demand in the previous 12 months.

The intent of raising the ratchet percentages is to encourage customers to make efficient decisions regarding the transmission and sub-transmission resources that they wish to reserve.

April 1, 2013 Proposed Rates & Customer Impacts

Manitoba Hydro is proposing customer class-differentiated rate increases effective April 1, 2013, in recognition of revenue/cost coverage ratios (“RCCs”) resulting from the updated Cost of Service Study.

The proposed class-differentiated rate increases and respective RCCs before and after the recommended rate increases are as follows:

<u>Customer Class</u>	<u>RCCs Before</u> <u>Rate Increase (%)</u>	<u>Recommended Rate</u> <u>Increases (%)</u>	<u>RCCs After</u> <u>Rate Increase (%)</u>
Residential	99.2	3.5	99.1
General Service			
- Small Non-Demand	107.6	3.0	107.5
- Small Demand	103.7	3.4	103.7
- Medium	100.0	3.6	100.0
- Large 750V – 30 kV	93.3	4.5	94.1
- Large 30 kV – 100 kV	96.6	4.0	97.1
- Large > 100 kV	100.5	3.4	100.4
Area/Roadway Lighting	101.8	3.5	103.4

On a class basis, the increase in revenue for 2013/14 is as follows:

Customer Class	2013/14 Additional \$ (millions)
Residential	\$19.3
GS Small	\$8.5
GS Medium	\$6.5
GS Large	\$12.7
A&R Lighting	\$0.8
Misc. & DSM	(\$0.4)
Total GCR	\$47.4

The following is a brief summary of the changes proposed in rates for the major rate classes.

Residential

The monthly Basic Charge will remain the same at \$6.85 per month. The total increase in class revenue will be derived solely from the Energy Charge, which will increase by 3.7% to 7.20 ¢/kWh.

Based on the proposed April 1, 2013 rates, residential customers will experience increases ranging from 2.7% to 3.7% depending on monthly consumption. For example, a typical residential customer without electric space heat using approximately 1,000 kWh per month will see an increase in their monthly bill of \$2.60 or 3.4%. A residential customer with electric space heat, consuming an average of 2,000 kWh per month, will experience an increase of \$5.20 per month or 3.6%.

General Service Small and Medium

No change in the Demand Charge is proposed for the General Service Small or Medium classes. The Basic Charge for General Service Small customers will increase 3.5%, while the Basic Charge for General Service Medium customers will remain unchanged. The proposed Energy Charge for the General Service Small and Medium classes will increase 2.9% for the first block, 4.7% for the second block and 6.0% for the run-off rate. The larger increase in the tail block rate is necessary given that no increase in the demand charge is being sought.

General Service Small customers will see increases ranging from 2.6% to 4.4% depending on monthly load factor. The overall class average increase for General Service Small is 3.2%, slightly lower than the overall General Consumers increase of 3.5% proposed for April 1, 2013.

General Service Medium customers will experience increases in the range of 2.5% to 4.4% depending on monthly load factor. The overall average increase for the General Service Medium customer class is 3.6%.

General Service Large

The rates being proposed effective April 1, 2013 are reflective of the differences in RCC ratios between the three General Service Large sub-classes. Large 750V-30 kV customers will see the largest increase at 4.5% due to their RCC being outside the zone of reasonableness. The overall proposed increase for the GS Large 30-100 kV sub-class is 4.0%, also due to their lower RCC. The GS Large >100 kV sub-class will see an average increase of 3.4%.

Large customers served at 750V-30kV will see increases in their monthly bill ranging from 3.1% to 5.3%. Bill impacts for the Large >30 kV customers will vary considerably with the introduction of TOU rates. Depending on load factor, seasonal and daily energy usage distribution some customers may experience bill decreases, others will experience increases. The Bill Comparisons provided in

Appendix 10.13 for these sub-classes are based on the overall class average distribution of energy between the four pricing periods and represent the extreme impacts for the four load factor categories shown. For the Large 30-100 kV sub-class, bill impacts will range from (14.2%) to 10.1%. For the Large >100 kV sub-class the impacts will range from (15.4%) to 6.6%. A few customers could experience bill increases greater than 10.1% due to the proposed contract ratchet provisions; these customers will have the opportunity to mitigate bill impacts by re-contracting.

Area and Roadway Lighting

The rate increase proposed for the Area and Roadway Lighting Class is identical to the overall proposed General Consumers' Revenue increase of 3.5%. For other classes, an increase in revenue leads to a similar increase in cost and little change in the RCC. For Area and Roadway Lighting, the RCC will change even in the case of an across-the-board increase due to the dedicated costs unique to the class, and the way rate increases are implemented in the PCOSS. Manitoba Hydro notes that the proposed class increase is appropriate because the higher RCC is still within the Zone of Reasonableness and Area and Roadway Lighting infrastructure is ageing and incremental investment will be required in the next decade to replace or upgrade facilities.

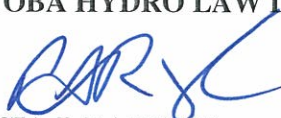
In conclusion, the proposed rates are consistent with past rate setting practices and continue to reflect increases in the energy portion only which provides a better price signal to customers, while maintaining Manitoba Hydro's competitive position with respect to rates charges by other Canadian utilities.

Hard copies of the Appendices will be distributed, and should be placed in the Application binders accordingly. Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at (204) 360-3946.

Yours truly,

MANITOBA HYDRO LAW DEPARTMENT

Per:



PATRICIA J. RAMAGE

Barrister and Solicitor

PJR/

encl.