

**MANITOBA HYDRO**  
**2012/13 & 2013/14 GENERAL RATE APPLICATION**

**VOLUME II**

**PROPOSED RATES AND CUSTOMER IMPACTS**

---

**INDEX**

13	10.0	Overview of Tab 10 .....	1
14	10.1	Rate Objectives .....	3
15	10.2	Proposed Rate Changes By Customer Class.....	3
16	10.3	Customer Impacts of the Proposed Rate Changes .....	8
17	10.4	Request for Final Approval of Interim and <i>Ex Parte</i> Orders.....	9
18	10.5	Rate Comparisons With Other Utilities .....	9
19	10.6	Update on Board Findings Order 5/12, Section 20.12.0.....	10
21	<b><i>Appendices</i></b>		
22	10.1	Proof of Revenue for Year Ending March 31, 2013	
23	10.2	Proposed Rate Schedules for Rates Effective September 1, 2012	
24	10.3	Bill Comparisons April 1, 2012 Rates vs Proposed September 1, 2012 Rates	
25	10.4	Proposed Curtailable Rate Program Terms and Conditions to be Effective April 1, 2013	
26	10.5	Curtailable Rate Program Report for April 1, 2011 to March 31, 2012	
27	10.6	Proposed Surplus Energy Program Terms and Conditions	
28	10.7	Surplus Energy Program Report for November 1, 2010 to October 31, 2011	
29	10.8	Limited Use of Billing Demand Report for April 1, 2011 to March 31, 2012	
30	10.9	Interim and/or <i>Ex Parte</i> Orders for Final Approval	
31	10.10	Survey of Canadian Electricity Bills Effective May 1, 2012	

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**MANITOBA HYDRO**  
**2012/13 & 2013/14 GENERAL RATE APPLICATION**

**VOLUME II**

**PROPOSED RATES AND CUSTOMER IMPACTS**

---

**10.0 OVERVIEW OF TAB 10**

Tab 10 provides the proposed rates and customer impacts for the proposed rate changes in this Application. Section 10.1 provides Manitoba Hydro's general rate making objectives; Section 10.2 provides details of the proposed rates by customer class; Section 10.3 discusses the customer bill impacts of the proposed rate changes; Section 10.4 outlines the interim Orders for which Manitoba Hydro is seeking final approval in this Application; and Section 10.5 provides a comparison of Manitoba Hydro's electricity rates with other utilities.

Manitoba Hydro is applying to the Public Utilities Board ("PUB") for the following:

- Interim approval of rate schedules which reflect an across-the-board increase of 2.5% for rates effective September 1, 2012 for grid customers. (This represents a 3.6% increase for the fiscal year when combined with the 2.0% April 1, 2012 increase.) The September increase will produce additional revenue of \$19.9 million over the balance of the fiscal year. On a class basis, the increase in revenue is as follows:

Customer Class	2012/13 Additional \$ (millions)
Residential	\$8.8
GS Small	\$3.9
GS Medium	\$2.5
GS Large	\$4.5
A&R Lighting	\$0.3
Misc. & DSM	(\$0.1)
Total GCR	\$19.9

1 A Proof of Revenue for the seven months September 1, 2012 to March 31, 2013 is  
2 provided in Appendix 10.1. Proposed rate schedules for rates effective September 1,  
3 2012 are provided in Appendix 10.2 and Bill Comparisons comparing the April 1,  
4 2012 rates to the September 1, 2012 rates are provided in Appendix 10.3.

- 5
- 6 • Approval of a 3.5% increase in overall revenue effective April 1, 2013. A Proof of  
7 Revenue, rate schedules and bill comparisons pertaining to this increase will be filed  
8 following Manitoba Hydro-Electric Board (“MHEB”) approval expected in August  
9 2012.
- 10
- 11 • Interim approval of Diesel rate schedules which reflect a 6.5% increase in the full  
12 cost portion of the rate to be effective September 1, 2012, sufficient to generate  
13 additional revenue \$0.2 million over the balance of fiscal 2012/13. (Refer to Tab 11  
14 for more details).
- 15
- 16 • Confirmation that the Board accepts the rate approval process given proposed  
17 modifications to the Curtailable Rate Program to be effective April 1, 2013, as  
18 outlined in Section 10.2 below. Appendix 10.4 provides a copy of the Proposed  
19 Terms and Conditions and Appendix 10.5 provides a copy of the most recent report  
20 on the Curtailable Rate Program covering the period April 1, 2011 to March 31, 2012.
- 21
- 22 • Confirmation that the Board accepts the rate approval process given proposed  
23 modifications to the Terms and Conditions of the Surplus Energy Program to be  
24 effective April 1, 2013, as outlined in Section 10.2 below. Appendix 10.6 provides a  
25 copy of the Proposed Terms and Conditions and Appendix 10.7 provides a copy of  
26 the most recent report on the Surplus Energy Program covering the period November  
27 1, 2010 to October 31, 2011.
- 28
- 29 • Approval of various interim and *ex parte* approved PUB Orders as outlined in  
30 Appendix 10.9.
- 31
- 32

1 **10.1 RATE OBJECTIVES**  
2

3 The proposed rate schedules are compatible with Manitoba Hydro's general rate making  
4 objectives and long-term direction as follows:  
5

- 6 1. Manitoba Hydro's long-term target is to have all class Revenue Cost Coverage  
7 (RCC) ratios in the range of 95% to 105%, and further that all classes should be  
8 gradually moved toward RCC's of unity.  
9
- 10 2. In conformity with the principles of gradualism and sensitivity to customer  
11 impacts, annual adjustments to revenues by customer class are less than two  
12 percentage points greater than the overall proposed increase.  
13
- 14 3. Whenever possible, rates should be designed with a view to sending the  
15 appropriate price signal regarding the cost of energy to those parts of the rate  
16 design affecting the use which would be most sensitive to such a signal.  
17
- 18 4. Maintain Manitoba Hydro's competitive position with respect to rates charged by  
19 other Canadian utilities for all rate classes.  
20
- 21 5. The combined impact of proposed class average rate increases and adjustments to  
22 rate structure results in customer monthly impacts which fall within Manitoba  
23 Hydro's guidelines:  
24
  - 25 – For Residential customers, no customer will experience a bill increase which  
26 exceeds the greater of \$3.00 per month or three percentage points more than  
27 the class average increase.  
28
  - 29 – For General Service customer, no customer will experience an increase in  
30 their average monthly bill over a year which exceeds the greater of \$5.00 per  
31 month or five percentage points more than the class average increase.  
32

33 **10.2 PROPOSED RATE CHANGES BY CUSTOMER CLASS**  
34

35 As a hearing in respect of this application is not expected until November 2012 or  
36 possibly early 2013, Manitoba Hydro is requesting interim approval of an across-the-  
37 board increase of 2.5% for grid rates and a 6.5% increase in the full cost portion of the

1 rates in the diesel zone, both to be effective September 1, 2012. A brief summary of the  
2 rates by customer class is provided below.

3  
4 Residential

5  
6 The monthly Basic Charge will remain the same at \$6.85 per month. The total increase  
7 in class revenue will be derived solely from the Energy Charge which will increase by  
8 2.7%.

9  
10 General Service Small and Medium

11  
12 Manitoba Hydro is continuing to consolidate the General Service (GS) Small and  
13 Medium rate classes. Full consolidation is expected with the proposed rates to be filed  
14 effective April 1, 2013. Currently the rates between the two classes vary only with  
15 respect to the monthly Basic Charge / Three Phase Charge.

16  
17 Designing the rates for the Small / Medium class is complex, as the split in revenue  
18 derived from each component of the rate varies significantly amongst the three customer  
19 sub-groups. This poses a problem specifically when setting the blocked energy rates, as  
20 increasing each block charge by the same percentage results in an over-collection of  
21 revenue for Small Non-Demand customers and an under-collection of revenue from the  
22 Medium customers. The blocked energy charges therefore need to increase incrementally  
23 so as to obtain the desired revenue requirement. The two tables below illustrate the  
24 differences among the sub-groups (based on 2012/13 forecast data at proposed rates):

25  
26 Percentage of Total Revenue Derived from Each Rate

27 Component

	Basic Charge	Energy Charge	Demand Charge
28 Small Non-Demand	10%	90%	-
29 Small Demand	3%	82%	15%
30 Medium Demand	0%	67%	33%

31  
32  
33 Distribution of Energy Usage by Block

	1 <sup>st</sup> Block	2 <sup>nd</sup> Block	Tail Rate
34 Small Non-Demand	94%	6%	-
35 Small Demand	55%	21%	24%
36 Medium Demand	15%	8%	77%

1 The Basic Charge for GS Small customers is proposed to increase by 2.7% for single  
2 phase customers and 2.9% for three phase customers. The Basic Charge for GS Medium  
3 customers will remain unchanged. The proposed rates for April 1, 2013 (to be filed at a  
4 later date) should reflect full consolidation of the Basic Charge for Small Three Phase  
5 customers to be equal to the Basic Charge of Medium customers.  
6

7 The proposed Energy Charge for rates effective September 1, 2012 reflects an increase of  
8 2.4% for the first block, 3.2% for the second block and 4.0% for the run-off rate. The  
9 larger increase in the tail block rate is necessary given that no increase in the demand  
10 charge is being sought.

#### 11 12 General Service Large

13  
14 The proposed revenue increases for the three subclasses of the General Service Large  
15 class will be obtained solely through the energy component of the rate. The demand  
16 charges will remain unchanged. This will allow for continued rebalancing of the demand  
17 and energy charges. This translates to energy rate increases of 3.9% for Large 750V – 30  
18 kV customers; 3.5% for Large 30 – 100 kV customers; and 3.3% for Large >100 kV  
19 customers.  
20

21 Upon approval from the MHEB, which is expected in August 2012, Manitoba Hydro is  
22 planning to also introduce Time-of-Use rates for Large >30 kV customers in its proposed  
23 April 1, 2013 rate schedules.

#### 24 25 Area and Roadway Lighting

26  
27 Manitoba Hydro is proposing a 2.5% rate increase for Area and Roadway Lighting for  
28 rates effective September 1, 2012.

#### 29 30 Diesel Rates

31  
32 This Application proposes changes to both the grid portion of the rate structure (equal to  
33 that proposed for grid customers) and the full cost portion of the rate structure effective  
34 September 1, 2012. The grid portion of the diesel rates will increase by 2.5%, while the  
35 full cost portion will increase by 6.5%. The 6.5% represents the accumulation of grid  
36 rate increases since the most recent diesel full cost rate increases (2.0% April 1, 2011,

1 2.0% April 1, 2012), as well as the 2.5% proposed for September 1, 2012). (Refer to Tab  
2 11 for more details).

3  
4 The proposed rates and bill impacts can be found in Appendices 10.2 and 10.3  
5 respectively.

6  
7 Limited Use of Billing Demand Rate Option (“LUBD”)

8  
9 The rates proposed for Small and Medium LUBD customers are tied to the rates proposed  
10 for regular General Service Small and Medium classes. The monthly Basic Charge for  
11 Small LUBD customers will increase to the same level as regular GS Small customers.  
12 The Demand Charge is set at approximately 25% of the Demand Charge of the  
13 corresponding regular General Service class, with the energy charge calculated to provide  
14 revenue neutrality at a load factor of approximately 18%.

15  
16 Appendix 10.8 provides a copy of the most recent report on the LUBD program covering  
17 the period April 1, 2011 to March 31, 2012.

18  
19 Flat Rate Water Heating (“FRWH”)

20  
21 Both Residential and General Service FRWH customers will see increases equivalent to  
22 those applied to the Residential and General Service Small rate classes, that being 2.5%.

23  
24 Curtailed Rate Program (“CRP”)

25  
26 Appendix 10.4 provides a copy of the amended Terms and Conditions of the Curtailed  
27 Rate Program. Manitoba Hydro is making several changes to the CRP Terms and  
28 Condition as detailed below, to be effective April 1, 2013 unless otherwise noted.

- 29  
30
- 31 • A change in the defined hours for peak and off-peak periods to correspond to the  
32 hours being defined for a potential time-of-use rate offering.
  - 33 • Curtailment Options “C” and “CE” will no longer be made available. The one  
34 customer under Option C (there are no customers on Option CE) will be allowed to  
35 remain on this Option for one year from the date of confirmation of the rate approval  
36 process associated with the amendments of the CRP Terms and Conditions by the  
PUB (the sunset date). The customer will have the ability to switch their curtailable

1 load to Option A provided they do so prior to the sunset date, otherwise their  
2 curtailable load will convert to firm service.

- 3 • Effective immediately upon confirmation that the PUB accepts the rate approval  
4 process given the modifications to the CRP Terms and Conditions, the cap limitations  
5 for CRP load will be reduced to 50 MW for Option R load (from the current 100  
6 MW) and 180 MW for Option A and C loads (currently 230 MW), assuming that the  
7 Option C load converts to Option A. Should Option C load revert to firm service,  
8 then the cap for Option A will be reduced to 150 MW.
- 9 • Customer's ability to designate varying monthly curtailable load amounts will no  
10 longer be available. This feature has never been utilized.
- 11 • The current Terms and Conditions do not allow customers to go back onto the CRP if  
12 they have switched their curtailable load to firm service. The amended Terms and  
13 Conditions will allow customers back onto the program provided one year has passed  
14 since they went off the program and provided that there is curtailable load available  
15 under the cap constraints.
- 16 • The "Failure to Curtail" clause will be revised from "*Manitoba Hydro may exclude*  
17 *customers from the Curtailable Rate Program if cumulative additional charges*  
18 *during any contract period equal or exceed cumulative discounts*" to "*Manitoba*  
19 *Hydro may exclude customers from the Curtailable Rate Program if a second or*  
20 *subsequent failure to curtail occurs in any twelve month period.*"

21  
22 Each year Manitoba Hydro files an annual report with the PUB on the status of the CRP.  
23 The current report covering the period April 1, 2011 to March 31, 2012 is included in  
24 Appendix 10.5.

#### 25 26 Surplus Energy Program ("SEP")

27  
28 The PUB, by Order No. 57/09 dated April 28, 2009, approved the extension of the SEP to  
29 March 31, 2013. Manitoba Hydro is now proposing to make the SEP a permanent rate  
30 offering.

31  
32 The only other change to the SEP Terms and Conditions is a minor change to Option 1  
33 whereby customers will be allowed to have a different Reference Demand for each of the  
34 three pricing periods. The highest designated Reference Demand will be used in  
35 determining the customer's monthly billed demand.

36  
37 A copy of the amended SEP Terms and Conditions are included in Appendix 10.6.



1  
2 Each year Manitoba Hydro files an annual report with the PUB on the status of the SEP.  
3 The current report covering the period November 1, 2010 to October 31, 2011 is included  
4 in Appendix 10.7.

5  
6 **10.3 CUSTOMER IMPACTS OF THE PROPOSED RATE CHANGES**

7  
8 Provided below is a brief summary of the bill impacts for the major rate classes. More  
9 detailed bill impacts for all customer classes can be found in Appendix 10.3.

10  
11 Residential

12  
13 Based on the proposed September 1, 2012 rates, residential customers will experience  
14 increases in their bill ranging from 1.9% to 2.6% depending on monthly consumption. A  
15 typical residential customer without electric space heat using approximately 1,000 kWh a  
16 month on average will see an increase in their monthly bill of \$1.80 or 2.4%. A  
17 residential customer with electric space heat, using an average 2,000 kWh a month will  
18 experience an average monthly increase of \$3.60 or 2.5% per month.

19  
20 Seasonal residential customers will not experience as high of an increase due to their  
21 lower average use of electricity.

22  
23 General Service Small

24  
25 Small commercial customers will experience increases ranging from 2.0% to 3.1%  
26 depending on monthly consumption and load factor. The overall class average increase  
27 for General Service Small customers for rates effective September 1, 2012 is 2.5%.

28  
29 General Service Medium

30  
31 Medium commercial / industrial customers will experience rate increases ranging from  
32 1.7% to 3.0% depending on monthly consumption and/or load. The overall class average  
33 increase is 2.5%.

34  
35  
36  
37

1        General Service Large  
2

3        Increases to General Service Large customers vary depending on the voltage level the  
4        customer is served at and the load factor of each customer. Since Demand Charges for  
5        General Service Large customers are proposed to remain the same with only the Energy  
6        Charge increasing, customers with higher load factors will receive slightly higher  
7        percentage increases.  
8

9        Customers served at 750 V-30 kV will see increases in their monthly bill ranging from  
10       1.7% to 3.0% with the average increase being 2.5%. Customers served at 30 kV to 100  
11       kV will experience increases ranging from 1.6% to 2.7% with the average increase being  
12       2.4%. General Service Large customers served at over 100 kV will see increases ranging  
13       from 1.6% to 2.6% per month, with the average being 2.4%.  
14

15    **10.4    REQUEST FOR FINAL APPROVAL OF INTERIM AND *EX PARTE* ORDERS**  
16

17       Manitoba Hydro is seeking final approval of interim and *ex parte* Orders relating to  
18       various General Consumers and Diesel rate increases, the Curtailable Rate Program and  
19       the Surplus Energy Program. Appendix 10.9 includes a complete list of interim and *ex*  
20       *parte* Orders up to July 4, 2012 which require final approval.  
21

22    **10.5    RATE COMPARISONS WITH OTHER UTILITIES**  
23

24       Manitoba Hydro uses its own annual “Survey of Canadian Electricity Bills” (included as  
25       Appendix 10.10) to compare bills paid by Manitoba customers with those of other major  
26       Canadian utilities. The survey continues to show that Manitobans have amongst the  
27       lowest electric bills in Canada.  
28

29       One of the objectives in Manitoba Hydro’s Corporate Strategic Plan is to have the lowest  
30       overall electricity rates in North America. To measure performance in the overall North  
31       American context, Manitoba Hydro uses the results of both the Edison Electric Institute  
32       (“EEI”) survey as well as monthly statistics obtained from the United States Department  
33       of Energy (“DOE”). Unlike the EEI data which provides investor-owned utility  
34       comparisons, the DOE data provides comparisons by State which includes numerous  
35       utilities within that state. The following table provides the Total Retail Average Rate for  
36       the top ten Provinces and States based on December 2011 DOE data and Winter 2012  
37       EEI data, using the March 30, 2012 noon exchange rate of 1.0009 CAD/USD. It is

1 important to note that the appreciation of the Canadian dollar relative to the United States  
2 dollar may have a significant impact on the results when compared to previous years.  
3  
4  
5

<b>TOTAL RETAIL AVERAGE RATE (Canadian \$)</b>	
<b>State / Province</b>	<b>Cents per kWh</b>
Manitoba	5.86
Idaho	6.18
Quebec	6.32
Wyoming	6.77
British Columbia	6.86
Louisiana	6.98
Utah	7.00
Kentucky	7.02
Iowa	7.09
Washington	7.09

6  
7  
8 **10.6 UPDATE ON BOARD FINDINGS ORDER 5/12, SECTION 20.12.0**  
9

10 *The Board requires MH to file preliminary reports (and status updates on):*  
11

- 12 a) *Inverted Rates, with a view to creating a significantly higher-priced second energy*  
13 *block, but providing an accommodation to electric heat customers, some of which do*  
14 *not have access to natural gas for heating;*  
15

16 Status  
17

18 Manitoba Hydro has studied and continues to study an implementation strategy for  
19 the reintroduction of inverted rates (for the Residential Class) with accommodation  
20 for those customers that heat electrically. Manitoba Hydro has established a working  
21 group to study this rate proposal which includes analysis of experiences in other  
22 jurisdictions with inverted rates.  
23

1 With respect to GSS (D) and GSM customers Manitoba Hydro is of the view that  
2 such a rate design is impractical for these customers. Manitoba Hydro does not intend  
3 to pursue inverted rates for these customer classes.

- 4  
5 *b) GSS and GSM Class consolidation with a view to defining the end-product and the*  
6 *specified timeframe for completion;*

7  
8 Status

9  
10 Manitoba Hydro has been consolidating the General Service Small and Medium  
11 classes through the past several rate hearings. The consolidation smoothes the  
12 transition of customers between the two classes of service and avoids any adverse  
13 impacts to customers during this transition. Assuming the Corporation's proposals in  
14 this application for rate increases are approved for September 1, 2012 and April 1,  
15 2013 the consolidation will be complete.

- 16  
17 *c) Demand/Energy Rate Rebalancing with a view to defining the optimum balance and*  
18 *timeframe to achieve that balance through the allocation of Class Rate increases to*  
19 *the energy component;*

20  
21 Status

22  
23 Manitoba Hydro has also been in the process of rebalancing the demand/energy split  
24 for all demand billed customers. The primary method to enable this change is by  
25 limiting approved rate increases to the energy charge and decreasing the demand  
26 charge when rate reductions are implemented such as in 2003. The purpose of  
27 rebalancing is intended to reflect that the rates charged to customers are reflective of  
28 cost allocation as in the Cost of Service Study ("COS"). The last report to the Board  
29 (July 2009) indicated that rebalancing was progressing, with the result based on  
30 PCOSS11 showing further progress. Manitoba Hydro will update reporting  
31 subsequent to the filing of PCOSS13.

- 32  
33 *d) Time-of-Use Rates with a view to applying these in the near future to Top Consumers*  
34 *and industrial customers that already have the necessary metering capability;*  
35  
36  
37

1           Status

2  
3           During 2010 and 2011 Manitoba Hydro met on a number of occasions with MIPUG  
4 membership and consultants. During this period, the parties reviewed the potential for  
5 introduction of mandatory Time of Use (“TOU”) rates for large industrial customers.  
6 Manitoba Hydro also met with other General Service Large customers who are  
7 potentially affected by TOU rates.

8  
9           Introduction of TOU rates enable Manitoba Hydro to comply with the majority of  
10 issues which previous energy intensive rate proposals were intended to address,  
11 including broad application to all load growth and time of use pricing for on and off  
12 peak usage. Such a rate also partially addresses Manitoba Hydro’s concerns about  
13 load growth by energy-intensive industries and the potential impact that such growth  
14 may have on export sales. It also addresses many of the customers concerns raised  
15 with respect to EIIR options that require complex calculations, determination of  
16 baselines, and application of two-tier rates.

17  
18           Manitoba Hydro anticipates that the MHEB will review a TOU proposal at its August  
19 2012 meeting.

- 20  
21           e) *Limited-Use Demand billing with an update of the continued need for this rate in*  
22 *light of the elimination of the Winter Ratchet;*

23  
24           Status

25  
26           Manitoba Hydro has consistently maintained that the elimination of the winter ratchet  
27 does not in any way affect the need to have the LUBD rate available to customers. In  
28 fact the majority of customers on this tariff were not affected by the winter ratchet  
29 prior to its elimination in November 2009. The LUBD program is useful for  
30 customers whose load factor is approximately 18% or lower as it reduces their overall  
31 energy bill compared to the applicable class rate. In addition LUBD customers  
32 typically have lower coincidence factors than other customers in the class thus  
33 reducing the cost to Manitoba Hydro to serve them.

- 34  
35           f) *The Energy Intensive Rate, with justification for either abandoning the rate proposal*  
36 *or providing an alternative on-peak rate scenario as directed in Board Order 112/09;*  
37 *and,*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12

Status

Please see response to item d) above.

*g) The Service Extension Policy, including a proposal for the Board's review and possible acceptance in accordance with Order 112/09.*

Status

Please see response to item d) above.