

**MANITOBA HYDRO
2010/11 & 2011/12 RATE INCREASE APPLICATION**

PROPOSED RATES AND CUSTOMER IMPACTS

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MANITOBA HYDRO
2010/11 & 2011/12 GENERAL RATE APPLICATION
PROPOSED RATES AND CUSTOMER IMPACTS

10.0 OVERVIEW

Tab 10 provides the following:

Section 10.0 – Overview

Section 10.1 – Rate Objectives

Section 10.2 – Proposed Rate Changes by Customer Class

Section 10.3 – Customer Impacts of the Proposed Rate Changes

Section 10.4 – Request for Final Approval of Various *Ex Parte* Approved PUB Orders

Section 10.5 – Rate Comparisons with Other Utilities

Appendix 10.1 – Proof of Revenue for Year Ending 2011

Appendix 10.2 – Proof of Revenue for Year Ending 2012

Appendix 10.3 – Proposed Rate Schedules for Rates Effective April 1, 2010

Appendix 10.4 – Proposed Rate Schedules for Rates Effective April 1, 2011

Appendix 10.5 – Bill Comparisons for Rates Effective April 1, 2010

Appendix 10.6 – Bill Comparisons for Rates Effective April 1, 2011

Appendix 10.7 – Listing of Various Interim and/or *Ex Parte* Approved PUB Orders

Appendix 10.8 – Curtailable Rate Report April 1, 2008 to March 31, 2009

Appendix 10.9 – SEP Terms and Conditions

Appendix 10.10 – Survey of Canadian Electricity Bills Effective May 1, 2009

Manitoba Hydro is applying to the Public Utilities Board (“PUB”) for approval of rate schedules incorporating a 2.9% across-the-board increase effective April 1, 2010. This rate increase will produce additional revenue of \$33.4 million for fiscal year 2010/11. Manitoba Hydro is also requesting an additional increase of 2.9% for rates effective April 1, 2011 which will produce additional revenue of \$35.1 million for fiscal year 2011/12. On a class basis, the increase in revenue for both years is as follows:

1

Customer Class	2010/11 Increase in Revenue	2011/12 Increase in Revenue
Residential	\$13.8 million	\$14.3 million
GS Small	7.1 million	7.0 million
GS Medium	4.2 million	4.9 million
GS Large	8.3 million	9.3 million
Area / Roadway Lighting	0.6 million	0.6 million
Miscellaneous	0.2 million	0.2 million
DSM	(0.9) million	(1.3) million
Total	\$33.4 million	\$35.1 million

2

3

A Proof of Revenue for each fiscal year detailing the total increase by customer class is provided in Appendices 10.1 and 10.2

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10.1 RATE OBJECTIVES

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

9

10

11

1. Manitoba Hydro’s long-term target is to have all class Revenue Cost Coverage (RCC) ratios in the range of 95% to 105%, and further that all classes should be gradually moved toward RCC’s of unity. Attainment of this objective will take longer than anticipated given the across-the-board increases being proposed in this Application. Manitoba Hydro intends on having an external review done of the Cost of Service Study methodologies before relying on the results of the study for rate design.

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2. In conformity with the principles of gradualism and sensitivity to customer impacts, annual adjustments to revenues by customer class are less than two percentage points greater than the overall 2.9% proposed increases in total revenue for each year.

20

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3. Consistent with conservation objectives, the rate schedules propose the continuation of an inverted rate for the Residential class and greater increases to energy charges than demand charges for the General Service Small Demand, Medium and Large classes.

25

26

27

1
2 4. The combined impact of proposed class average rate increases and adjustments to
3 rate structure results in customer monthly impacts which fall within Manitoba
4 Hydro's guidelines:

5
6 – For Residential customers, no customer will experience a bill increase which
7 exceeds the greater of \$3.00 per month or three percentage points more than
8 the class average increase.

9
10 – For General Service customer, no customer will experience an increase in
11 their average monthly bill over a year which exceeds the greater of \$5.00 per
12 month or five percentage points more than the class average increase.

13
14 **10.2 PROPOSED RATE CHANGES BY CUSTOMER CLASS**

15
16 All customer classes will receive approximately a 2.9% increase in rates for each of the
17 two test years.

18
19 Detailed Proof of Revenues are included in Appendices 10.1 and 10.2. Appendices 10.3
20 and 10.4 include Rate Schedules for rates effective April 1, 2010 and April 1, 2011.
21 Appendices 10.5 and 10.6 include Bill Comparisons for both test years.

22
23 Residential

24
25 For rates effective April 1, 2010 the monthly Basic Charge will decrease by \$1.00 per
26 month to \$5.85, and for rates effective April 1, 2011 the Basic Charge will drop an
27 additional \$1.00 per month to \$4.85. These decreases are being proposed to assist low
28 income customers with low metered monthly consumption. Seasonal residential
29 customers will maintain their current Annual Basic Charge of \$82.20

30
31 The total increase in class revenue will be derived solely from the Energy Charge.
32 Consistent with the intention of promoting energy conservation, the gap between the first
33 block rate and tail block rate will be larger than the current rate structure. For rates
34 effective April 1, 2010, the first block rate will increase by 1.9% to 6.37¢/kW.h, whereas
35 all energy consumed in excess of 900 kW.h per month will be at the higher rate of
36 6.75¢/kW.h, representing an increase of 7.1% from current rates. In year two of the rate

1 application, the first block rate will increase an additional 1.6% to 6.47¢/kW.h and the
2 tail rate will increase another 7.1% to 7.23¢/kW.h.

3
4 General Service Small and Medium

5
6 Manitoba Hydro is continuing to consolidate the General Service Small and Medium rate
7 classes. Currently the rates between the two classes vary with respect to the monthly
8 Basic Charge / Three Phase Charge and the first block energy charge, as well as the
9 application of the 70% winter ratchet which has only been applied to Medium customers
10 but not to Small Demand customers. As noted below, the winter ratchet is eliminated,
11 effective December 1, 2009.

12
13 In the continuation of this consolidation of the two classes the Basic Charge / Three
14 Phase Charge for General Service Small customers will increase in each of the two years
15 such that over the next several rate changes the Basic Charge for Three Phase service will
16 equal that of the Basic Charge of the General Service Medium customer class. Currently
17 the Basic Charge for a Three Phase service is \$23.74 (a \$3.86 differential from the
18 Medium Basic Charge of \$27.60), but will increase to \$24.65 effective April 1, 2010 and
19 \$25.55 effective April 1, 2011, narrowing the differential to \$2.05 by the end of fiscal
20 2011/12. Total consolidation will take at least one or two more rate changes as there are
21 limitations to bill impacts as noted in the Rate Objectives above.

22
23 The April 1, 2010 proposed rates for the Small and Medium classes reflect a fully
24 consolidated energy and demand charge. Although there is no proposed change to the
25 Demand Charge itself, the definition of Billing Demand will change. General Service
26 Medium customers are currently subject to paying the higher of their recorded demand or
27 the following ratchet provisions:

- 28
29 – 25% of contract demand
30 – 25% of highest recorded demand in the previous 12 months
31 – 70% of highest measured demand in the billing year for the months of December,
32 January, and February

33
34 As of December 1, 2009, the 70% of highest measured demand provision (otherwise
35 known as the winter ratchet) will be eliminated as directed by the Public Utilities Board
36 in Order 116/08 which states “*unless MH provides an acceptable TOU implementation*
37 *process, the ratchet is to be removed ahead of the winter of 2009/10*”. This elimination

1 will result in an estimated \$2.1 million loss in revenue for General Service Medium
 2 customers. Recovery of this revenue will be through increases in the energy component
 3 of the rate. To minimize the impact on General Service Small customers, the tail block
 4 energy rate will see the largest increase as shown in the following table. The percentages
 5 shown represent the year-to-year increase for each component.
 6

	SMALL	MEDIUM	CONSOLIDATED	
Energy Charge:	April 2009	April 2009	April 2010	April 2011
1 st 11,000 kW.h	6.66¢	6.42¢	6.84¢ 2.7% (Small); 6.5% (Medium)	7.03¢ 2.8%
Next 8,500 kW.h	4.48¢	4.48¢	4.69¢ 4.7%	4.88¢ 4.1%
Balance kW.h	2.86¢	2.86¢	3.05¢ 6.6%	3.20¢ 4.9%

7
 8 Based on these rates and an average class load factor of 50%, those General Service
 9 Medium customers typically not affected by the ratchet will see average increase of
 10 3.9%.

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 / energy charges.

18
 19 Manitoba Hydro is preparing a revised Energy Intensive Rate scenario consistent with the
 20 directives from Board Order 112/09. In addition alternate proposals including possible
 21 Time-of-Use Rates applicable to the General Service Large >30 kV subclasses are being
 22 considered. It is expected that these proposals will be reviewed by the Manitoba Hydro-
 23 Electric Board at its January 2010 meeting. Depending on the outcome of this review
 24 they will be filed shortly thereafter.

25
 26 The Proof of Revenues included in Appendices 10.1 and 10.2 include revenue associated
 27 with the Energy Intensive Rate. These amounts are based on past methodology with

1 revised customer data and may change once final analysis of the revised Energy Intensive
2 Rate has been completed.

3
4 Area and Roadway Lighting

5
6 There is a 2.9% rate increase being proposed for Area and Roadway Lighting in each of
7 the two test years. There has been no increase in rates to this class since April 1, 2005.

8
9 Diesel Rates

10
11 This Application proposes a change to only the grid-equivalent portion of the rate
12 structure, (Basic Charge for all diesel sectors and the first 2,000 kW.h's for the
13 Residential and General Service sectors). The Energy Charge for the Diesel Government
14 class and the tail block Energy Charge for the Diesel Residential and General Service
15 classes remain unchanged, corresponding to interim *ex parte* rates approved in Board
16 Order 176/06 dated December 21, 2006.

17
18 Limited Use of Billing Demand Rate Option ("LUBD")

19
20 The rates proposed for Small and Medium LUBD customers are tied to the rates proposed
21 for regular General Service Small and Medium classes. The monthly Basic Charge for
22 Small LUBD customers will increase to the same level as regular GS Small customers.
23 The Demand Charge is set at approximately 25% of the Demand Charge of the
24 corresponding regular General Service class, with the energy charge calculated to provide
25 revenue neutrality at a load factor of approximately 18%.

26
27 Since April 1, 2003 Demand and Energy rates for Small and Medium LUBD customers
28 have been the same with the exception that the first 50 kV.A of billing demand for Small
29 Demand LUBD customers is at "no charge". Medium LUBD customers on the other
30 hand pay for all billed kV.A. Manitoba Hydro is now proposing to have the first 50 kV.A
31 of billing demand exempt for Medium LUBD customers as well to be consistent with
32 Small LUBD customers and other General Service Small and Medium classes.

33
34 There are currently 22 Medium LUBD customers. Assuming all exceed 50 kV.A per
35 month, the loss in revenue associated with not billing the first 50 kV.A of billing demand
36 will be approximately \$27,600 per year.

1 Flat Rate Water Heating (“FRWH”)

2
3 Historically increases to Flat Rate Water Heating rates were tied to the increase in the
4 run-off energy rate of the Residential and General Service Small Non-Demand customer
5 classes. However when Manitoba Hydro introduced an inverted rate design for
6 Residential customers effective July 1, 2008 the decision was made to apply the class
7 average increase instead of the tail-block increase in order to minimize the bill impact on
8 customers with FRWH. The same percentage increase was therefore applied to General
9 Service FRWH customers. Both Residential and General Service FRWH customers will
10 therefore see increases of 2.9% each year.

11
12 Curtable Rate Program (“CRP”)

13
14 There are no changes being proposed to the Curtable Rate Program.

15
16 An annual report on the CRP covering the period April 1, 2008 to March 31, 2009 was
17 filed with the Public Utilities Board in June 2009. A copy is provided as Appendix 10.8
18 to this Application.

19
20 Surplus Energy Program (“SEP”)

21
22 The Public Utilities Board, by Order No. 57/09 dated April 28, 2009 approved the
23 extension of the SEP to March 31, 2013. The Order also directed Manitoba Hydro to
24 “*expressly include, in both its response to Directive #2 of Order 150/08 and its report to*
25 *the Board on its export program, explanation and justification for continued sales of off-*
26 *peak overnight summer exports.”* This directive is further discussed in Section 13.3 of
27 this Application.

28
29 Manitoba Hydro is not proposing any changes to the SEP at this time, with the exception
30 of the reference to the calculation of the billing demand under Option 1. With the
31 elimination of the winter ratchet, the 70% of highest billing demand in the months of
32 December, January and February is no longer relevant. A copy of the revised SEP Terms
33 and Conditions are included as Appendix 10.9.

1 The annual SEP Report covering the period November 1, 2007 to October 31, 2008 was
2 submitted to the Public Utilities Board in March 2009. The report covering the period
3 November 1, 2008 to October 31, 2009 will be available for submission in early January,
4 2010.

6 **10.4 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 Appendices 10.5 and 10.6.

11 Residential

12
13 Based on the proposed April 1, 2010 rates, residential customers will experience
14 increases and/or decreases in their bill ranging from (3.1%) to 5.8% depending on
15 monthly consumption. Customers using more energy will experience higher than average
16 increases. For example, a typical residential customer without electric space heat uses
17 approximately 1,000 kW.h a month on average and will see an increase in their monthly
18 bill of only \$0.53 or 0.8%. A residential customer with electric space heat, using an
19 average 2,000 kW.h a month over the course of the year, will experience an average
20 monthly increase of \$5.03 or 3.8% per month.

21
22 The same impacts apply in Year 2 of the Application for rates effective April 1, 2011.

24 General Service Small

25
26 Small commercial customers, based on the April 1, 2010 rates, will experience increases
27 ranging from 2.4% to 4.6% depending on monthly consumption and load factor. The
28 overall class average increase for General Service Small customers in 2010/11 is 3.1%.

29
30 For rates effective April 1, 2011, the average increases will range from 2.3% to 3.7%,
31 with the overall class average increase being 3.0%.

33 General Service Medium

34
35 Based on rates effective April 1, 2010 and the elimination of the winter ratchet, Medium
36 commercial / industrial customers will experience rate increases ranging from 2.7% to
37 4.9% depending on monthly consumption and/or load factor and what portion of their

1 bill, if any, was influenced by the winter ratchet. The overall class average increase is
2 2.8%.

3
4 For rates effective April 1, 2011, the bill impacts range from 2.0% to 3.3%, with the
5 overall class average increase being 3.1% for 2011/12.

6 7 General Service Large

8
9 Increases to General Service Large customers vary depending on the voltage level served
10 and the load factor of each customer. The Demand Charge applied to the General Service
11 Large classes remains the same with only the Energy Charge increasing. This change
12 results in higher load factor customers receiving a higher percentage increase. Although
13 the winter ratchet applied to fewer customers in the General Service Large rate class, its
14 elimination results in slightly higher bill impacts for those not previously impacted by it.

15
16 For rates effective April 1, 2010, customers served at 750 V-30 kV will see increases on
17 their monthly bill ranging from 2.3% to 4.1% with the average increase being 3.0%.
18 Customers served at 30 kV to 100 kV will experience increases ranging from 1.9% to
19 3.2% with the average being 2.9%. General Service Large customers served at over
20 100 kV will see increases ranging from 1.8% to 3.1% per month, with the average being
21 2.9%. The General Service Large class overall will experience an increase of 2.9%.

22
23 For rates effective April 1, 2011 the bill impacts for the Large 750-30 kV sub-class will
24 be lower as the impact of the winter ratchet elimination has been integrated from the
25 previous year. They will experience increases ranging from 1.9% to 3.4%. Overall the
26 General Service Large class average increase will be 3.0%.

27
28 Bill impacts for the General Service Large class do not take into account the impact of a
29 proposed revised Energy Intensive Rate.

30 31 **10.5 REQUEST FOR FINAL APPROVAL OF INTERIM AND/OR EX PARTE** 32 **ORDERS**

33
34 Manitoba Hydro is seeking final approval of interim approved rates relating to General
35 Consumers rate increases, Limited Use of Billing Demand rate, the Curtailable Rate
36 Program plus the Surplus Energy Program. Appendix 10.6 includes a complete list of
37 interim orders up to November 25, 2009 which require final approval.

1
2 **10.6 RATE COMPARISONS WITH OTHER UTILITIES**
3

4 Manitoba Hydro uses its own annual “Survey of Canadian Electricity Bills” (included as
5 Appendix 10.10) to compare bills paid by Manitoba customers with those of other major
6 Canadian utilities. The survey continues to show that Manitobans generally have
7 amongst the lowest electric bills in Canada.
8

9 One of the objectives in Manitoba Hydro’s Corporate Strategic Plan is to have the lowest
10 overall electricity rates in North America. To measure performance in the overall North
11 American context, Manitoba Hydro uses the results of both the Edison Electric Institute
12 (“EEI”) survey as well as monthly statistics obtained from the United States Department
13 of Energy (“DOE”). Unlike the EEI data which provides investor-owned utility
14 comparisons, the DOE data provides comparisons by State which includes numerous
15 utilities within that state. The table below provides the Total Retail Average Rate for the
16 top ten Provinces and States based on the June 2009 DOE data and July 1, 2009 EEI data,
17 using an exchange rate of 1 US \$ = 1.0571 Canadian. It is important to note that the
18 appreciation of the Canadian dollar relative to the United States dollar may have a
19 significant impact on the results when compared to previous years.
20

TOTAL RETAIL AVERAGE RATE (Canadian \$)	
State / Province	Cents per kW.h
British Columbia	5.41
Manitoba	5.43
Quebec	6.28
Wyoming	6.41
Louisiana	6.99
West Virginia	7.00
Washington	7.18
Kentucky	7.23
Idaho	7.33
Oklahoma	7.67

21 For the Canadian provinces shown, the retail average rate is based on a 12-month weighted average ending
22 June 30, 2009. Manitoba Hydro’s average rate incorporates the 5% July 1, 2008 rate increase in all 12
23 months, as well as the 2.9% April 1, 2009 increase for the last 3 months. The retail average rate for British
24 Columbia on the other hand incorporates only their April 1, 2009 increase of 9.7% for the last 3 months.
25 On this basis, Manitoba Hydro’s current rates remain as the lowest overall in North America.