

MANITOBA HYDRO
2010/11 & 2011/12 GENERAL RATE APPLICATION

PUB DIRECTIVES

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PUB DIRECTIVES

13.0 OVERVIEW

This tab reviews the status of responses to PUB directives that were issued in Orders 126/09, 112/09, 57/09, 32/09, 150/08 and 176/06.

13.1 DIRECTIVES FROM ORDER 126/09

On August 7, 2009, Manitoba Hydro applied to the PUB for *ex parte* approval of a temporary change to allow billing demand concessions to General Service Large and Medium Customers that were experiencing reduced electrical demand directly resulting from reductions in their operations caused by the global economic downturn. These concessions would be in effect for a six-month period from June 1, 2009 to November 30, 2009 unless extended by Manitoba Hydro.

On September 4, 2009, the PUB approved Manitoba Hydro's application, subject to the concessions being treated as partial bill payment deferrals, pending a full hearing of the Application.

Outlined below is an update on the directives from Order 126/09:

2. ***MH shall provide monthly reports on the impacts of this Order to the Board, containing the number of customers that are eligible for the within relief, the number of customers accepting the within relief, as well as the calculation of the energy reductions and demand billings deferred;***

Manitoba Hydro has provided the PUB with a report indicating the number of customers who have applied for relief, the forecast amount of relief to November 30, 2009, and the forecast amount of relief that would be provided if the program is extended to March 31, 2010. A copy of this report is provided as Appendix 13.1

1 3. *MH shall advise the Board, by November 15, 2009, as to whether MH will*
2 *extend the deferral period to March 31, 2010, and, if MH intends to extend the*
3 *deferral period, MH is to provide the Board with a forecast of: i) the amounts*
4 *anticipated to be deferred between June 1, 2009 and November 30, 2010; and,*
5 *(ii) the amounts anticipated to be deferred between December 1, 2009 and*
6 *March 31, 2010;*

7
8 At the time of this filing, Manitoba Hydro had not yet advised the PUB regarding
9 extension of the deferral period. However, Manitoba Hydro has provided the information
10 requested and a copy of that is included as Appendix 13.1.

11
12 4. *MH shall seek to finalize, confirm or otherwise vary this interim Order no later*
13 *than as part of, or concurrent with, its next General Rate Application – which is*
14 *scheduled to be filed in late 2009, unless otherwise ordered by the Board.*

15
16 This General Rate Application includes application to finalize Order 126/09 and to make
17 permanent the Demand Concessions.

18
19 **13.2 DIRECTIVES FROM ORDER 112/09**

20
21 On September 30, 2008, Manitoba Hydro filed an Application to the PUB for approval of
22 a new Energy Intensive Industrial Rate (EIIR). Eight days of public hearings were held
23 between December 8, 2008 and January 22, 2009.

24
25 On July 10, 2009, the PUB issued Board Order 112/09 denying the Energy Intensive
26 Industrial Rate.

27
28 An update on the directives from Order 112/09 is provided as follows:

29
30 2. *MH file on or before July 31, 2009, for the Board’s review and comment, the*
31 *Stakeholder Consultation Plan.*

32
33 On July 24, 2009, Manitoba Hydro informed the PUB that, due to the economic
34 downturn, Manitoba Hydro would not be proceeding with an alternative Energy Intensive
35 Industrial Rate at this time.

1 Manitoba Hydro now intends to bring a proposal on this matter to its Board of Directors
2 at the January 21 meeting. As soon thereafter as practicable, Manitoba Hydro will file
3 with the PUB an updated Energy Intensive Industrial Rate Application.
4

5 **3. *MH file by November 30, 2009, for Board review and approval a revised***
6 ***General Service Large >30 kV Energy Intensive Industrial Rate proposal as***
7 ***directed in this Order, together with any further scenarios MH and/or***
8 ***Stakeholders want to be considered by the Board.***
9

10 On July 24, 2009, Manitoba Hydro informed the PUB that, due to the economic
11 downturn, Manitoba Hydro would not be proceeding with an alternative Energy Intensive
12 Industrial Rate at this time.
13

14 Manitoba Hydro now intends to bring a proposal on this matter to its Board of Directors
15 at the January 21 meeting. As soon thereafter as practicable, Manitoba Hydro will file
16 with the PUB an updated Energy Intensive Industrial Rate Application.
17

18 **4. *MH file by November 30, 2009 for Board review and approval, a new Service***
19 ***Extension Policy that incorporates the capital credits available to offset basic***
20 ***sub-transmission and distribution upgrade charges, and required capital***
21 ***contributions toward generation and transmission costs for set MW load***
22 ***additions of, say, more than 30 or 50 MW, based on proposed parameters which***
23 ***are on a compatible basis with the new EIIR Terms and Conditions.***
24

25 On July 24, 2009, Manitoba Hydro informed the PUB that Manitoba Hydro would not be
26 proceeding with an alternative Energy Intensive Industrial Rate at that time.
27

28 Manitoba Hydro now intends to bring a proposal on this matter to its Board of Directors
29 at the January 21 meeting. As soon thereafter as practicable, Manitoba Hydro will file
30 with the PUB an Energy Intensive Industrial Rate Application. At that time, Manitoba
31 Hydro will also file a description of its proposed service extension policy for General
32 Service loads served at >30 kV.
33

34 **13.3 DIRECTIVES FROM ORDER 57/09**

35

36 During Manitoba Hydro's 2008 General Rate Application, immediate interim approval
37 was sought from the PUB to extend the Surplus Energy Program (SEP) to October 31,
38 2008 with final approval to March 31, 2013.

1
2 On April 28, 2009, the PUB issued Board Order 57/09 approving the extension of the
3 Surplus Energy Program to March 31, 2013.

4
5 Outlined below is an update on the directives from Order 57/09:

- 6
7 **2. *MH expressly include, in both its response to Directive #2 of Order 150/08 and***
8 ***its report to the Board on its export program, explanation and justification for***
9 ***continued sales of off-peak overnight summer exports.***

10
11 Manitoba Hydro has provided the explanation and justification sought by the Public
12 Utilities Board in its Report on the SEP program which was filed with the PUB on
13 March 4, 2009. A copy of that report is included in this Application as Appendix 13.2

14
15 Manitoba Hydro is prepared to respond to any specific questions or concerns that arise
16 out of the PUB's review of that report. Manitoba Hydro representatives met with PUB
17 Advisors on November 24, 2009, in order to discuss information that could be provided
18 in order to respond to the PUB's concerns as expressed in this Directive as well as
19 Directives 2, 20 and 21 of Order 150/08. A copy of a report produced pursuant to this
20 and any subsequent similar meetings will be provided in due course.

21
22 **13.4 DIRECTIVES FROM ORDER 32/09**

23
24 On February 2, 2009, Manitoba Hydro filed a Status Report which responded to
25 directives in Board Order 116/08 (amended in Board Order 150/08). In Board Order
26 116/08, the PUB approved an April 1, 2009 conditional general rate increase of 4%
27 (excluding Area and Roadway Lighting customers) subject to further PUB review.

28
29 On March 30, 2009, the PUB issued Board Order 32/09 which approved a 2.9% increase
30 to all customer classes (excluding Area and Roadway Lighting).

31
32 Outlined below is an update on the directives from Order 32/09:

- 33
34 **2. *MH is to immediately file, for Board approval, revised rate schedules, to take***
35 ***effect April 1, 2009 and demonstrate and recover a 2.9% increase in revenues***
36 ***derived from energy rates (consistent with the methodology as contained in***
37 ***Appendix 9, Attachment 'D' to the February 2, 2009 Status Report) from all***
38 ***customer classes, except for Area and Roadway Lighting.***

1
2 Manitoba Hydro filed updated rate schedules which were approved in Board Order 33/09
3 dated March 31, 2009.
4

5 **3. MH to prepare a series of alternative 20-year scenarios (IFF/Power Resource**
6 **Plan/Capital Plan), to reflect:**
7

- 8 a) *A pessimistic view of export prices (minimal U.S. - CO2 pricing levels).*
9 b) *A periodic one-year drought (e.g. 2003-04).*
10 c) *A periodic multi-year drought (e.g. 1940's or 1980's).*
11 d) *Zero long-term contract commitments.*
12 e) *A strong movement to domestic electric heating.*
13 f) *Existing transmission tie-line constraints.*
14 g) *Potential carbon tax on MH's imports and a doubling of water rental*
15 *rates.*
16

17 Manitoba Hydro intends to file the requested scenarios in January, 2010.
18

19 **4. MH to file by September 30, 2009, for Board approval, a conceptual outline for**
20 **an in-depth and independent study of all the operational and business risks**
21 **facing the corporation. The study to be a thorough and quantified Risk**
22 **Analysis, including probabilities of all identified operational and business risks.**
23 **This report should consider the implications of planned capital spending taking**
24 **into account export revenue growth, variable interest rates, drought, inflation**
25 **experience and risk, and potential currency fluctuation.**
26

27 Manitoba Hydro has contracted with KPMG to carry out an external review of Manitoba
28 Hydro's operational and business risks. Their report is anticipated to be completed on or
29 about December 31, 2009 and it is expected that the report would be filed with the PUB
30 shortly thereafter.
31

32 **5. In conjunction with the outline requested in Directive 4, MH is to file all**
33 **internally and externally prepared reports, since the 2003-04 drought, that**
34 **address any of and all of the energy supply and other risks faced by MH.**
35

36 Manitoba Hydro filed, with the Public Utilities Board internal and external prepared
37 reports, on November 6, 2009. Most of these reports were filed in confidence.
38

1 6. *MH to file with the Board by February 28, 2010 an IFRS status update report*
2 *detailing the support for changes in proposed accounting policies, including*
3 *accounting policy options considered, transitional elections to be made, and the*
4 *potential financial impact of such policies and elections on net income, retained*
5 *earnings, customer rates, and key business and information technology*
6 *processes as well as providing an updated 20-year IFF reflecting the financial*
7 *impact of the proposed changes.*
8

9 Manitoba Hydro is anticipating filing the IFRS status update report on or about
10 February 28, 2010.

11
12 7. *MH file, on or before December 1, 2009, a full 20-year capital expenditure*
13 *forecast, together with draft terms of reference and timeline for a regulatory*
14 *review of MH's planned capital program and its impact on consumer rates;*
15

16 Manitoba Hydro will consult with the Government of Manitoba with respect to terms of
17 reference and process for a review of the capital program.

18
19 8. *MH file, ahead of the 2009/10 heating season, an update of its plans for a low-*
20 *income bill assistance program; and*
21

22 Manitoba Hydro is targeting to implement enhancements to its low income bill assistance
23 program in January, 2010.

24
25 9. *MH file its next General Rate Application, including any rate adjustment*
26 *requests for both 2010 and 2011, by October 1, 2009.*
27

28 On September 23, 2009 Manitoba Hydro requested a variance to the filing date of
29 October 1, 2009 to November 30, 2009. On September 28, 2009, the PUB approved
30 Manitoba Hydro's request with a new date of filing for November 30, 2009.

31
32 **13.5 DIRECTIVES FROM ORDER 150/08**
33

34 On September 18, 2008, Manitoba Hydro filed an Application for a Review and Vary of
35 Order No. 116/08. Manitoba Hydro requested a variance to 19 directives. On
36 November 7, 2008, the PUB restated all of the directives from Board Order 116/08 in
37 Board Order 150/08.
38

1 Outlined below is an update on the directives from Order 150/08:
2

- 3 **1. MH file with the Board, MH's 2007/08 Annual Report, with audited financial**
4 **statements, immediately after the Corporation meets its statutory filing**
5 **requirement with respect to the Legislature;**
6

7 This information was filed on August 12, 2008.
8

- 9 **2. With respect to MH's export program, MH is to work co-operatively with Board**
10 **Staff and/or Advisors to develop a process that will enhance the Board's**
11 **understanding of MH's export program and its potential impact on domestic**
12 **rates. MH is to thereafter, file a report with the Board that may include the**
13 **following:**

- 14
- 15 **a) Overview of strategy, options, historical costs and revenues;**
 - 16
 - 17 **b) Monthly historical export prices for the last five years, disaggregated for**
18 **both peak and off-peak periods;**
 - 19
 - 20 **c) Existing and pending export contract commitments, with annual**
21 **forecast revenues both aggregated and also disaggregated (in confidence**
22 **if necessary);**
 - 23
 - 24 **d) Forecast export revenues until 2028, identifying opportunity sales**
25 **distinct from firm contract sales and broken down by peak/off peak,**
26
 - 27 **e) Detailed assumptions used in export market price forecasts (filed in**
28 **confidence if necessary). MH to resubmit its export pricing forecasts to**
29 **reflect recent realities of market prices and exchange rates;**
30
 - 31 **f) A testing of MH's assumptions through detailed sensitivity analyses for**
32 **upper/lower quartile water flows, foreign exchange, domestic load**
33 **growth and natural gas prices; and**
34
 - 35 **g) Given the crucial nature of the Corporation's export contracts and**
36 **assumptions, with potential impacts on domestic rates, MH file for**
37 **Board review all proposed export contracts;**
38

1 A meeting was held on November 24, 2009 between Manitoba Hydro and the PUB to
2 discuss this directive. A copy of a report produced pursuant to this and any subsequent
3 similar meetings will be provided in due course.
4

5 **3. MH to provide the Board with:**
6

7 **a) Specific quarterly reports on energy supplies (including imports),
8 domestic demand, and export sales (e.g., similar to NEB volume and
9 price data); and**
10

11 **b) Annual reports on the LUBD Program performance;**
12

13 A meeting was held on November 24, 2009 between Manitoba Hydro and the PUB to
14 discuss this directive. A copy of a report produced pursuant to this and any subsequent
15 similar meetings will be provided in due course.
16

17 **4. MH to provide the Board an independent assessment of the Corporation's
18 relative weighting of fixed vs. floating debt, and file a report with the Board on
19 or before June 30, 2009;**
20

21 This information was filed on July 24, 2009. A copy is provided as Appendix 13.3
22

23 **5. With respect to IFRS, the Board requires MH to file on or by January 15, 2010:**
24

25 **a) A report explaining and quantifying the proposed transition to IFRS;**
26

27 **b) A copy of MH's consultant's report indicating the projected impact of
28 the adoption of IFRS on the Utility, specifically with respect to MH's
29 current deferral and capitalization approaches, and as to the likely
30 status of goodwill now recorded in its accounts;**
31

32 **c) An articulation of the new proposed MH accounting policies detailing
33 how they comply with IFRS;**
34

35 **d) An explanation of any changes to the internal operations of MH which
36 may be planned or contemplated to offset any increased annual expenses
37 expected as a result of the adoption of IFRS, together with MH's and its
38 consultant's views of the Board's regulatory options, including a review**

1 *of the pros and cons of special purpose financial reporting for utilities*
2 *for rate setting purposes; and*

- 3
4 *e) An updated IFF and CEF (covering the years 2008 to 2028) reflecting*
5 *the expected impact of the new standards and assumptions of related*
6 *operational changes as may be planned or contemplated by MH;*

7
8 *By January 15, 2009, MH is to file with the Board a High Level Scan by its*
9 *independent consultant, which Scan is to provide more detail on the future*
10 *status of existing balance sheet balances and accounting policies. Additionally,*
11 *MH is to file a status report on IFRS in conjunction with any MH application*
12 *for confirmation of the April 1, 2009 conditional rate increase.*

13
14 On February 2, 2009 Manitoba Hydro filed a High Level Scan by its independent
15 consultant, KPMG. This information is provided in Appendix 13.4

16
17 As noted with respect to Order 32/09, Directive 6, Manitoba Hydro anticipates a further
18 status report on or about February 28, 2010.

- 19
20 **6. *MH to undertake and file with the Board, by a date to be fixed by the Board***
21 ***after its review of the study outline to be filed by MH by June 30, 2009, an***
22 ***independent benchmarking study of key performance metrics, using the most***
23 ***currently-available data and including:***

- 24
25 *a) Primary key drivers of OM&A in each operational division [Board*
26 *preference is for a divisional break-down to allow for a comparison with*
27 *other utilities, even if the comparison needs to be limited to specific*
28 *divisions/activities],*

- 29
30 *b) Comparable other Canadian Utility data for each of the drivers;*

- 31
32 *c) Key comparison indicators, including staffing levels;*

- 33
34 *d) A comparison with and discussion of industry best practices; and*

- 35
36 *e) Potential improvement areas.*
37

1 *The Board expects to be apprised of the scope of the benchmarking study in*
2 *advance of it being undertaken, and will anticipate being provided a study*
3 *outline on or before June 30, 2009, to allow the Board the opportunity to*
4 *provide direction and/or comment.*

5
6 Manitoba Hydro filed its strategic measures on July 24, 2009. Manitoba Hydro intends to
7 address this directive once it has implemented IFRS and will provide the PUB with a
8 timeline for addressing it by April 1, 2010.

9
10 7. *MH to undertake and file with the Board an Asset Condition Assessment Report*
11 *by a date to be fixed by the Board after its review of the Terms of Reference to*
12 *be filed by MH by June 30, 2009, that defines:*

13
14 a) *major assets and categories of assets;*

15
16 b) *the estimated remaining economic life of each major asset and category*
17 *of asset;*

18
19 c) *an indication of the implications for OM&A costs related to required*
20 *and scheduled maintenance;*

21
22 d) *a listing of scheduled, planned or anticipated major*
23 *upgrading/decommissioning of major assets and/or categories of assets;*

24
25 e) *forecast expenditures for planned renovations and/or replacements with*
26 *respect to now available energy supply and transmission; and*

27
28 f) *Dam Safety Condition Assessment and Maintenance requirements; In*
29 *advance of the commencement of the Asset Condition Assessment Study,*
30 *MH to file with the Board detailed Terms of Reference containing the*
31 *scope for undertaking such a study and a definition of the resources to*
32 *be employed, on or before January 15, 2009.*

33
34 *In advance of the commencement of the Asset Condition Assessment Study,*
35 *MH to file with the Board detailed Terms of Reference containing the scope for*
36 *undertaking such a study and a definition of the resources to be employed, on*
37 *or before June 30, 2009.*

1 Manitoba Hydro will consider the extent to which this issue can be addressed as part of
2 its Depreciation Study (to be completed post-IFRS implementation) and will provide a
3 specific timeline by April 1, 2010.
4

- 5 **8. MH to file a report with the Board by June 30, 2009 detailing the final all-**
6 **inclusive capital cost of the corporate head office project (including such things**
7 **as construction cost, furniture and equipment, telecommunications, equipment**
8 **leases etc), and the contemplated or planned operating actions to recover**
9 **incremental costs related to the new head office. (The Board reaffirms that no**
10 **additional incremental costs are to accrue or be allocated to Centra as a result**
11 **of the new MH head office.)**
12

13 This information was filed with the PUB on July 24, 2009. A copy is provided as
14 Appendix 13.5.
15

- 16 **9. MH to file a report with the Board by January 15, 2009 indicating:**
17

- 18 **a) whether the current depreciation rates for the Generation,**
19 **Transmission, Distribution and other assets purchased from Winnipeg**
20 **Hydro [including Slave Falls] and the Brandon Coal Plant remain**
21 **appropriate; and**
22
23 **b) the related proposed capital replacement, expansion and**
24 **decommissioning costs;**
25

26 This information was filed with the Public Utilities Board on February 2, 2009. A copy
27 is provided as Appendix 13.6 to this GRA filing.
28

- 29 **10. To gain a further understanding of the implications of the capital expenditures**
30 **now contemplated, MH is to file with the Board by January 15, 2009:**
31

- 32 **a) an updated Capital Expenditure Forecast, and Integrated Financial**
33 **Forecast covering the fiscal years 2007/08 to 2027/28;**
34
35 **b) An updated Power Resource Plan covering the years 2008 to 2028. The**
36 **updated Power Resource Plan should provide alternative scenarios**
37 **with/without implementation of the pending new export contracts and**
38 **related capital spending. The report should also indicate the remaining**

1 *feasible hydro generation opportunities, following Wuskwatim, Keeyask*
2 *and Conawapa, where and what possible quantity of energy would be*
3 *expected, and the assumed development timeline; and*
4

5 c) *An updated Load Forecast covering the fiscal years 2007/08 to 2027/28;*
6 *the Load Forecast should reconcile projected and actual DSM savings;*
7

8 The response to 10(a) was filed on February 2, 2009, and a further update was filed on
9 July 24, 2009. The response to 10(b) was filed on March 24, 2009. The response to
10 10(c) was filed September 30, 2008, and was refiled February 2, 2009, along with a DSM
11 savings reconciliation. The 2009 Load Forecast is included in the current General Rate
12 Application as Appendix 7.1.
13

14 **11. *The Board will direct MH to propose to the Board, on a date to be determined***
15 ***after MH provides the information requested in Directive 10, the terms of***
16 ***reference for a regulatory review of MH's planned Capital Program and its***
17 ***impact on consumer rates;***
18

19 This directive appears to have been superseded by Order 32/09; Directive 7. Manitoba
20 Hydro will consult with the Government of Manitoba with respect to terms of reference
21 and process for a review of the capital program.
22

23 **12. *MH to prepare a study, and file it with the Board by January 15, 2009, a***
24 ***thorough and quantified Risk Analysis, including probabilities of all identified***
25 ***operational and business risks. This report should consider the implications of***
26 ***planned capital spending and take into account revenue growth, variable***
27 ***interest rates, drought, inflation experience and risk, and potential currency***
28 ***fluctuation;***
29

30 Manitoba Hydro has contracted with KPMG to carry out an external review of Manitoba
31 Hydro's operational and business risks. Their report is anticipated to be completed on or
32 about December 31, 2009 and it is expected that the report would be filed with the PUB
33 shortly thereafter.
34

35 **13. *MH to file for Board approval, following Board review of the information MH***
36 ***is to file by January 15, 2009, and only in the event thereafter directed, a***
37 ***conceptual outline for an in-depth and independent study of all the operational***
38 ***and business risks facing the corporation set out in the previous directive (12);***

1
2 Manitoba Hydro has contracted with KPMG to carry out an external review of Manitoba
3 Hydro's operational and business risks. Their report is anticipated to be completed on or
4 about December 31, 2009 and it is expected that the report would be filed with the PUB
5 shortly thereafter.
6

7 **14. MH to provide the Board, only if so directed following the Board's review of the**
8 **information to be filed by MH by January 15, 2009, with recommended risk**
9 **mitigation measures and a review of possible suitable capital structures, given**
10 **the capital expansion now planned or contemplated, with risks quantified;**
11

12 Manitoba Hydro has contracted with KPMG to carry out an external review of Manitoba
13 Hydro's operational and business risks. Their report is anticipated to be completed on or
14 about December 31, 2009 and it is expected that the report would be filed with the PUB
15 shortly thereafter.
16

17 **15. MH to provide the Board by June 30, 2009, a summary of existing programs**
18 **and potential future programs defining the arrangements for increased or**
19 **modified (augmented) water flows within and external to Manitoba. The**
20 **summary should include the specifics of each program and mitigation and**
21 **compensation related thereto;**
22

23 The PUB indicated in Order 150/08, page 40, that this directive had been satisfied.
24

25 **16. MH to submit a report to the Board within 30 days following MH's Board**
26 **finalization of the matter, on the 300 MW of additional wind energy project(s),**
27 **with a discussion of the business case, general wind strategy, prospects and**
28 **timelines for the project, as well as with respect to the prospect for a further 600**
29 **MW consistent with the government's identified longer-term target of 1,000**
30 **MW of wind energy. The Board will also require access to the agreements for**
31 **the existing 100 MW St. Leon wind project, and an opportunity to review the**
32 **pending agreements for the 300 MW project(s) within 30 days following MH's**
33 **Board finalization of the matter;**
34

35 The proposed 300 MW St. Joseph wind energy project has yet to be finalized.
36

37 The agreement for the existing 100 MW St. Leon Wind project will be provided on a
38 confidential basis to the Public Utilities Board.

1
2 **17. MH report to the Board before June 30, 2009, as to whether there are greater**
3 **global environmental (GHG) and economic benefits to be achieved by exporting**
4 **hydraulically-generated electricity than would be achieved by fuel switching**
5 **(from natural gas to electricity) and/or geothermal within Manitoba. The report**
6 **should address and clearly define the relative environmental and economic**
7 **benefits of these exports. The overall assumptions and impacts on the Load**
8 **Forecast should also be included in the report;**
9

10 Manitoba Hydro anticipates filing this report in January, 2010.

11
12 **18. With respect to low-income programs, MH to prepare and report on the**
13 **following:**

14
15 **a) MH to consult with stakeholders on its enhancements to its low income**
16 **programs to ensure it adequately addresses low-income needs, and to**
17 **report to the Board by September 30, 2008 on the results of the**
18 **consultation and subsequent development of and implementation of this**
19 **program;**

20
21 **b) MH to provide an update on the status of the current natural gas**
22 **furnace replacement program (including actual and forecast takeup**
23 **rates), as well as reports of possible changes to the program relative to**
24 **the suggestions put forward by Mr. Dunsky, on or before September 30,**
25 **2008;**

26
27 **c) MH to meet with MKO and representatives from the diesel communities**
28 **to discuss the issue of the access of those communities to MH's low-**
29 **income programs, and to report to the Board on the outcome of these**
30 **discussions on or before September 30, 2008;**

31
32 **d) MH to propose for Board approval (by a date to be requested by MH in**
33 **its November 30, 2008 update and approved by the Board) a low-income**
34 **bill assistance program, where such a program would occur in**
35 **conjunction with and complimentary to an expanded low-income DSM**
36 **program;**
37

- 1 e) *MH to file with the Board on or before June 30, 2009 a draft plan, with*
2 *projected implications, to increase the Corporation's integrated (natural*
3 *gas and electricity) energy-efficiency initiatives with respect to low-*
4 *income households, so as to allow for reduced energy consumption for*
5 *all such households within a decade;*
6
7 f) *MH to report back to the Board on the potential for a low-income and a*
8 *general refrigerator replacement program, and provide the merits of*
9 *such programs, on or before June 30, 2009; and*
10
11 g) *MH to accrue interest on the AEF balance, to ensure additional funds*
12 *are available to fund expanded low-income energy efficiency programs*
13 *and to avoid the loss of "purchasing power" of the AEF due to*
14 *continuing inflation;*
15

16 The responses to items 18 (a); (b); (c); and (d) were filed with the PUB on September 30,
17 2008.

18
19 The responses to items 18(e) and (f) were filed with the PUB on July 24, 2009.

20
21 Manitoba Hydro filed a response to 18(d) on March 4, 2009. This directive was updated
22 in Order 32/09; Directive 8. The response to that directive will be provided in January,
23 2010.

24
25 **19. MH to refile the COSS by January 15, 2009 on the following basis:**

- 26
27 a) *As defined by Order 117/06;*
28
29 b) *Incorporating diesel and exports in the same fashion as other domestic*
30 *customer classes. This Directive remains conditional on the full*
31 *execution of the Settlement Agreement and is also subject to further*
32 *review and approval by the Board in a required separate application and*
33 *proceeding;*
34
35 c) *The assigning of 50% fixed and 100% variable thermal plant costs to the*
36 *Export class;*
37

- 1 d) *Assign DSM cost directly to export class and add DSM energy savings to*
2 *domestic load for Generation cost-sharing purposes;*
3
4 e) *Use the most recent actual [not forecast] export prices to establish export*
5 *revenue in the COSS; and*
6
7 f) *Use actual [eight year] energy [SEP] prices and energy use profiles in*
8 *Generation energy weighting process;*
9

10 A Cost of Service Study for the year ended March 31, 2008, was prepared consistent with
11 this directive and was filed with the Public Utilities Board March 4, 2009. This study is
12 provided in the General Rate Application as Appendix 11.3.

- 13
14 **20.** *MH to provide and file with the Board by January 15, 2009, or by such*
15 *subsequent date as determined by the Board following the clarification*
16 *meeting(s) between Board staff and/or Advisors and MH, a revamped Marginal*
17 *Cost (MC)-COSS analysis; one reflecting needed refinements to generation,*
18 *transmission and distribution marginal costs. This should include specific*
19 *demonstrations of how alternative MC adjustments could be applied to an*
20 *embedded COSS. Among the scenarios to be explored, MH should consider the*
21 *addition or blending of marginal costs to embedded costs prior to comparison to*
22 *class revenues;*
23

24 A meeting was held on November 24, 2009 between Manitoba Hydro and the PUB to
25 discuss this directive. A copy of a report produced pursuant to this and any subsequent
26 similar meetings will be provided in due course.

27
28 Manitoba Hydro intends to engage external consulting services to review the entire Cost
29 of Service methodology for consistency with cost causation, utility economics and the
30 range of regulatory practice in North America and, pursuant to that review, to make
31 appropriate recommendations with respect to either maintaining or varying those
32 methodologies. Manitoba Hydro will file its proposed Terms of Reference for the review
33 in January, 2010.

- 34
35 **21.** *MH to file all appropriate data [e.g. SEP/ NEB/ MISO clearinghouse*
36 *information and avoided cost information etc.] required for input to the*
37 *marginal cost determinations for generation, transmission and distribution and*
38 *to further define the key assumptions employed by MH in support of this*

1 *process, with the Board [on a confidential basis if necessary] on or before*
2 *January 15, 2009;*

3
4 A meeting was held on November 24, 2009 between Manitoba Hydro and the PUB to
5 discuss this directive. A copy of a report produced pursuant to this and any subsequent
6 similar meetings will be provided in due course.

7
8 **22. *MH to provide a planned implementation strategy outline by December 1, 2008***
9 ***for TOU Rates as appropriate to the classes with required metering technology***
10 ***already in place. Alternative rate strategies should be included for consideration***
11 ***at the upcoming Energy Intensive Industry rate hearing;***

12
13 Manitoba Hydro intends to bring a proposal to its Board of Directors at the January 21,
14 2010, meeting. Such a proposal will address, in an integrated fashion, the role of TOU
15 Rates and/or Inverted Rates in conjunction with any Energy Intensive Rate proposal and
16 any revisions to Service Extension Policy for General Service Large customers served at
17 higher than 30 kV. As soon thereafter as practicable, Manitoba Hydro will file same with
18 the PUB.

19
20 **23. *MH file a plan by January 15, 2009 outlining the pros and cons of the various***
21 ***potential inverted rate strategies under consideration, and the MH-proposed***
22 ***course of action to address this issue over the next five years;***

23
24 Manitoba Hydro intends to bring a proposal to its Board of Directors at the January 21,
25 2010 meeting. Such a proposal will address, in an integrated fashion, the role of TOU
26 Rates and/or Inverted Rates in conjunction with any Energy Intensive Rate proposal and
27 any revisions to Service Extension Policy for General Service Large customers served at
28 higher than 30 kV. As soon thereafter as practicable, Manitoba Hydro will file same with
29 the PUB.

30
31 **24. *MH to plan to re-balance demand and energy charges on a revenue neutral***
32 ***basis, and submit a 5-year transition plan for the Board's approval at the***
33 ***earliest of June 30, 2009, or the next GRA;***

34
35 Manitoba Hydro filed its plan to rebalance demand and energy charges on July 31, 2009.
36 A copy of that filing is included here as Appendix 13.7. Tab 10 of the current
37 Application incorporates that plan for the years covered by this General Rate Application.
38

1 **25. *MH to continue with the consolidation of process of the GSS and GSM***
2 ***customer class consolidation, and provide the Board with a proposal by June***
3 ***30, 2009 for a stepped-up program and a timeframe for completion;***
4

5 Manitoba Hydro filed its plan to consolidate the two rate classes on July 31, 2009. A
6 copy of that filing is included here as Appendix 13.8. Tab 10 of the current Application
7 incorporates that plan for the years covered by this General Rate Application.
8

9 **26. *MH to include in its future application to finalize the four interim Orders related to***
10 ***Diesel Rates, reports on:***

11
12 ***a) the fairness of the rate approach with respect to non-senior government***
13 ***accounts (the Board is concerned that the rates restrict the economic***
14 ***development prospects for the communities and drive up service and commodity***
15 ***costs);***
16

17 ***b) the efficacy of the current rate schedule for non-government accounts (data on***
18 ***aged accounts receivable, delinquency and bad debts together with the***
19 ***collection policies in place for the four communities will be required); and***
20

21 ***c) the effects of the current approach to rates and consumption restrictions on the***
22 ***four communities, a detailed review of consumption levels and collection***
23 ***practice from the former Diesel communities that have been connected to the***
24 ***grid which will serve as a comparison; and***
25

26 ***d) MH to report to the Board by as soon as possible, but by December 31, 2008, as***
27 ***to the balances and status of the diesel zone accounts; to ascertain whether***
28 ***existing interim rates are fully recovering operational costs;***
29

30 Manitoba Hydro filed material addressing these points with the PUB on February 2,
31 2009. On November 9, 2009, Manitoba Hydro filed updated material, including a Diesel
32 Cost of Service Study for 2008/09 and updated forecast data to March 31, 2010. The
33 PUB convened a one day hearing on November 16, 2009, to review this material. The
34 hearing was also attended by Intervenors of record from the 2004 Diesel hearings.
35 Manitoba Hydro is awaiting further direction from the PUB pursuant to that hearing.
36

1 **27. MH to provide a report to the Board by February 28, 2009 evaluating the**
2 **Surplus Energy Program. The report should employ monthly historical data**
3 **from 2000 to 2008 to analyze and compare the benefit and costs of the actual**
4 **operation of the hydraulic generating system pursuant to various less**
5 **aggressive sales strategies. This report should address the relative merits of**
6 **withholding surplus energy from sales at off-peak periods;**

7
8 **The Board confirms Order 136/07 and the conditional approval granted to**
9 **extend the SEP until April 30, 2009 unless further amended or extended by**
10 **Order of the Board.**

11
12 Manitoba Hydro filed the SEP report on March 4, 2009. A copy is included in the
13 current General Rate Application filing as Appendix 13.2.

14
15 On April 28, 2009, the PUB issued Board Order 57/09 approving the extension of the
16 Surplus Energy Program to March 31, 2013. Order 57/09 also included the following
17 directive: “2. *MH expressly include, in both its response to Directive #2 of Order*
18 *150/08 and its report to the Board on its export program, explanation and justification*
19 *for continued sales of off-peak overnight summer exports.”*

20
21 Manitoba Hydro believes it has provided the explanation and justification sought by the
22 Public Utilities Board in its Report filed on March 4, 2009. Manitoba Hydro is prepared
23 to respond to any specific questions or concerns that arise out of the PUB’s review of that
24 report. Manitoba Hydro representatives met with PUB Advisors on November 24, 2009,
25 in order to discuss information that could be provided in order to respond to the PUB’s
26 concerns as expressed in this Directive.

27
28 **28. MH to provide a further and complete explanation as to the use and suspension**
29 **of its Service Extension Policy, as herein requested, by December 1, 2008 for**
30 **discussion at the upcoming Energy Intensive Industry Rate hearing;**

31
32 Manitoba Hydro believes this directive has been superseded by Order 112/09;
33 Directive 4. Manitoba Hydro now intends to bring a proposal on this matter to its Board
34 of Directors at the January 21 meeting. As soon thereafter as practicable, Manitoba
35 Hydro will file with the PUB a description of the parameters of an Energy Intensive Rate
36 as described in Order 112/09 on page 137. If Manitoba Hydro has any alternative
37 proposal to make at that time, it will file a description of such program, along with a
38 stakeholder consultation plan, including timelines. At that time, Manitoba Hydro will

1 also file a description of its proposed service extension policy for General Service loads
2 served at > 30 kV.

3
4 **29. With respect to an Energy Intensive Industry rate for new and expanded load,**
5 **MH is to file an updated application with the Board on or before September 30,**
6 **2008. Such an application should include:**

7
8 a) ***An in-depth analysis of value of on-peak versus off-peak energy sales***
9 ***into the MISO market;***

10
11 b) ***A report on the specific deferral values that could be achieved by***
12 ***constraining industrial load growth; and***

13
14 c) ***An analysis for all GSL customers, to justify the proposed 39 GW.h floor***
15 ***for new rate exemption, and report on the potential extension of the rate***
16 ***and/or lowering of the threshold;***

17
18 Manitoba Hydro believes that this directive has now been superseded by the directives in
19 Order 112/09. Manitoba Hydro now intends to bring a proposal on this matter to its
20 Board of Directors at the January 21 meeting. As soon thereafter as practicable,
21 Manitoba Hydro will file with the PUB a description of the parameters of an Energy
22 Intensive Rate as described in Order 112/09 on page 137. If Manitoba Hydro has any
23 alternative proposal to make at that time, it will file a description of such program, along
24 with a stakeholder consultation plan, including timelines. At that time, Manitoba Hydro
25 will also file a description of its proposed service extension policy for General Service
26 loads served at >30 kV.

27 28 **13.6 DIRECTIVES FROM ORDER 176/06**

29
30 Manitoba Hydro filed an Application on October 5, 2006 with the PUB. The PUB issued
31 Order 176/06 approving the diesel rates on an *ex parte* basis effective January 1, 2007.

32
33 An update on the directives from Order 176/06 is provided as follows:

34
35 **3. *Manitoba Hydro is to file an Application seeking to finalize all outstanding and***
36 ***interim Orders related to the Diesel Zone, forthwith following finalization of the***
37 ***tentative Settlement Agreement;***

1 Manitoba Hydro filed material addressing these points with the PUB on February 2,
2 2009. On November 9, 2009, Manitoba Hydro filed updated material, including a Diesel
3 Cost of Service Study for 2008/09 and updated forecast data to March 31, 2010. The
4 PUB convened a one day hearing on November 16, 2009, to review this material. The
5 hearing was also attended by Intervenors of record from the 2004 Diesel hearings.
6 Manitoba Hydro is awaiting further direction from the PUB pursuant to that hearing.
7

8 **4. Manitoba Hydro is to include in its next Application affecting Diesel Zone**
9 **rates, details of deficits, plans for recovering such amounts, and the**
10 **recommendation on including carrying costs on deficits and surpluses;**
11

12 Manitoba Hydro filed material addressing these points with the PUB on February 2,
13 2009. On November 9, 2009, Manitoba Hydro filed updated material, including a Diesel
14 Cost of Service Study for 2008/09 and updated forecast data to March 31, 2010. The
15 PUB convened a one day hearing on November 16, 2009, to review this material. The
16 hearing was also attended by Intervenors of record from the 2004 Diesel hearings.
17 Manitoba Hydro is awaiting further direction from the PUB pursuant to that hearing.
18

19 **5. Manitoba Hydro to report, in the next Application affecting Diesel Zone rates,**
20 **details of the plan to recover the approximate \$4,484,000 of capital**
21 **expenditures incurred, or to be incurred, from April 1, 2004 to March 31, 2007;**
22

23 Manitoba Hydro filed material addressing these points with the PUB on February 2,
24 2009. On November 9, 2009, Manitoba Hydro filed updated material, including a Diesel
25 Cost of Service Study for 2008/09 and updated forecast data to March 31, 2010. The
26 PUB convened a one day hearing on November 16, 2009, to review this material. The
27 hearing was also attended by Intervenors of record from the 2004 Diesel hearings.
28 Manitoba Hydro is awaiting further direction from the PUB pursuant to that hearing.
29

30 **6. Manitoba Hydro to report to the Board, by the next General Rate Application,**
31 **following completion of Manitoba Hydro's consultation with the four diesel**
32 **zoned communities, and its research into alternate supply options for the**
33 **communities in the Diesel Zone. Either included in such a report, or separately,**
34 **Manitoba Hydro is to report on the direct and indirect social and economic**
35 **impacts of the services and rates charged to customers in the Diesel Zone.**
36

1 Manitoba Hydro filed a report on potential long term options for electric supply in the
2 current diesel communities with the Public Utilities Board on November 16, 2009. A
3 copy of that report, “Recommendations for Reducing or Eliminating the Use of Diesel
4 Fuel to Supply Power in Off-Grid Communities” is provided as Appendix 13.09 in this
5 General Rate Application.
6

7 **8. *Manitoba Hydro to report to the Board, at the next public hearing related to***
8 ***rates charged in the Diesel Zone, as to delinquent accounts, collection practices***
9 ***(including load limiters), bad debts, write offs, and accounting practices as to***
10 ***which of Manitoba Hydro’s customers are ultimately responsible for accounts***
11 ***written off.***
12

13 Manitoba Hydro provided some of this information prior to the 2004 Hearing into Diesel
14 Rates. Please see the response to PUB/MH 23 from that proceeding. Manitoba Hydro
15 will update this information prior to the next hearing into Diesel Rates.