

1 **PUB/MPA 1-0010(a)**

2 **REFERENCE:**

3 MPA Report Pages 34 Line 14, Page 51 Line 18

4 **PREAMBLE:**

5 Potomac provided an alternative export price forecast for Manitoba Hydro.

6 MPA alludes to technological change that may impact future demand for electricity.

7 MPA states that "For the Preferred Development Plan (14) the difference in rate patterns  
8 between the High and Low Demand Assumptions are similar to what is depicted above for the  
9 all gas plan, and the inferences that can be drawn are the same. In short, if export prices are  
10 higher in the future, then reducing domestic demand is beneficial for Manitoba ratepayers, but  
11 if export prices are lower, then reducing domestic demand only raises cumulative rates in  
12 Manitoba providing ratepayers without providing ratepayers much benefit

13 **QUESTION:**

14 Please discuss and quantify the implications to Manitoba ratepayers if the Potomac reference  
15 export price forecasts were utilized.

16 **RESPONSE:**

17 MPA developed its financial model based on the outputs of Manitoba Hydro's SPLASH model.  
18 That model predicts Manitoba energy production, imports and exports based on a variety of  
19 assumptions, built up from detailed consideration of all of Manitoba Hydro's individual  
20 generation assets, water storage facilities, transmission facilities and water management  
21 practices. One critical assumption used in the SPLASH model is peak and off-peak prices for  
22 exports and imports. This assumption drives unit-level decisions. MPA has not replicated the  
23 SPLASH model, nor can we predict the impact over time on model outputs of adopting a  
24 different import/export price curve assumption (e.g., in some situations where water is  
25 plentiful, Manitoba Hydro unit decisions would not likely change with different export prices,  
26 but in other situations where water is less available and decisions must be made between

1 burning gas, using water or importing, a change in the price curve assumption could have  
2 important effects). As a result, we could not perform additional model runs based on Potomac's  
3 suggested price curves.

4 However, we would note that Potomac has suggested a reference forward price curve that is  
5 [REDACTED] than Manitoba Hydro's reference case. Please see PUB/MPA1-004(a) above  
6 for a discussion of the relative sensitivity of the various Resource Plans to export prices.

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