PUB/MPA 1-024(b)

REFERENCE:

MPA Report Pages 51 (Line 18), 53 Figure 14

PREAMBLE:

Potomac provided an alternative export price forecast for Manitoba Hydro.

MPA alludes to technology change may impact future demand for electricity.

MPA States

For the Preferred Development Plan (14) the difference in rate patterns between the High and Low Demand Assumptions are similar to what is depicted above for the "All Gas" plan (1) , and the inferences that can be drawn are the same. In short if export prices are higher in the future, then reducing domestic demand is beneficial for Manitoba ratepayers, but if export prices are lower, than reducing domestic demand only raises cumulative rates in Manitoba , without providing ratepayers much benefit

QUESTION:

Please provide an update to the average export revenue as a percentage of total revenue reflecting the Potomac Report and comment on the changes

RESPONSE:

MPA's financial model is based on the detailed output of the Manitoba Hydro SPLASH model. While we were provided with SPLASH model outputs based on High/Reference/Low energy prices, these did not include Potomac's proposed forward price curves. In PUB/MPA 1-004 above, we provide data on the sensitivity of ratepayer costs to energy prices. Given that Potomac suggests in their report that energy price expectations should be [redacted] provided by Manitoba Hydro, it is possible to extrapolate as to the impact on ratepayers under each of the Plans. Given the negative sensitivity of the Preferred Plan to lower energy prices (i.e., in a lower energy/export price environment Manitoba ratepayers must pay more for their electricity over time), it can be inferred that Potomac's forward price curves for exports would reduce the attractiveness of the Preferred Plan as compared to the other Plans.