

MANITOBA

Order No. 132/00

THE PUBLIC UTILITIES BOARD ACT

**THE CROWN CORPORATIONS PUBLIC
REVIEW AND ACCOUNTABILITY ACT**

September 29, 2000

Before: G. D. Forrest, Chairman
E. Edmondson, Member

**AN APPLICATION BY MANITOBA HYDRO
TO REVIEW AND VARY BOARD ORDER 90/00**

1.0 Application to Review and Vary

In Board Order 90/00 the Board approved Manitoba Hydro's ("Hydro's) application for a Surplus Energy Program ("SEP"). In its approval, however, the Board rejected the term and condition requested by Hydro for a 16 month period to convert SEP load to firm service. Rather, the Board found "a notice period of 12 months is appropriate for a customer to give notice to convert from the Surplus Energy Program to firm service."

On reviewing the Order, Hydro wrote to the Board stating that "to offer the [Surplus Energy] Program in accordance with the terms set out in the Order would be to risk incurring substantial additional costs and threaten the revenue neutrality of the program." Accordingly, an application was made to review and vary Order 90/00.

Hydro noted that if customers are able to convert on only 12 months notice, Hydro must, in effect, reserve capacity for those customers for two summers ahead, or be prepared to purchase that capacity on their behalf. This is due to Hydro making summer capacity sales for two years, ie. the current year, and the following year. If Hydro had committed all firm capacity that is surplus to domestic and firm export needs to summer capacity sales to MAPP, then there would be no firm capacity available for a SEP customer who wishes to convert to firm supply.

The cost of making that capacity available, in either foregone capacity export sales or the need to make capacity purchases to support the potential conversion to firm capacity is estimated by Hydro to be an additional 1.0 cent per kilowatt hour of peak SEP energy sold during the summer months. Their best estimate of the financial impact of guaranteeing the conversion on 12 months notice rather than 16 months is \$324,000 per year, which erodes significantly the proposed revenue neutrality of the SEP.

In this application to review and vary, Hydro proposed revisions to Board Order 90/00 and put forward two options to mitigate the costs of the 16 month period. The notice period could be reduced to 12 months if customers either:

1. paid a premium of 1.0 cent per kilowatt hour for energy purchased during the summer peak hours, or
2. agreed that load converted on 12 months notice shall be subject to curtailment under the provisions of Option A or C of the Curtailable Service Program for the first four months following conversion.

Without one of the two proposed revisions, Hydro believes the SEP will not be economic and would prefer to not offer it.

2.0 Intervenor's Positions

All Intervenor's were given the opportunity to respond to the review and vary application of Hydro. The Manitoba Industrial Power Users Group ("MIPUG") submitted Hydro was entering new evidence which it had failed to provide during the hearing. Accordingly, Hydro's application should not be considered unless it establishes a clear and compelling reason for the Board to review and vary the Board's Order. MIPUG also criticized the introduction of new evidence indicating it was unable to assess the relevancy or materiality or probability of the new estimates based upon the information set out. MIPUG further noted that if the Board were to accept Hydro had established its case, then MIPUG did not consider Hydro had offered a clear remedy in its two options, taking issue with some of the specifics of the options.

In its submission, Trans Canada Energy Ltd. ("TCE") merely stated it was concerned that Hydro may propose to not offer SEP, and if so, that should be the subject of a separate application.

3.0 Board Findings

The subject of the notice period requirement was a topic of debate between Hydro and MIPUG at the SEP hearing. In Order 90/00 the Board summarized Hydro's position towards MIPUG's argument that the notice period should be minimized:

“With regards to the six month notice period to shift from firm service to SEP, Hydro agrees that capacity surplus is not a hardship and indicates that it may waive this condition for conversion in most instances, however, that in some circumstances such notice may be necessary in order to provide Hydro the opportunity to arrange for export sales to compensate for the loss of capacity related to revenue from firm service.”

Upon review of the material filed in the original hearing along with the application to review and vary and the intervenors' submissions, the Board accepts Hydro's argument that the twelve month notice period for a customer to convert from SEP to firm service adversely affects the overall revenue of the program and may limit the opportunity to arrange for export sales. This will likely result in additional cost to Hydro, and therefore to other Hydro customers ultimately. The Board notes the sixteen months notice required by Hydro is only a requirement for the summer months of May to August in which Hydro must maintain certain capacity reserves.

The Board will accept the proposed two options of Hydro as applied for. Additionally, the Board will allow a third option whereby during the months of May to August a sixteen month notice period is required for those SEP customers intending to convert to firm load. Hydro will have the opportunity, at its discretion, to waive this sixteen month notice period to a lesser period.

For the months of September 1 to April 30, a twelve month notice period is required, but Hydro will have the opportunity, at its discretion, to waive this twelve month period to a lesser period. Selective waiver of the notice period by Hydro to some SEP customers and not others could offer a financial advantage in addition to not treating SEP customers equally. Therefore, Hydro should endeavour to ensure all SEP customers have access to the same information disseminated by Hydro at all times. Customers will be required to notify Hydro of their preferred option of the three at the time of contracting for SEP service.

4.0 It Is Therefore Ordered That:

Board Order 90/00 dated June 30, 2000 be varied such that an SEP customer who chooses to convert to firm service has the following notice period options:

1. For a twelve month notice period,
 - a) the SEP customer will pay a premium of 1.0 cent per kilowatt hour for energy purchased during the summer peak hours; or
 - b) the SEP customer will agree that load converted on 12 months notice shall be subject to curtailment under the provisions of Option A or C of the Curtailable Service Program for the first four months following conversion; or

2. A sixteen month notice period from May 1 to August 31 with Hydro retaining the discretion to lessen that notice period. A twelve month notice period from September 1 to April 30, with Hydro retaining the discretion to lessen that notice period.

THE PUBLIC UTILITIES BOARD

Chairman

Secretary

2. A sixteen month notice period from May 1 to August 31 with Hydro retaining the discretion to lessen that notice period. A twelve month notice period from September 1 to April 30, with Hydro retaining the discretion to lessen that notice period.

THE PUBLIC UTILITIES BOARD

“G. D. FORREST”

Chairman

“G. O. BARRON”

Secretary

Certified a true copy of Order No. 132/00
issued by The Public Utilities Board

Secretary