

MANITOBA
THE PUBLIC UTILITIES BOARD ACT

Order No. 143/01
September 13, 2001

Before: G. D. Forrest, Chairman
R. A. Mayer, Q.C., Vice-Chair
K. Avery Kinew, Member

**AN APPLICATION BY MANITOBA HYDRO
TO APPROVE REVISED TERMS AND CONDITIONS
OF THE SURPLUS ENERGY PROGRAM**

Background

The Public Utilities Board (the “Board”) in Order No. 90/00, approved Manitoba Hydro’s (“Hydro’s”) application for a Surplus Energy Program (“SEP”). However, in its Order, the Board rejected the Term and Condition requested by Hydro which would provide a sixteen month notice period for customers to convert their surplus energy program load to firm electrical service. Rather, the Board concluded that “... a notice period of twelve months is appropriate for a customer to give notice to convert from the surplus energy program to firm service.”

The Board also required any and all proposed changes to the Terms and Conditions of service to be approved by the Board.

SEP Option 2 - Notice Period

Hydro applied to review and vary Board Order No. 90/00 because “To offer the [surplus energy] program in accordance with the terms set out in the Order [90/00] would be to risk incurring substantial additional costs and threaten the revenue neutrality of the program.” Specifically, Hydro’s concern was that if SEP customers were able to convert their load to firm service on only twelve months notice, Hydro must in effect reserve capacity for those customers two summers in advance, or be prepared to purchase that capacity on behalf of such customers. This situation arises as Hydro

currently makes summer capacity sales for two year periods commencing with the current year and including the following year. If Hydro commits all firm capacity that is surplus to domestic and firm export needs to the summer capacity sales, then there would be no firm capacity available for a SEP customer who wishes to convert to firm electrical supply.

The result of making that capacity available, for potential conversion of SEP loads to firm load, would necessitate either foregone capacity export sales or the need to make capacity purchases to support the potential conversion to firm capacity. The financial impact of the shorter notice period to convert is estimated by Hydro to be an additional \$.01/kW hr. of peak surplus energy sold during the summer months. Hydro's estimate of the financial impact of guaranteeing the conversion on twelve months notice rather than sixteen months notice is approximately \$324,000 per year, which erodes the proposed revenue neutrality of the Surplus Energy Program.

The Board, in Order No. 132/00, agreed that its previous Order 90/00 should be varied such that a SEP customer choosing to convert to firm electrical service has the following notice period options:

- (a) Twelve (12) month notice period provided the Surplus Energy Program customer will pay a premium of \$.01/kW hr. for energy purchased during the summer peak hours; or
- (b) Twelve (12) month notice period provided the Surplus Energy Program customer will agree that the load converted on twelve months notice shall be subject to curtailment under the provisions of Option A or Option C of the Curtailable Service Program for the first four months following conversion; or
- (c) Twelve month notice period between September 1 and April 30 with Hydro retaining the discretion to shorten that notice period; or
- (d) Sixteen (16) month notice period between May 1 and August 1 with Hydro retaining the discretion to shorten that notice period.

Hydro, in a letter dated October 5, 2000 sought clarification of the Order No. 132/00 and upon review, the Board in a letter dated October 6, 2000 with a copy of all interested parties confirmed Hydro's understanding of the intent of the Board's Order.

On October 30, 2000, InterGroup Consultants, on behalf of Manitoba Industrial Power Users' Group (MIPUG), also sought clarification. On November 28, 2000, Hydro advised the Board that it accepted MIPUG's position and will file revised terms and

conditions of service to reflect same. MIPUG, in a letter dated December 7, 2000 advised that MIPUG agrees with Hydro's understanding.

Based on the Board's Order, Hydro filed, on June 21, 2001, revised Terms and Conditions for the Surplus Energy Program and seeks Board approval of the revised Terms and Conditions. These Terms and Conditions incorporate the changes made with respect to the notice period required to convert SEP load to firm electrical service. The Board will approve the change to Hydro's Terms and Conditions for the Surplus Energy Program.

SEP - Option 3 - Engineering Certification

On October 26, 2000, Hydro filed its revised Terms and Conditions of Service for the SEP flowing from Order Nos. 90/00 and 132/00 and in so doing indicated that:

"Manitoba Hydro wishes to advise that it intends to waive the requirement for a Professional Engineer Certification of back-up facilities as outlined on page 5 of Option 3 terms and conditions. It has been brought to our attention that this requirement would result in some customers incurring expenses in the order of approximately \$7,500.00.

Manitoba Hydro has decided, therefore, to have these customers sign a waiver certifying for themselves that their back-up facility is on-site, in working order and capable of supporting their entire SEP load. Customers will also have to ensure that the back-up facility complies with all government regulations. Such certification will be required at the time the

customer first accepts SEP service and by no later than October 1 of every year thereafter that the customer is accepting SEP service. This revised protocol is in keeping with the treatment of Option 2 SEP customers with respect to their back-up facilities.”

The Board noted that this change is not reflected in the current filing of Hydro’s Terms and Conditions of Service for SEP. The Board will require this amendment to be made.

Reporting Period

Manitoba Hydro in a letter dated March 23, 2001, indicated that the SEP offering did not commence until December 4, 2000 and accordingly, sought permission to file its first annual report on SEP for the period December 4, 2000 to November 30, 2001 by January 31, 2002. The Board reviewed this request and in a letter dated March 29, 2001 to Hydro advised that the reporting period change was acceptable.

