

**MANITOBA**

**THE PUBLIC UTILITIES BOARD ACT**

**THE MANITOBA HYDRO ACT**

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

**Board Order 46/04**

**March 25, 2004**

Before:     Graham F.J. Lane, C.A., Chairman  
              R. Mayer, Q.C., Vice-Chair  
              Dr. K. Avery Kinew, Member

**INTERIM APPROVAL OF INCREASES IN ELECTRIC RATES  
IN REMOTE COMMUNITIES SERVED BY DIESEL  
GENERATION RESULTING FROM BOARD ORDER 17/04,  
TO BE EFFECTIVE APRIL 1, 2004**

## **1.0 Background**

Manitoba Hydro (“Hydro”) applied to The Public Utilities Board (“the Board”) to increase rates for electric service applying to the remote communities of Brochet, Lac Brochet, Shamattawa and Tadoule Lake, which are served by diesel generation.

A public hearing was held on January 6 to 9, 2004 and final argument was heard on January 22, 2004. The Board subsequently issued Order 17/04 dated February 6, 2004 approving the proposed rates on an interim basis, to be effective April 1, 2004, subject to the following:

- (a) *“The requested change in application of the Government Surcharge to apply all Government accounts, including First Nations accounts regardless of the level of funding, BE AND IS HEREBY DENIED. The Government Surcharge shall continue to be applied to Government and First Nations accounts consistent with the practices used immediately prior to the issuance of this Order.*
- (b) *Hydro shall immediately file with the Board, for interim approval, a revised schedule of rates to be effective April 1, 2004 that reflects the revised Surcharge and Government Rate.”*

By letter dated February 24, 2004, Hydro filed a schedule of proposed new rates, to be effective April 1, 2004, to reflect the Board’s decisions in Order 17/04.

## **2.0 Proposed Rates**

In its initial Application, Hydro proposed applying the Government Surcharge to all non-residential First Nations accounts in addition to Federal and Provincial Departments, Agencies and Crown Corporations. As stated above, the Board did not approve applying the Surcharge to all First Nations non-residential accounts, and directed that Hydro continue with the Surcharge billing practices used before the issuance of Order 17/04. Since the Surcharge included in the Application assumed that all First Nations non-residential accounts would be billed as Government accounts, it was necessary to recalculate the Surcharge to recover the revenue shortfall resulting from the decision in Order 17/04. In addition, the new rates for the General Service class reflect the reduced first block grid rate as approved in Order 01/04 with respect to rate reductions ordered by the Board in Order 154/03 to be effective April 1, 2003.

### 3.0 Current and Proposed Rates and Revenue

	<b>Current Rates</b>	<b>Proposed Rates April 1, 2004</b>
<b>Residential</b>		
Basic monthly charge	\$ 6.25	\$ 6.25
First 175 kW.h per month	5.78¢	5.78¢
Next 1,825 kW.h per month	5.16¢	5.16¢
Remaining consumption	5.16¢	79.10¢
 Residential Revenue	 \$417,542	 \$1,049,023
<b>General Service</b>		
Basic monthly charge	\$14.90	\$14.90
First 1,090 kW.h per month	5.81¢	5.81¢
Next 910 kW.h per month	5.55¢	5.55¢
Next 1,000 kW.h per month	5.55¢	79.10¢
Remaining consumption	35.90¢	79.10¢
 General Service Revenue	 \$543,371	 \$1,111,962
<b>Government</b>		
Basic monthly charge	\$18.05	\$18.05
Rate per kW.h	35.90¢	79.10¢
Surcharge per kW.h	44.80¢	155.80¢
Total per kW.h	80.70¢	234.90¢
 Government Revenue	 \$2,352,221	 \$6,812,037
 <b>Total Revenue, All Classes</b>	 <b>\$3,313,134</b>	 <b>\$8,973,023</b>
Hydro subsidy – Residential		\$545,943
Hydro subsidy – General Service		17,892
<b>Total Forecast Cost of Service – 2004</b>		<b>\$9,536,858</b>

#### **4.0 Manitoba Keewatinook Ininew Okimowin (“MKO”) – Request for Clarification**

After reviewing Hydro’s proposed rate schedule attached to the letter of February 24, 2004, MKO, by letter to the Board dated February 26, 2004, requested clarification of Order 17/04 in respect of the Government Surcharge. MKO’s letter stated that interpretation of the Board’s Order in respect of the application of the Government rate and surcharge could result in at least four different scenarios. MKO requested that the Board clarify its directive that the “Government Surcharge shall continue consistent with the practices used immediately prior to the issuance of this Order”, by specifically identifying the “continuing practices” that are the subject of the Board’s directive.

## **5.0 Resolution Process**

In Order 17/04, the Board indicated that:

“Although the need for an immediate rate adjustment is clear, the Board finds itself in a position where it cannot come to final decision on just and reasonable rates for diesel communities without final resolution and determination of responsibility for a number of related matters, including the funding of the significant accumulated deficit of approximately \$18 million, payment of the significant unpaid surcharges of approximately \$2.8 million exclusive of accrued interest, future funding of existing capital costs and future operating costs, and funding mechanisms for future capital expenditures when required. Resolution of each of these items could have a significant impact on any final rate decision. However, final resolution of each of these issues is outside of the Board’s jurisdiction.”

The Board directed Hydro to use the interim period between the date of Order 17/04 and April 1, 2004, the effective date of the interim rate change, to resolve the outstanding issues. Order 17/04 directed Hydro to report to the Board by no later than April 1, 2004 regarding the status of the resolution process.

On March 16, 2004, Hydro wrote the Board to advise that it had met with representatives of the Government of Canada and MKO “with a view to setting up a mediation process to deal with the issues identified in Order 17/04.” Hydro further advised that the parties are in the process of exchanging names of potential mediators. Although Hydro is optimistic that a mediator will be selected “within the next few weeks”, it is apparent that full and final resolution regarding responsibility for those issues raised by the Board in Order 17/04 will not be achieved by April 1, 2004. Hydro therefore requested it be granted until June 1, 2004 to resolve the outstanding issues identified in Order 17/04.

## **6.0 Board Findings**

Section 13.7 of Order 17/04 stated the Board's concern that if Hydro's proposed change in billing practice were allowed, approximately 30 First Nations non-residential accounts that are currently billed as General Service customers, in addition to paying the Government Surcharge, would also be required to pay the full cost rate for all consumption, rather than for consumption in excess of 2,000 kW.h. Hydro's proposed change in billing practices would significantly increase the energy costs for those customers. The Board denied Hydro's request to charge those approximately 30 First Nations non-residential accounts, the Government rate. The Board further stated that it was critically important to remain consistent with established rate design principles regarding diesel communities, pending resolution of other issues discussed in Order 17/04.

Hydro's filing of February 24, 2004 correctly adjusts 567,067 kW.h of forecast consumption related to approximately 30 First Nations non-residential accounts from Government to General Service, and recalculates the required Government Surcharge. As a result, the proposed rate schedule attached to Hydro's filing correctly reflects the Board's intention and direction, and will therefore be approved on an interim basis.

In light of the request set out in Hydro's letter dated March 16, 2004, the Board will extend to June 1, 2004 the time by which Hydro and other interested parties are to achieve, subject to Board approval, full and final resolution regarding responsibility for the matters described in Section 14, paragraph 2 of Order 17/04.

Manitoba Hydro is expected to conduct a full public awareness campaign in the four communities regarding the revised rates, the resultant impact on electricity bills and the opportunities and importance of managing consumption levels to avoid high electricity

bills. Manitoba Hydro should ensure that residential consumers are aware of the financial impact if their consumption does not remain below the 2000 kilowatt per hour monthly limit. The Board expects Manitoba Hydro to work with the First Nation's leadership and MKO in carrying out this campaign.



**7.0 IT IS THEREFORE ORDERED THAT:**

1. The Diesel Rates set out on Attachment 1 to this Order BE AND ARE HEREBY APPROVED, on an interim basis, to be effective April 1, 2004.
2. The date by which Manitoba Hydro shall report to the Board regarding the status of the resolution process, and if appropriate, request the Board approval for the proposed resolution to the matters set out in Order 17/04, BE AND IS HEREBY EXTENDED from April 1, 2004 to June 1, 2004.
3. This Order shall be in full force and effect until confirmed or otherwise by a subsequent Order of the Board.

THE PUBLIC UTILITIES BOARD

“Graham F. J. Lane, C.A.”

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Chairman

“G. O. Barron”

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Secretary

Certified a true copy of  
Board Order 46/04 issued by  
The Public Utilities Board

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Secretary