

M A N I T O B A	)	Order No. 28/05
	)	
THE PUBLIC UTILITIES BOARD ACT	)	
	)	
THE MANITOBA HYDRO ACT	)	
	)	
THE CROWN CORPORATIONS PUBLIC	)	
REVIEW AND ACCOUNTABILITY ACT	)	February 17, 2005

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

**APPLICATION BY MANITOBA HYDRO  
FOR EX PARTE APPROVAL OF A NEW  
CURTAILABLE RATE PROGRAM**

**Application**

On October 28, 2004, Manitoba Hydro (MH) applied to The Public Utilities Board (the Board) for an interim ex parte Order of the Board approving a new Curtailable Rate Program (CRP).

This new CRP is intended to replace the current program which came into effect on April 1, 2003 and which was approved in Order No. 159/03. While MH advised it could not make use of any additional curtailable load for planning reserve requirements there was a need for curtailable load to meet

contingency reserve requirements as defined in the Mid-Continent Area Power Pool Generation Resource Planning Pool. MH proposed to up the level of existing curtailable load under Options "A" and "C" to 230 MW and introduce an Option "R" curtailment with an initial cap on overall subscriptions of 100 MW. The proposed cap limitation is beneficial to both MH and curtailable customers by ensuring the value of curtailable load does not depreciate.

The CRP would be subject to the eligibility required, discounts, and other Terms and Conditions as set forth in Attachment 1 hereto.

### **Background**

CRP was originally intended to allow MH to reduce its system energy demands and thus, protect its reserves enabling a degree of deferral for future generation and associated transmission. Additionally, MH would achieve economic benefits through increased export revenue.

Customers enrolling in the CRP would benefit by paying low rates for the demand that was subject to curtailment and by having the opportunity to buy back comparable amounts of energy (to that foregone during the curtailment/during the off peak periods without incurring additional demand charges).

For fiscal 2003/2004, MH paid out \$5.4 Million in reference discounts. If all of Options "A", "C", and "R" reach their capacity limitations, a further \$2.3 Million per year will

be paid out in reference discounts and a maximum of \$0.4 Million will be paid in reserve discounts. The reference discount is fixed at \$2.76 per KW and adjusted annually by CPI, the same as the current program.

MH advised that currently 4 major customers are participating in the CRP contributing a total of approximately 227 MW of curtailable load.

### **Board Finding**

Having considered the submission the Board is satisfied the design objectives of the CRP as amended continue to be sound. For the right of interruption and for the benefit of MH and all its customers, MH offers customers enrolling in the CRP the benefit of paying low rates for the demand charge for a designated component of a customer's total demand load.

The CRP has been a service offering approved by the Board for sometime and because of the limited nature of the service and the proposed modification, the Board is prepared to approve the application on an Interim Ex Parte basis, subject to confirmation or otherwise at the next earliest opportunity.

The Board is interested in monitoring the CRP performance and accordingly, will require Manitoba Hydro to report to the Board related thereto on a calendar year basis by no later than February 15, following the end of the reporting period.

**IT IS THEREFORE ORDERED THAT:**

1. The CRP as shown as Attachment 1 BE AND IS HEREBY APPROVED on an Interim Ex Parte basis.
2. This Interim Ex Parte Order be in full force and effect until confirmed or otherwise by a further Order of the Board following a public hearing.
3. Manitoba Hydro file a report of the performance of CRP on a calendar year basis commencing the year 2005 by no later than February 15 following the end of the reporting period.

THE PUBLIC UTILITIES BOARD

"GRAHAM F. J. LANE, C.A."  
Chairman

"G. O. BARRON"  
Secretary

Certified a true copy of  
Order No. 28/05 issued by The  
Public Utilities Board

\_\_\_\_\_  
Secretary

**CURTAILABLE RATE PROGRAM  
FOR INDIVIDUAL CUSTOMER LOADS  
TO BE EFFECTIVE  
NOVEMBER 1, 2004**

**PROPOSED  
TERMS AND CONDITIONS**

OCTOBER 2004



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## CURTAILABLE RATE PROGRAM TERMS AND CONDITIONS

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### 1. DEFINITIONS

The following expressions when used in these Terms and Conditions shall have the following meanings:

- a) **“Billing Month”**: the period of time, generally 30 days, in which Energy and/or Demand is consumed and thereafter billed to the Customer.
- b) **“Contingency Reserves”**: a component of Operating Reserves which are sufficient in magnitude and response and meet the North American Electric Reliability Council’s (NERC) disturbance control standards. Contingency reserves are comprised of spinning and non-spinning reserves.
- c) **“Curtailment”**: a reduction in the use of Energy by the customer, as initiated by Manitoba Hydro.
- d) **“Curtailment Period”**: for Option ‘A’ and ‘R’ customers, defined as the time from which Manitoba Hydro gives the customer the “notice to curtail” to the time the “notice to restore” is given; for Option ‘C’ customers, defined as the time from which Manitoba Hydro gives the customer the “notice to curtail” plus one full hour to the time the “notice to restore” is given; for Option ‘E’ customers, from the start and stop times specified on the customer fax to curtail and restore load.
- e) **“Curtailment Year”**: the 12-month period commencing upon implementation of the Terms and Conditions of the Curtailable Rate Program by Manitoba Hydro once approved by the Public Utilities Board.
- f) **“Demand”**: the maximum use of power within a specified period.

- g) **“Guaranteed Make-Up”**: that quantity of energy consumed during the Off-Peak period (without incurring additional Demand Charges) which exactly compensates the customer for the energy use curtailed during the period of curtailment.
- h) **“Energy”**: power integrated over time and measured or expressed in kilowatt-hours (kW.h).
- i) **“Firm Load”**: load that is not considered interruptible (curtailable).
- j) **“Interruption”**: a discontinuance in the supply of Energy.
- k) **“Load Factor”**: the ratio of a customer’s average Demand over a designated period of time to the Customer’s maximum Demand occurring in that period. Monthly Load Factor is found by calculating the ratio of Energy use (kW.h) to highest Demand (kW) multiplied by time (usually measured at 730 hours):

$$LF = \frac{\text{Energy (kW.h per month)}}{\text{Peak Demand (kW) x hours per month}}$$

- l) **“MAPP GRSP”**: the Mid-Continent Area Power Pool Generation Reserve Sharing Pool is a contractual membership of utilities in seven states and one province that share contingency reserves on a formula basis, to the benefit of all participating utilities.
- m) **“Non-Spinning Reserves”**: contingency reserves that are not connected to the Manitoba Hydro system, but are capable of serving demand within a specified time; or interruptible load that can be removed from the Manitoba Hydro system in a specified time.
- n) **“Power Factor”**: is the ratio of real power in watts of an alternating current circuit to the apparent power in volt-amperes, expressed as  $\frac{\text{kW}}{\text{kV.A}}$ .



- o) **“Protected Firm Load (PFL)”**: the amount of load (expressed in kW) that the customer wishes to protect from being curtailed.
- p) **“Peak”**: defined as all hours from 7:01 hours through 23:00 hours Monday through Sunday inclusive.
- q) **“Off-Peak”**: all nighttime hours from 23:01 hours through 07:00 hours Monday through Sunday inclusive.
- r) **“Operating Reserves”**: The reserves needed to protect Manitoba Hydro and its obligations to the MAPP Generation Reserve Sharing Pool’s power systems against loss of supply caused by major generating or transmission outages. Operating reserves consist of various types of reserves including contingency reserves.
- s) **“Planning Reserves”**: The reserves needed to ensure that load obligations at times of peak demand do not exceed supply resources.
- t) **“Reference Discount”**: An amount credited to the customer each month for having planning and/or contingency reserve load available.
- u) **“Reserve Discount”**: an amount credited to the customer each time non-spinning curtailable reserve load is deployed.
- v) **“Spinning Reserves”**: contingency reserves that are comprised of uploaded generation that is synchronized and capable of serving additional demand instantaneously.

## 2. **CURTAILABLE LOAD OPTIONS**

Available curtailable load options are:

Option ‘A’: Curtail within five minutes of notice for a maximum of four hours and 15 minutes per curtailment period.

Option ‘C’: Curtail within one hour of notice for a maximum of four hours per curtailment period.

Option ‘R’: Curtail within five minutes of notice for a maximum of four hours and 15 minutes per curtailment period.

Option ‘E’: Curtail within 48 hours of notice for a maximum of 10 days per curtailment period.

Additional description of limits on curtailments (e.g. maximum curtailments per year) is provided on Page 13.

Options ‘A’, ‘C’ or ‘R’ cannot be combined with each other but may be combined with Option ‘E’ to increase the discount. The terms and conditions of combined Options ‘AE’, ‘CE’ and ‘RE’ are combinations of the individual options (e.g. notice to curtail for ‘AE’ would be five minutes for Option ‘A’ curtailments and 48 hours for Option ‘E’ curtailments).

Customers may elect to designate part of their load as Option ‘A’ and another part of their load as Option ‘R’ provided the loads designated under each option are distinct from each other. Although the customer designates a specific portion of their load as Option ‘R’, Manitoba Hydro’s System Control Department may request a curtailment of less than the amount designated by the customer. The minimum load System Control can request under Option ‘R’ is 5,000 kW. Manitoba Hydro will make best efforts to request a curtailment equal to the customer’s contracted amount.

### **3. NOMINATION OF CURTAILABLE LOAD**

A customer must have a minimum, nominal curtailable load of 5 MW. Customers have two options of nominating eligible curtailable load however customers designating curtailable load under Option ‘R’ must nominate the “Guaranteed Curtailment” option.

(i) Guaranteed Curtailment

A customer selecting this option must guarantee availability 95%<sup>1</sup> of the time during each curtailment year. Manitoba Hydro reserves the right to exclude customers from future participation in the program should they fail to meet this guaranteed requirement. The customer is required to nominate curtailable load equal to the amount of which is guaranteed to be reduced at the time requested. For example, a customer with a total load of 100 MW may nominate 10 MW as curtailable load and guarantee that when requested that 10 MW of load (or lesser amount if requested by Manitoba Hydro System Control) will be shed. In order to honour this guarantee, the customer will be required to ensure that its load prior to curtailment would be such that it never falls below 10 MW plus whatever firm load the customer wishes to protect.

In the event the Customer is unable to have the full amount of guaranteed curtailable load available for dispatch, the Customer must provide Manitoba Hydro 24 hours verbal notice of an anticipated plant shutdown and must also notify Manitoba Hydro immediately of any unanticipated shutdowns. Failure to do so will result in the same penalties as failure to curtail as outlined in Section 10.

For this customer, the Reference Discount is determined in accordance with the following formula:

Monthly Credit = GC x \$/kW Credit for selected option where,

GC = the customer's guaranteed curtailable load

NOTE: The monthly credit will not be applied if a customer fails to provide guaranteed curtailable load for a period greater than 10% of the hours in the applicable calendar month. For example, a customer would have to have their guaranteed load available for a minimum of 648 hours in a 30-day month and 670 hours in a 31-day month. This will ensure that customers are not being paid a credit when they are shutdown for extended periods of time. The customer is still required however to maintain the 95% per year availability criteria as specified above.

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<sup>1</sup> The 95% availability means the customer must guarantee their designated curtailable load will be available for curtailment a minimum of 8,322 hours (8,760 hours x 95%) each curtailment year.

(ii) Curtail to Protected Firm Load

The customer nominates a firm load below which curtailment will not occur. The curtailable portion of the customer load will be the load available above the protected firm load at the time of curtailment request. With this type of nomination, there is a risk to Manitoba Hydro that there will be little or no load to curtail when a request is made: i.e. that the customer is operating at or below protected firm level when curtailment request is made.

For this customer, the Reference Discount is determined in accordance with the following formula:

Monthly Credit = (PD-FL) x LF x \$/kW Credit for Selected Option where,

PD = the customer's highest demand (kW) in the peak billing period in the billing month.

FL = protected firm load of the customer in kW.

LF = is the customer's overall load factor during the peak billing period in the billing month and excluding any periods during which the customer complied with a curtailment request.

At Manitoba Hydro's discretion customers with load factors less than 50% during peak periods on the curtailable portion of the load may be required to guarantee curtailable load, i.e. to take up Option 3(i).

#### **4. CURTAILABLE RATE DISCOUNT**

A Curtailable customer's bill is reduced by the curtailable load discount, calculated in accordance with the "Reference" discount appropriate to the curtailment option selected by the customer and the formula for determining curtailable load.

Customers selecting Curtailment Option 'R' will, in addition to the Reference discount, receive a "Reserve Discount" amount for each curtailment initiated and successfully completed. The Reserve Discount credit will be calculated based on the following formula:

Reserve Discount = LR x Du x FD, where

LR = amount of load reduction (in kW) requested by Manitoba Hydro's System Control to the customer at the time of an Option 'R' curtailment

Du = duration of the curtailment (in hours)

FD = fixed discount amount, currently set at \$0.04<sup>2</sup> per kW.h

If, for example, a customer contracts for 15,000 of Option 'R' load, but System Control only requires 10,000 kW of curtailable load, the Reserve Discount will be calculated based only on the 10,000 kW regardless of whether or not the customer load drops by an amount greater than 10,000 kW. The Reference Discount however will be calculated in accordance with the formula provided in Section 3 (i).

## **5. USE OF CURTAILABLE LOAD**

Manitoba Hydro maintains generation reserves for two reasons. The first reason is to minimize disruption to firm customers in the event of loss of generation or transmission, or to respond to an unexpected increase in firm load. The second reason is to fulfil Manitoba Hydro's commitment to maintain a specific level of planning reserves and operating reserves as part of its reliability obligations with the Mid Continent Area Power Pool - Generation Reserve Sharing Pool (MAPP GRSP) or successor organization.

Dependent on the Curtailment Option selected, Manitoba Hydro will curtail customers in response to system emergencies and to maintain planning and operating reserves for the following reasons.

### **(i) Option 'A' and 'C' Curtailable Load**

Manitoba Hydro will use curtailable load designated under Options 'A' and 'C', to meet reliability obligations only. These include:

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<sup>2</sup> The Fixed Discount amount is based on the value of carrying contingency reserves on Manitoba Hydro units.  
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- to re-establish Manitoba Hydro's MAPP GRSP or successor organization's contingency reserves. Once Manitoba Hydro's contingency reserves are committed to a MAPP GRSP or successor organization's contingency, Manitoba Hydro is required to re-establish its contingency reserves within 45 minutes of the event that triggered the commitment to supply the contingency reserve. A curtailment may be called to reestablish those reserves;
- to maintain Manitoba Hydro's MAPP GRSP or successor organization's planning reserve obligations. If domestic peak load increased to such a point that Manitoba Hydro were in immediate danger of failing to meet its MAPP GRSP or successor organization's planning reserve obligations, a curtailment would be called to protect that reserve;
- to protect firm Manitoba load when operating reserves are insufficient to avoid curtailing firm load. (This curtailment would be called prior to Manitoba Hydro curtailing firm load).

(ii) Option 'R' Curtailable Load

The MAPP GRSP (or successor organization) requires participants to maintain contingency reserves comprised of spinning reserve and non-spinning reserves. Manitoba Hydro will use curtailable load designated under Option 'R' to meet Manitoba Hydro's "Non-Spinning Reserves" to the extent necessary, having first dispatched its own generation resources.

(iii) Option 'E' Curtailable Load

Curtailments under Option 'E' will be initiated to meet firm energy requirements in the event that Manitoba Hydro expects to be short of firm energy supplies. Option 'E' customers will be curtailed prior to firm Manitoba load and firm export sales.

**6. MAXIMUM LEVEL OF CURTAILABLE LOAD**

Manitoba Hydro, at its discretion, can limit the amount of curtailable load needed to maintain Planning and Operating Reserve levels.

(i) Option 'A' and 'C' Curtailable Load

The maximum amount of curtailable load needed under Options 'A' and 'C' has been set at 230 MW. Manitoba Hydro may, from time-to-time, submit an Application to the Public Utilities Board for changes to this amount.

(ii) Option 'R' Curtailable Load

The maximum amount of curtailable load needed under Option 'R' has been set at 100 MW, with a maximum number of participating customers at any time limited to three. Manitoba Hydro may, from time-to-time, submit an Application to the Public Utilities Board for changes to this amount.

(iii) Option 'E' Curtailable Load

There is currently no limit proposed.

**7. CONTRACTS AND TERMINATION NOTICE**

- (i) Discounts or credits offered by the program, as well as all other terms and conditions, are fixed from the date of approval by the Public Utilities Board for a minimum two year period, unless superseded by a further order of the Public Utilities Board or unless the program is withdrawn by Manitoba Hydro.
- (ii) Customers selecting the Curtailable Rate Program will be required to contract for the service. In the event that the Public Utilities Board mandates changes to the program, which in Manitoba Hydro's opinion are material, Manitoba Hydro and the customer will agree to amend the contract to incorporate the changes, failing which the contract shall terminate immediately.
- (iii) Customers accepting Curtailable service for the first time may switch curtailment options (subject to capacity limitations) or switch to Firm service entirely within the first six months, unless they have entered into the Curtailable Service Program from another interruptible rate program.
- (iv) Customers who have participated in the program for a period in excess of six months may:

- a) re-contract for another Curtailable Rate Option for the following changes by providing two months' written notice to Manitoba Hydro.
    - switch from Option 'C' to Option 'A';
    - add Option 'E' to any other Option
  - b) switch from Option 'R' to Option 'A' or from Option 'A' to Option 'R' by providing one year's written notice to Manitoba Hydro. Switching can only occur if provision allows (i.e. the maximum level of load in a particular Option will not be exceeded as per Section 6).
  - c) switch from Curtailable to Firm service by providing one year's written notice to Manitoba Hydro in which case Manitoba Hydro may convert the load from Curtailable to Firm service at any time during the one year notice period. The one-year notice will not apply when the customer's decision to withdraw from the program is a result of material changes mandated by the Public Utilities Board as outlined in Section 7 (ii). Customers who have switched from Curtailable to Firm service may not be permitted to switch back to Curtailable service.
- (v) Customers may re-designate their monthly Protected Firm Loads or monthly Guaranteed Curtailable Load by providing 12 months' written notice to Manitoba Hydro. Decreases to Protected Firm Load and/or increases to Guaranteed Curtailable Load may be subject to capacity limitations and will be at the discretion of Manitoba Hydro. The time period may be shortened if customers are decreasing their Protected Firm Load as a result of notification by Manitoba Hydro that additional Option 'R' curtailable load is available, as described in section 6 (ii). Customers increasing their Protected Firm Load and/or decreasing their Guaranteed Curtailable Load must maintain a minimum curtailable load of 5 MW per month.



## **8. MANNER OF NOTICE TO CURTAIL**

### **(i) Option ‘A’, ‘C’ and ‘R’ Customers**

For Option ‘A’ and ‘R’ customers, the Notice to Curtail of five minutes means that the customer must reduce the load by the contracted curtailable amount or to the contracted firm amount within five minutes of the initiation from Manitoba Hydro. For Option ‘C’, the Notice to Curtail of one hour means that the customer must reduce the load within one hour from the time the “Notice to Curtail” is given.

Initiation will be by telephone or by an electronic signal sent to the customer by the Manitoba Hydro System Control Centre. Both the initiation signal and the load response will be recorded by Manitoba Hydro.

### **(ii) Option ‘E’ Customers**

Manitoba Hydro will give Option ‘E’ customers notice in writing that their load may be curtailed when Manitoba Hydro expects to be short of firm energy supplies. Manitoba Hydro will provide not less than 30 days notice. Notice will be deemed received three days from the date of mailing; or if faxed or sent by electronic mail, on the date that it was sent.

After the notice period has been met, Option ‘E’ customers will be on standby and curtailable on 48 hours notice by fax or electronic mail. Manitoba Hydro will give Option ‘E’ customers notice in writing whenever their standby status is withdrawn.

## **9. DEMAND PRO-RATION FOR OPTION ‘E’ CUSTOMERS**

Customers curtailed under Option ‘E’ will have their Demand Charge prorated on the curtailable portion of load to exclude the period during which an Option ‘E’ curtailment was in effect. For example, if the load were curtailed for ten days in December, the Demand Charge would be reduced by  $10/31$  or 32% and, as well, the curtailable credit would be applied. This additional discount would apply only during months of curtailment and only to that portion of load which is curtailable. This provision will not reduce the maximum demand established for the purposes of computing the winter ratchet.

## **10. ADDITIONAL CHARGES FOR FAILURE TO CURTAIL**

(i) Option 'A', 'C' and 'R' Customers

The first failure to curtail load on request in any contract period will not attract additional charges, but the customer will forego the discount for that month.

After the first failure in a contract period, the following additional charges will apply. First subsequent failure in any 12-month period: loss of monthly discount plus additional charge equal to discount. Second and subsequent failure in any 12-month period: loss of discount and additional charge equal to 3 X discount.

If a customer reaches a point at which cumulative additional charges during any contract period equal or exceed cumulative discounts, Manitoba Hydro will have the right to exclude the customer from further participation in the program.

(ii) Option 'E' Customers

If the customer has elected to participate in Option 'E', in the event of a single failure to curtail load, Manitoba Hydro may in its own discretion exercise one of the following remedies:

- a) the normal additional charges, as described in 10 (i); or
- b) twenty-four hours after the time curtailment was to have started, Manitoba Hydro may cause electricity service to the Point of Delivery to be restricted to achieve the maximum load that should have been achieved by curtailment; or
- c) if load limitation as described in 10 (ii) b) is, in Manitoba Hydro's opinion, not practical or reasonable, 24 hours after the time curtailment was to have started, Manitoba Hydro may cause electricity service to the Point of Delivery to be disconnected for the remainder of the period. Disconnection shall only take place after explicit written communication with the customer and only if, otherwise, firm load customers would be impacted.

**11. MONTHLY VARIATION**

Customers may nominate different quantities of curtailable or firm load for each month provided that a minimum of 5 MW of curtailable load is available in each month. Customers must specify the 12 months Protected Firm Load or 12 months Guaranteed Load prior to participation in the program and must provide 12 months' written notice to Manitoba Hydro should they wish to increase or decrease their load in any month. This may be subject to capacity limitations and will be at the discretion of Manitoba Hydro (as discussed in Section 7: Contracts and Termination Notice).

**12. DURATION OF CURTAILMENTS**

Notwithstanding the maximum single curtailment duration provisions of each of the options, Manitoba Hydro will attempt to minimize the duration.

**13. UNPLANNED INTERRUPTIONS**

In addition to program curtailments for which notice is provided, customers will continue to be subject to unplanned interruptions such as those due to under frequency relay operation during power system emergencies. Manitoba Hydro cannot guarantee continuous service to any class of service in Manitoba or extra provincially.

**CURTAILABLE RATE PROGRAM OPTIONS  
FOR APPLICATION AS OF NOVEMBER 1, 2004  
UNLESS SUPERCEDED BY FURTHER ORDER OF THE PUB**

Discount to Demand Charge Expressed as Percentage of Reference Discount per kW/month.

OPTIONS	TERMS AND CONDITIONS					
	Minimum Notice to Curtail	Maximum Duration Per Curtailment	Maximum Daily Hours of Curtailment	Maximum Number Curtailments Per Year	Maximum Annual Hours of Curtailment	Discount as Percentage of Reference Discount
A	5 minutes	4-1/4 Hours	6 Hours (Oct 1 - Apr 30) 10 Hours (May 1 - Sep 30)	15 Curtailments	63.75 Hours	70%
C	1 Hour	4 Hours	8 Hours	15 Curtailments	60.00 Hours	40%
E	48 Hours	10 Days	24 Hours	3 Curtailments	720.00 Hours	35%
R	5 minutes	4-1/4 Hours	10 Hours (Apr 1 – Mar 31)	25 Curtailments	106.25 Hours	70% + Reserve Discount
A & E	Combination	Combination	Combination	18 Curtailments	783.75 Hours	100%
C & E	Combination	Combination	Combination	18 Curtailments	780.00 Hours	70%
R & E	Combination	Combination	Combination	28 Curtailments	826.25 Hours	100% + Reserve Discount

The Monthly Reference Discount shall equal A, adjusted by the annual inflation factor as of April 1<sup>st</sup> of each fiscal year, where:

A = the amount of the Reference Discount which is related to the marginal value of capacity, expressed in Canadian Dollars; after April 1, 2005, this amount shall be adjusted at the start of each fiscal year of Manitoba Hydro by the Inflation Factor;

Inflation Factor = at the end of each fiscal year of Manitoba Hydro, the percentage change since 2005 in the Consumer Price Index for Manitoba as recorded for the most recent set of 12 month periods for which data are available.

Prior to the yearly adjustment for inflation, the Reference Discount shall be \$2.76 per kW/month.

Reserve Discount: The fixed energy amount per curtailment under Option 'R' has been set at \$0.04 per kW.h.