

MANITOBA) Order No. 27/06
)
THE PUBLIC UTILITIES BOARD ACT)
)
MANITOBA HYDRO ACT)
)
THE CROWN CORPORATIONS PUBLIC)
REVIEW AND ACCOUNTABILITY ACT) February 22, 2006

BEFORE: Graham F. J. Lane, C.A., Chairman
M. Girouard, C.G.A., Member

APPLICATION BY MANITOBA HYDRO FOR AN INTERIM
EX PARTE ORDER APPROVING SURPLUS ENERGY
PROGRAM RATES, SCHEDULE SEP-1

Introduction

By Order No. 90/00, The Public Utilities Board (Board) approved an application by Manitoba Hydro (MH) for a Surplus Energy Program (Program). A process was established providing for weekly Program rates to be published through a "Schedule SEP-1".

Pursuant to the Program and now longstanding practice:

- a) on February 21, 2006, MH filed an application for Interim Ex Parte approval of a revised Schedule SEP-1 (attached);
and
- b) by this Order, the Board approves MH's application.

Background

The Program is a mechanism by which MH prices sales of electricity generated in excess of its immediate requirements. Average spot market prices are determined weekly using methodology previously approved by the Board.

The Program's objective is to provide access to electricity to Manitoba's larger commercial firms on an interruptible basis, with prices to be established similar to those offered to MH's "opportunity" export sales customers. The Program particularly benefits customers able to take advantage of lower price delivery periods.

Customers accept or decline electricity delivery at the prices made available. Customers are expected to and are responsible

for meeting the risk of service interruption with back-up facilities.

Program revenues result from sales at the prices established. Costs are allocated by MH; the Program is expected to break even on an annual basis.

Attached Appendix "A" depicts the variability of average spot market prices over the last four years, including the current year, with the average being determined using a Board approved methodology. Appendices "B", "C" and "D" report Program energy prices for medium general service as have been established for Peak, Shoulder and Off-Peak hours, over the same time period.

The peak time represents high demand hours, Monday to Friday, which vary between summer and winter. Off-peak is the night-time period between 11 p.m. and 7 a.m. Shoulder time represents the remaining daily hours.

Peak and shoulder prices rose sharply during July, 2005, likely due in large part to the extremely warm summer conditions experienced in the United States, and continued because of the effects of Hurricane Katrina (Katrina). Katrina, besides its human and property damage toll, drove up continental natural gas and wholesale electricity prices.

Natural gas is used to generate electricity, and higher natural gas prices result in higher wholesale electricity prices. The recent decrease in natural gas prices from the December 2005

peak, the result of unseasonably warm weather and recovering natural gas production and storage levels in the United States, is reflected in January 2006's decline in average weekly Program prices.

Since its inception, the Program has sold over 22,000 GW hours per year of electricity to MH's medium and large customers, at "wholesale" market prices. Over the four-year period November 1, 2001 to October 31, 2005, MH reports Program Net Income of \$215,319 (\$53,830/year).

Board Findings

MH having made its latest Program sales prices application in accordance with agreed-upon practice, and the Program continuing to have value to a component of MH's customer base, the Board finds revised Schedule SEP -1 acceptable.

IT IS THEREFORE ORDERED THAT:

1. Manitoba Hydro's application for approval of revised Schedule SEP-1, as attached, to be in effect from Monday, February 27, 2006 to March 5, 2006, BE AND IS HEREBY APPROVED on an Interim Ex Parte basis.
2. This Interim Ex Parte Order shall be in full force and effect until confirmed or varied by a further Order of the Board following a public hearing.

THE PUBLIC UTILITIES BOARD

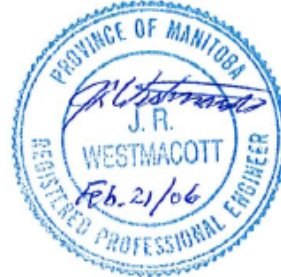
"GRAHAM F. J. LANE, C.A."
Chairman

"J. WILLIAMSON"
Acting Secretary

Certified a true copy of Order No.
27/06 issued by The Public
Utilities Board

Secretary

The estimated average spot market rate is \$49.16 per MWh. Manitoba Hydro warrants that the Spot Market Rate has been calculated using approved Public Utilities Board methodology. The expected source(s) of spot market energy is (are): export



**SCHEDULE SEP-1
SURPLUS ENERGY PROGRAM RATES**

February 27, 2006 to March 5, 2006

Tariff No. 50-19 General Service Medium (Utility Owned Trans.)

	Peak Hours	Shoulder Hours	Off Peak Hours	
Distribution Charge	0.620	0.620	0.620	cents/kWh
Energy Charge	6.578	5.245	4.103	cents/kWh

Tariff No. 50-20 General Service Large 750V not exceeding 30 kV

	Peak Hours	Shoulder Hours	Off Peak Hours	
Distribution Charge	0.330	0.330	0.330	cents/kWh
Energy Charge	6.491	5.176	4.049	cents/kWh

Tariff No. 50-21 General Service Large 30 kV not exceeding 100 kV

	Peak Hours	Shoulder Hours	Off Peak Hours	
Distribution Charge	0.140	0.140	0.140	cents/kWh
Energy Charge	6.335	5.051	3.951	cents/kWh

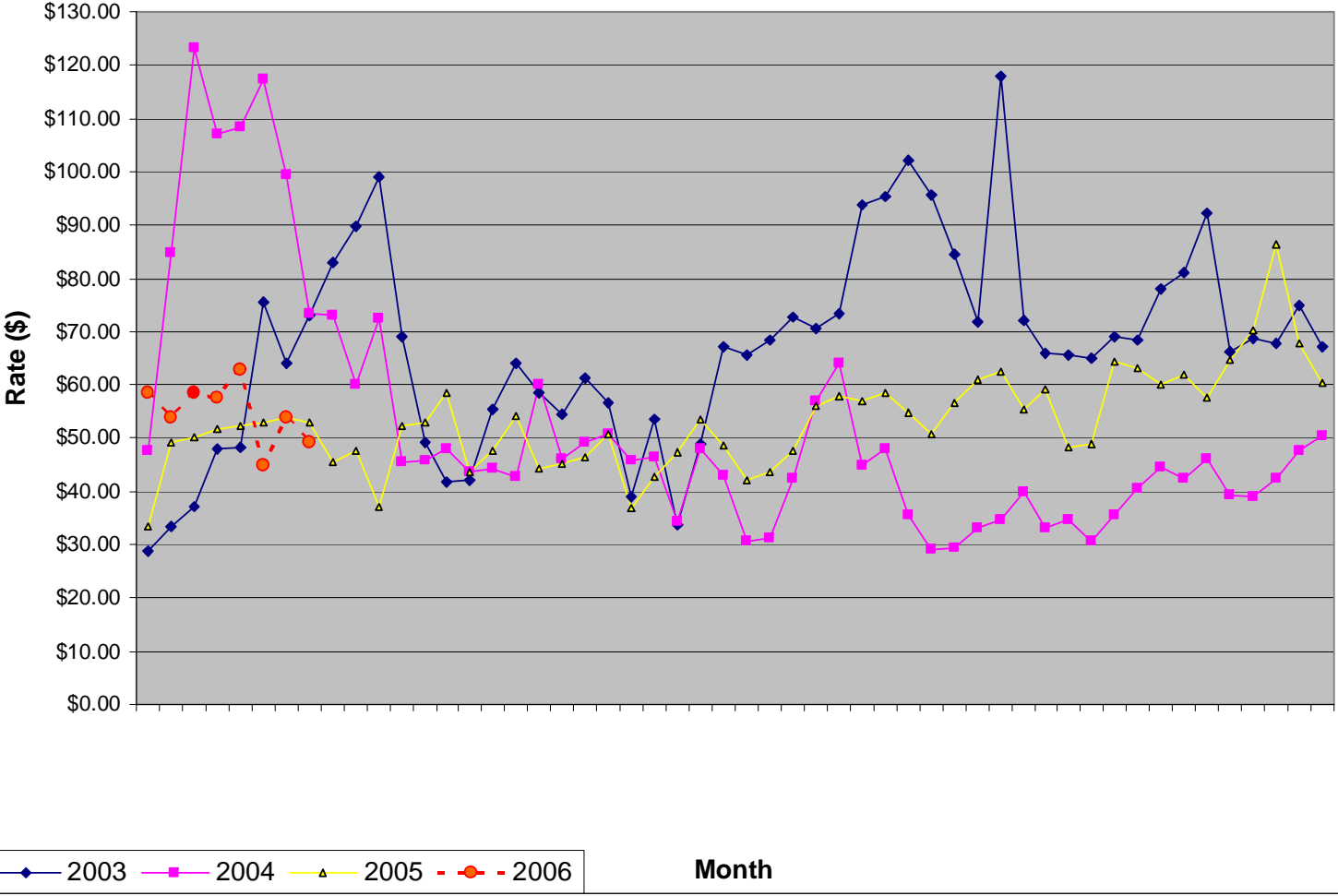
Tariff No. 50-22 General Service Large exceeding 100 kV

	Peak Hours	Shoulder Hours	Off Peak Hours	
Distribution Charge	0.060	0.060	0.060	cents/kWh
Energy Charge	6.241	4.977	3.893	cents/kWh

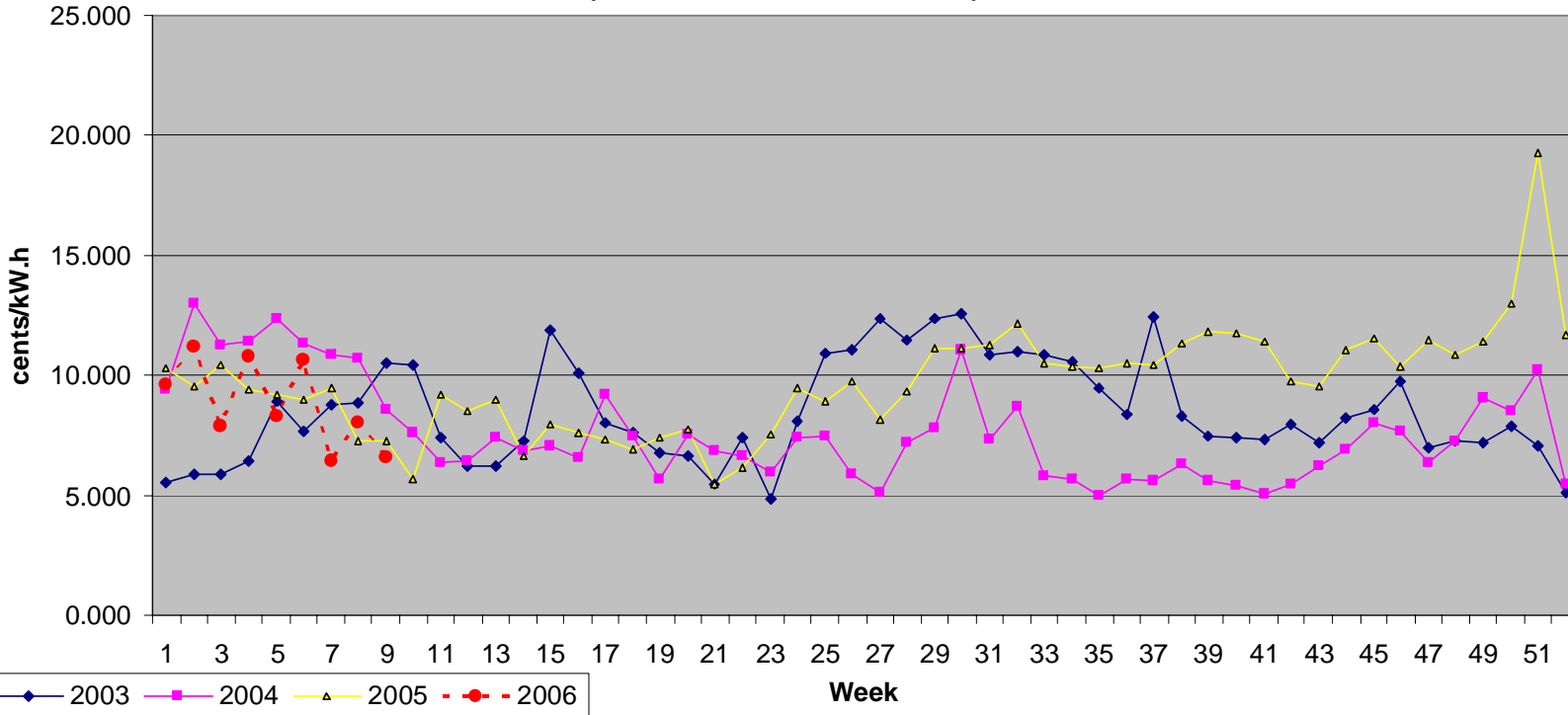
	May 1 to October 31	November 1 to April 30
Peak Hours	Monday - Friday * 12:01 - 20:00 Hours	Monday - Friday * 7:01-11:00 and 16:01-20:00 Hours
Shoulder Hours	Monday - Sunday ** 7:01 - 23:00 Hours	Monday - Sunday ** 7:01 - 23:00
Off Peak Hours	Monday - Sunday 23:01 - 7:00 Hours	Monday - Sunday 23:01 - 7:00 Hours
* excluding statutory holidays		
** excluding peak hours		

The Basic Monthly Charge is \$50.00 per month for SEP customers with total loads less than or equal to 1000 kVA.
The Basic Monthly Charge is \$100.00 per month for SEP customers with total loads greater than 1000 kVA.

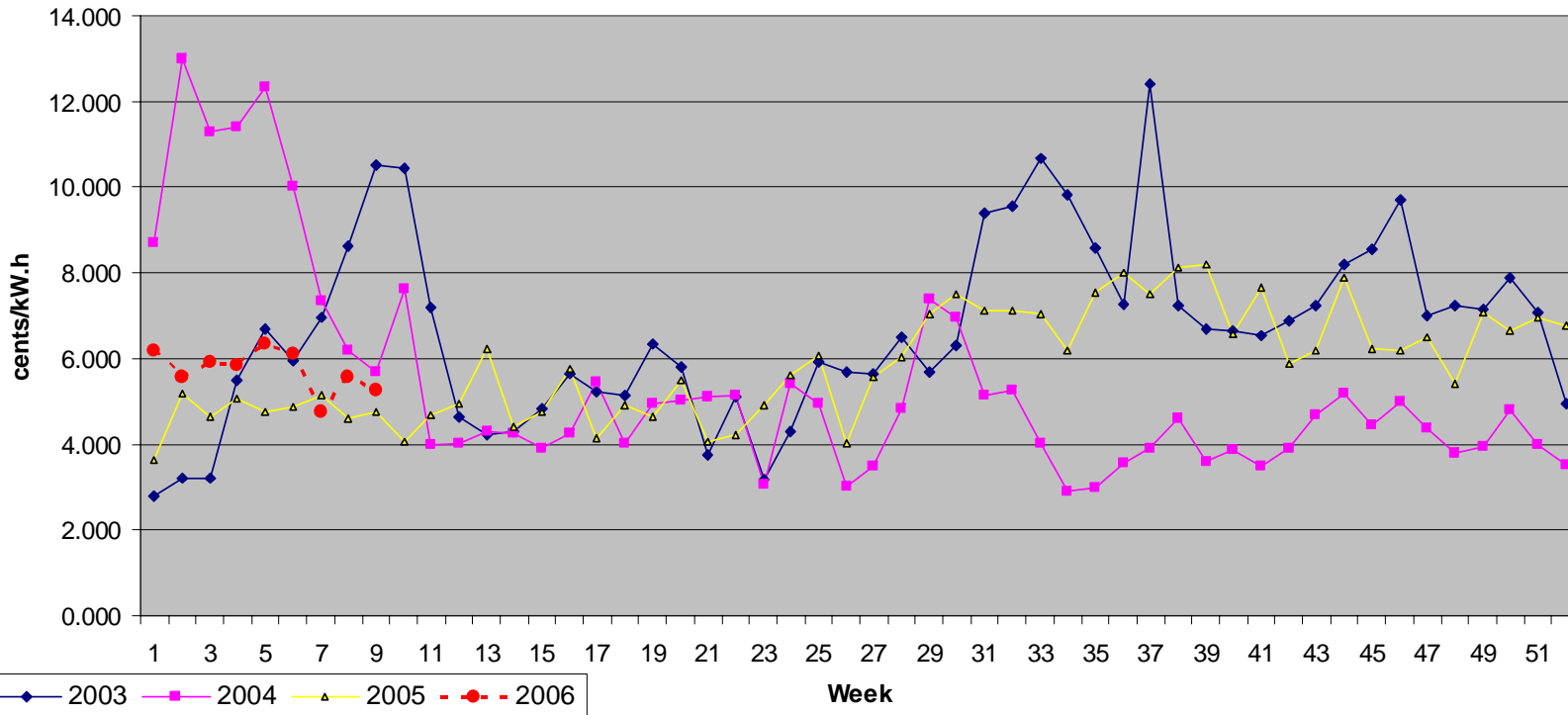
APPENDIX "A" Estimated Average Spot Market Rate



APPENDIX "B"
PUB Approved Weekly PEAK SEP Rates
(General Service Medium)



APPENDIX "C"
PUB Approved Weekly SHOULDER SEP Rates
(General Service Medium)



APPENDIX "D"
PUB Approved Weekly OFF-PEAK SEP Rates
(General Service Medium)

