

MANITOBA) Order No. 8/07
)
THE PUBLIC UTILITIES BOARD ACT)
)
MANITOBA HYDRO ACT)
)
THE CROWN CORPORATIONS PUBLIC)
REVIEW AND ACCOUNTABILITY ACT) February 7, 2007

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

MANITOBA HYDRO
SURPLUS ENERGY PROGRAM RATES
FOR THE WEEK OF FEBRUARY 12 TO FEBRUARY 18, 2007

Introduction

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

By Order 173/06, the Board extended approval of SEP to the earlier of October 31, 2007 or a Board decision on a MH application to amend SEP.

Pursuant to SEP, and longstanding practice:

- a) on February 6, 2007, 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

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

SEP's objective is to provide additional access to electricity to Manitoba's largest commercial firms on an interruptible basis, with pricing established similar to that offered MH's "opportunity" export sales customers. SEP particularly benefits customers able to make use of additional electricity at times offering lower price delivery.

Under SEP, customers accept or decline electricity delivery at the prices offered. Customers are responsible for meeting the

risk of service interruption through customer-provided back-up facilities.

SEP revenues result from sales volumes at weekly amended pricing. Cost attributed to the SEP is the after-the-fact-pricing of the value of the spot energy market, i.e., what revenue would have MH realized by selling through the MISO market. Netting these costs against the SEP revenue, SEP is expected to break even on an annual basis.

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

Peak time represents high demand hours, which are Monday to Friday with hours that 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.

With the existence of the Ontario market and the April 2005 implementation of revised practices by the Midwest Independent Transmission System Operator (MISO), MH can now sell 100% of its surplus energy to these surrounding markets. In effect, MH has expanded its customer base to include Ontario and the entire MISO footprint. The MISO standard market gives MH the ability to offer all surplus energy to the market without transacting with each specific counterparty. Thus, as no excess capacity

remains in the MH system during the peak and shoulder hours, SEP customers pay market rates.

For the November to February 2006 period, SEP On-peak and Shoulder prices were high as export activity increased and water resources were good. From mid-April to mid-July 2006, SEP Off-Peak prices were extremely low due to high water levels providing excess generation and fully loaded inter-ties (transmission capability). By mid-September 2006, prices across all three periods were in the normal range, though water levels were less favourable and MH began importing at various times.

Rates for the weeks beginning October 31 and November 6, 2006 increased dramatically. Transmission constraints in the United States (U.S.), lower than normal temperatures across the MISO region, and planned generating equipment outages typical of the fall season combined to drive up market prices. Further, MH imported energy during both of those weeks.

When MH imports power, there is 10% surcharge to SEP prices in accordance with MISO's approved procedure for determining the weekly energy charge. Off-peak rates exceeded shoulder rates, a rare occurrence, during the week of November 6 to 12, 2006 because the surcharge applied only to off-peak rates; the shoulder period was exporting during this time frame.

Since its inception in December 2000, SEP has sold an average of over 23,000 GW hours per year of electricity to MH's medium and large customers, at "wholesale" market prices. Over the five-

year period November 1, 2001 to October 31, 2006, MH reports SEP Net Income of \$302,254 (approximately, \$60,000/year).

Board Findings

MH's latest SEP application is in accordance with the agreed-upon practice, and SEP continues to have value for a component of MH's customer base.

Accordingly, the Board finds revised Schedule SEP-1 acceptable and herein approves the amended schedule.

IT IS THEREFORE ORDERED THAT:

1. Manitoba Hydro's application for approval of revised Schedule SEP-1, as attached, to be in effect from February 12, 2007 to February 18, 2007, 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

"G. GAUDREAU, CMA"
Secretary

Certified a true copy of
Order No. 8/07 issued by The
Public Utilities Board

Secretary

The estimated average spot market rate is \$85.50 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): import and export



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

February 12, 2007 to February 18, 2007

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	10.963	8.361	8.454	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	10.818	8.250	8.342	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	10.558	8.052	8.141	cents/kWh

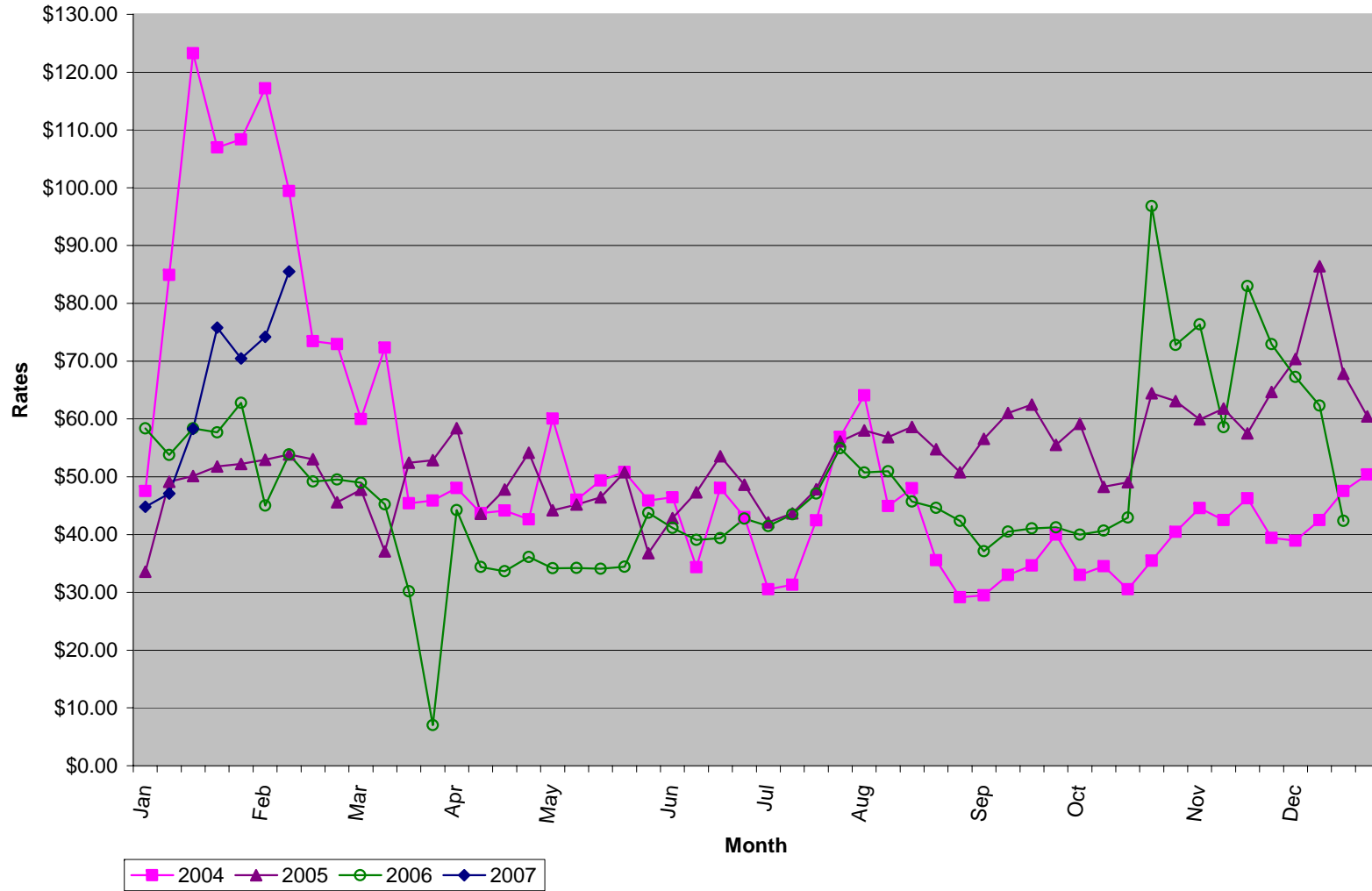
Tariff No. 50-22 General Service Large exceeding 100 kV

	Peak Hours	Shoulder Hours	Off Peak Hours	
Distribution Charge	0.060	0.060	0.060	cents/kWh
Energy Charge	10.402	7.933	8.021	cents/kWh

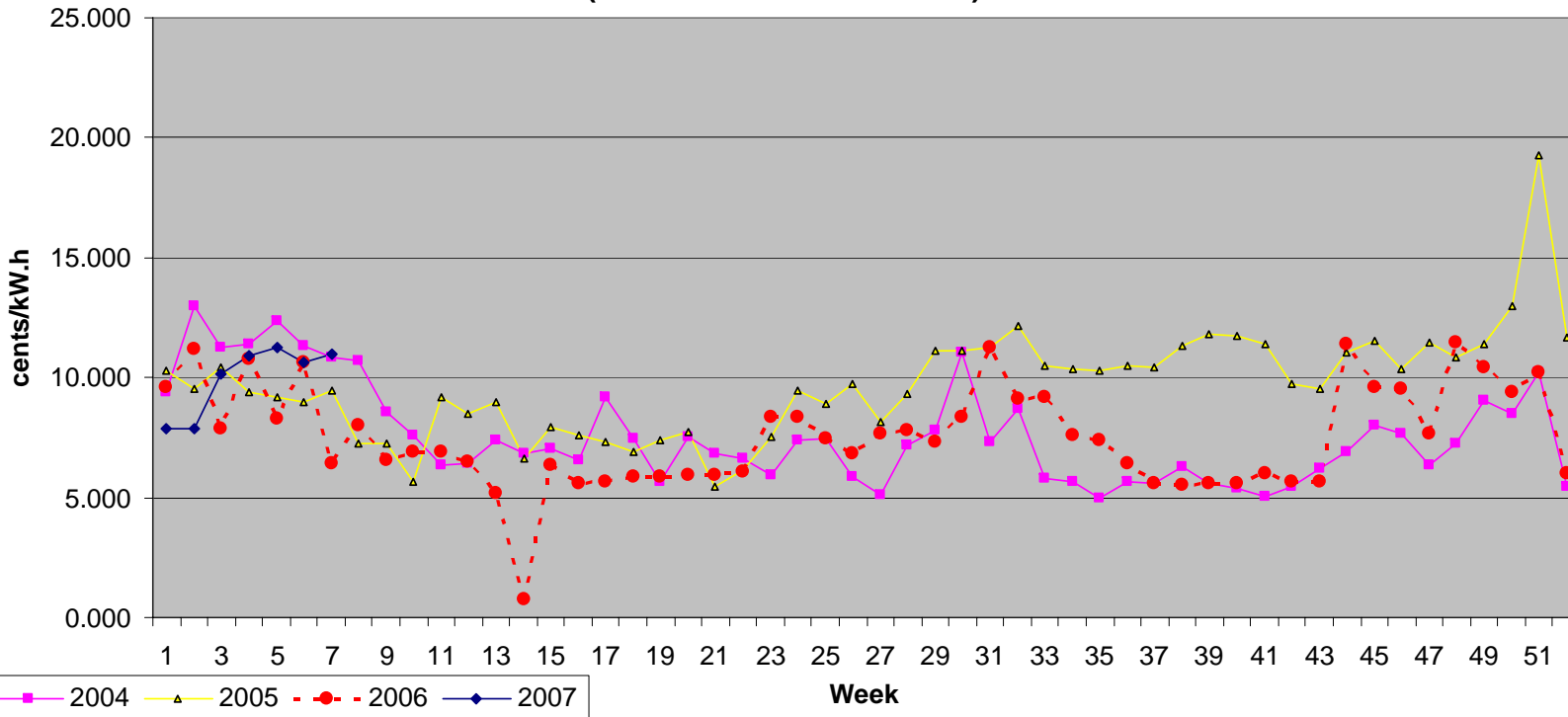
	May 1 to October 31	November 1 to April 30
Peak Hours	Monday - Friday * 12:01 - 20:00 Hours	Monday - Friday * 7:01-11:00 and 16:01-20:00 Hours
Shoulder Hours	Monday - Sunday ** 7:01 - 23:00 Hours	Monday - Sunday ** 7:01 - 23:00
Off Peak Hours	Monday - Sunday 23:01 - 7:00 Hours	Monday - Sunday 23:01 -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

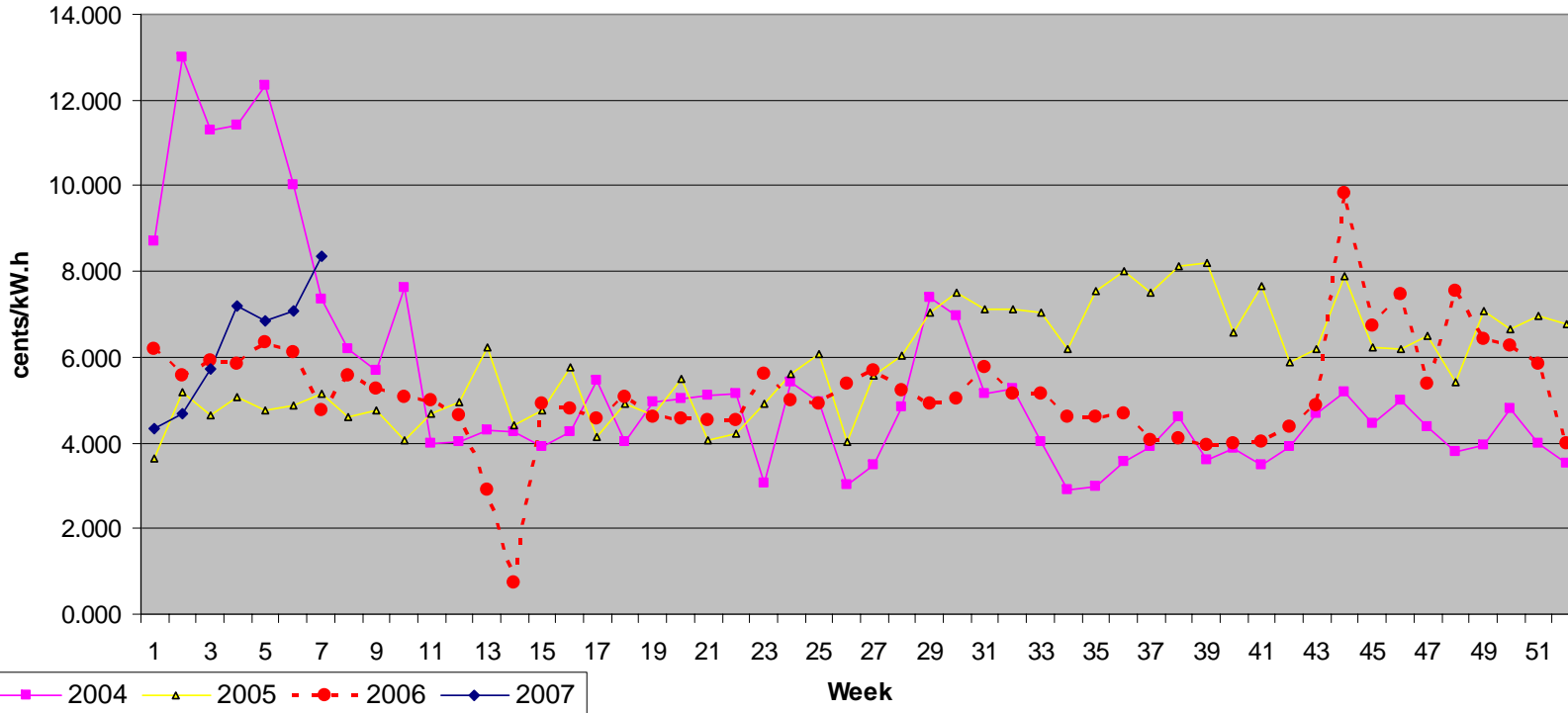
APPENDIX "A"
Estimated Average Spot Market Rate



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)

