

MANITOBA) Order No. 71/07
)
THE PUBLIC UTILITIES BOARD ACT)
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MANITOBA HYDRO ACT)
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THE CROWN CORPORATIONS PUBLIC)
REVIEW AND ACCOUNTABILITY ACT) May 23, 2007

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

MANITOBA HYDRO
SURPLUS ENERGY PROGRAM RATES
FOR THE WEEK OF MAY 28 TO JUNE 3, 2007

Introduction

By this Board Order, the Board approves MH's application of May 22, 2007 for Ex Parte approval of revised interim Surplus Energy Program (SEP) prices for the week of May 28 to June 3, 2007.

By Order No. 90/00, the Public Utilities Board (Board) approved an application by Manitoba Hydro (MH) for SEP and a process to publish weekly SEP rates, through "Schedule SEP-1" the most recent being attached hereto. Further, by Order 173/06, the Board extended SEP to the earlier of either October 31, 2007 or a Board decision to amend SEP.

Background

SEP is the mechanism by which MH prices electricity generated in excess of its immediate requirements for sale to large Manitoba customers. Average spot market prices are determined weekly using Board-approved methodology.

SEP provides large Manitoba commercial customers additional access to electricity on an interruptible basis, with pricing established similar to that offered MH's "opportunity" export sales customers or, in the case where MH expects to import power, at a price reflective of MH's cost plus a surcharge. When MH has surplus energy and is not importing, SEP is of particular benefit to large customers able to make use of additional electricity.

Under SEP, customers accept or decline electricity delivery at the prices offered. Customers are responsible for meeting any service interruption through their own back-up generation.

SEP net revenues result from sales pursuant to the program net of related imputed costs attributed to SEP, these costs being the after-the-fact-pricing of the wholesale spot energy market. Essentially, it is revenue MH would have otherwise realized by selling its excess generation through the Midwest Independent System Operators (MISO) market, basically American utilities. 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. 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, 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 is the remaining daily hours.

With the concurrent existence of a transmission-constrained MH Ontario market and the April 2005 implementation of new market rules for MISO, MH can sell 100% of its surplus energy to these surrounding markets.

MISO provides MISO-footprint utilities, which include MH, the ability to sell surplus energy with established pricing, without the necessity of transacting with specific counter-parties.

Recent experience:

For the November 2005 to February 2006 period, SEP On-peak and Shoulder prices were high for MH's export activity, as demand was strong and MH water resources were high.

From mid-April to mid-July 2006, SEP Off-Peak prices were extremely low due to falling natural gas prices enabling higher energy input for American utilities, which reduced MISO demand. MH's water resource levels were good, providing excess generation; sales were limited by transmission capacity.

By mid-September 2006, prices across all three time periods fell in the normal range, though MH's water level situation was less favourable and MH began importing during this period, at various times.

SEP rates beginning October 31, 2006 increased dramatically. Transmission constraints in the United States (U.S.), lower than normal temperatures across the MISO region - increasing electricity demand, and planned generating equipment outages typical of the fall season, combined to drive up market prices. Unfortunately, the MISO demand situation did not benefit MH as reduced water levels in Manitoba led to MH importing energy.

When MH has to import power to fill SEP domestic demand, at costs generally higher than the cost of generation in Manitoba, the utility adds a 10% surcharge to SEP prices, this in accordance with the Board's approved procedure for such circumstances.

Since January 2007, shoulder and off-peak rates have increased significantly, corresponding to growth in average spot market pricing.

MH has imported power during off-peak hours on virtually every day to this point in 2007. SEP off-peak rates have approached or exceeded shoulder rates, largely because of the requirements to meet SEP domestic demand in the off-peak. As a result, MH must store water from the shoulder period, which would have otherwise been used to produce electricity that would have been exported, for use to generate electricity in the off-peak period. This, combined with the surcharge, has the effect of increasing off-peak rates for SEP customers to the equivalent shoulder rate, and results in a higher off-peak rate.

Program History:

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. Dealing with the application on an interim ex parte basis is consistent with the past practice.

Rates set through this process are interim, and are finalized at General Rate Application hearings.

Accordingly, the Board affirms revised Schedule SEP-1 and hereby 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 May 28 to June 3, 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

Chairman

Acting Secretary

The estimated average spot market rate is \$40.74 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**



May 28, 2007 to June 3, 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	6.682	4.564	2.242	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	6.593	4.503	2.213	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	6.434	4.395	2.159	cents/kWh

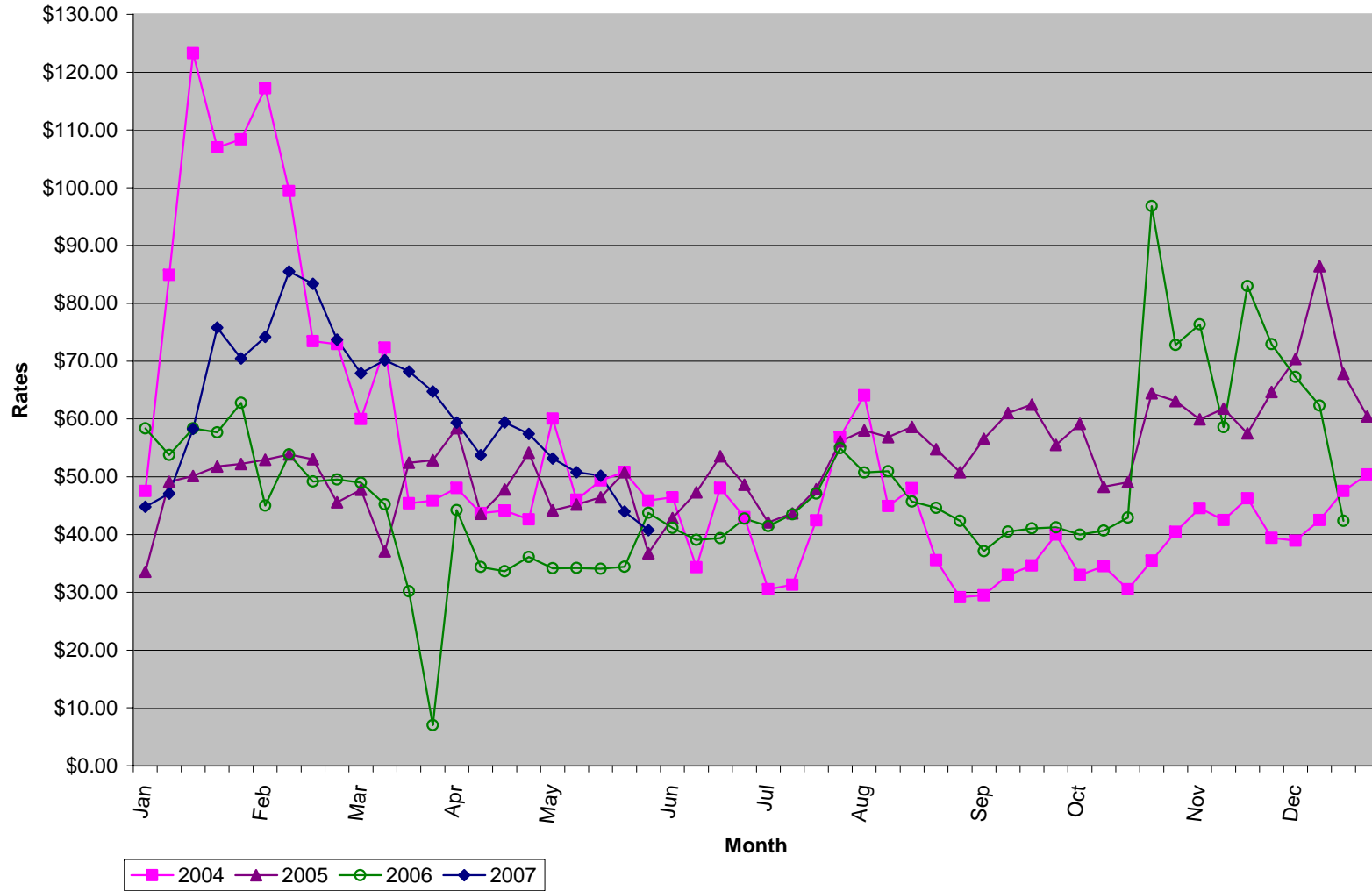
Tariff No. 50-22 General Service Large exceeding 100 kV

	Peak Hours	Shoulder Hours	Off Peak Hours	
Distribution Charge	0.060	0.060	0.060	cents/kWh
Energy Charge	6.339	4.330	2.128	cents/kWh

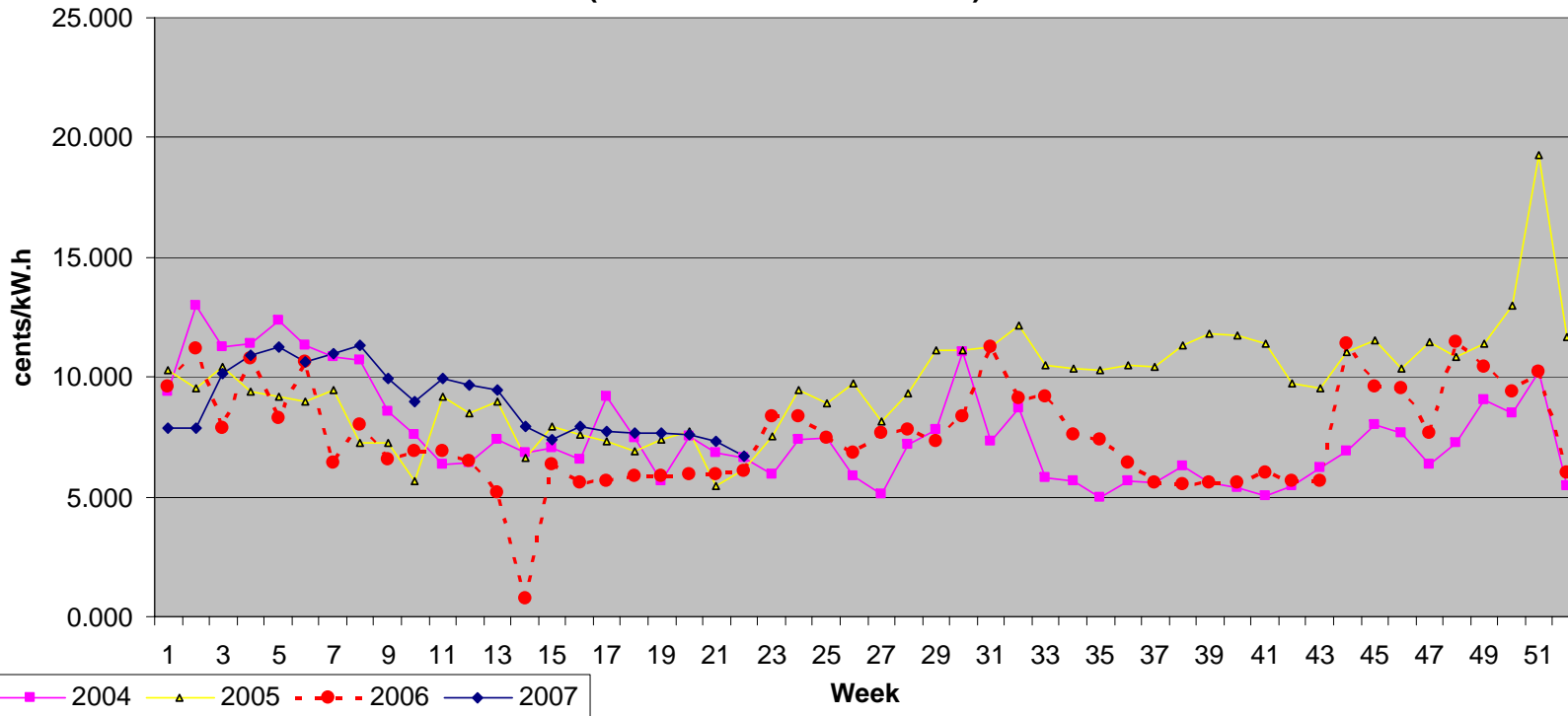
	May 1 to October 31	November 1 to April 30
Peak Hours	Monday - Friday * 12:01 - 20:00 Hours	Monday - Friday * 7:01-11:00 and 16:01-20:00 Hours
Shoulder Hours	Monday - Sunday ** 7:01 - 23:00 Hours	Monday - Sunday ** 7:01 - 23:00
Off Peak Hours	Monday - Sunday 23:01 - 7:00 Hours	Monday - Sunday 23:01 -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

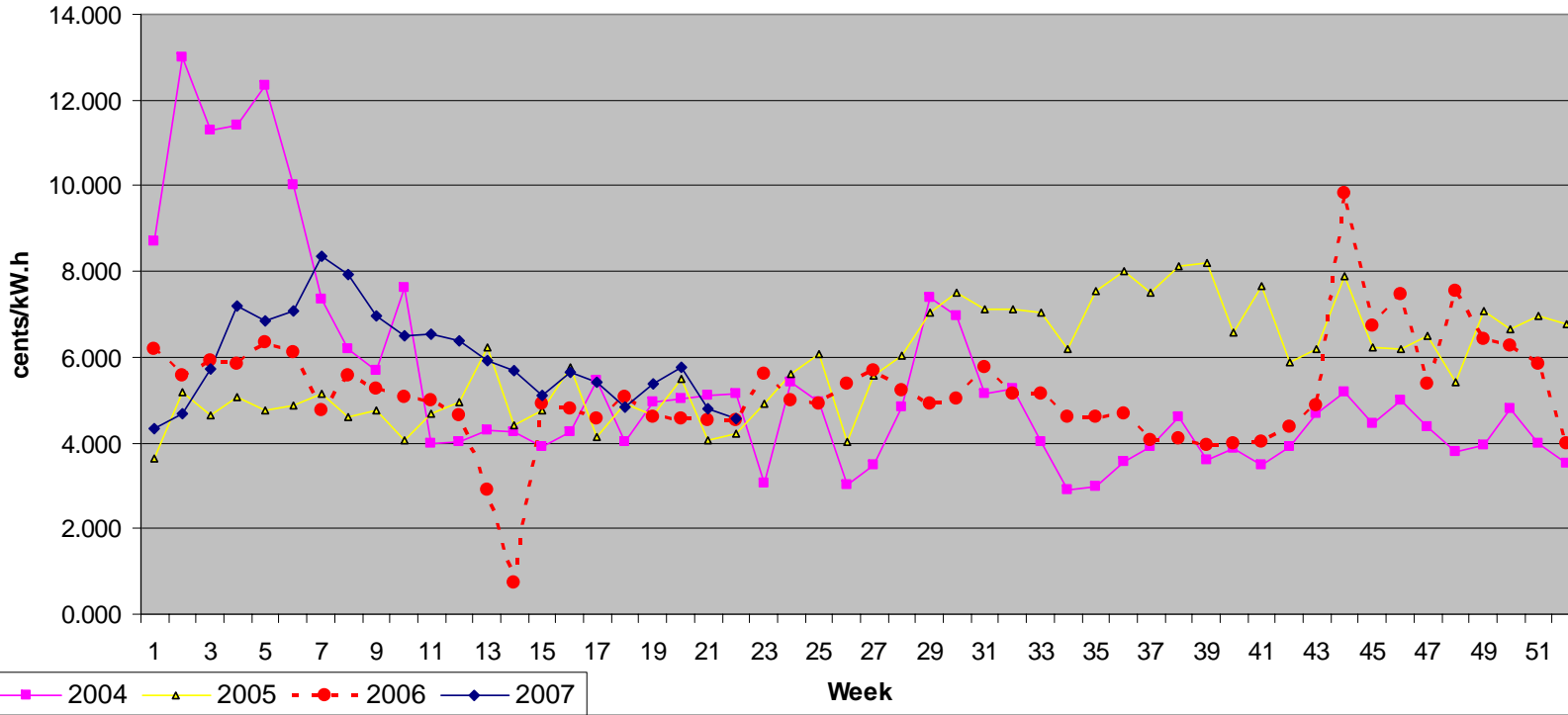
APPENDIX "A"
Estimated Average Spot Market Rate



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)

