

MANITOBA
THE PUBLIC UTILITIES BOARD ACT

Order No. 111/12

August 22, 2012

Before: Régis Gosselin, C.G.A., M.B.A., Chair
Raymond Lafond, B.A., C.M.A., F.C.A., Member
Larry Soldier, Member

**INTERIM EX PARTE ORDER
EXTENDING MANITOBA HYDRO'S
SURPLUS ENERGY PROGRAM
TO MARCH 31, 2014**

1.0.0 EXECUTIVE SUMMARY

By this Order, the Public Utilities Board (PUB) approves, on an interim *ex parte* basis, Manitoba Hydro's (MH) Application to extend MH's Surplus Energy Program (SEP) until March 31, 2014, on the understanding that the merit of continuing the SEP beyond that date will be thoroughly examined as part of MH's 2012/13 and 2012/14 General Rate Application (GRA).

The SEP is a mechanism by which MH prices electricity generated in excess of its immediate requirements. Pursuant to SEP, average spot market prices are determined weekly using a PUB-approved methodology. The SEP was approved by the PUB in Order 90/00, to be reviewed in 2004. Since that time, the SEP has been extended several times, most recently in Order 57/09, which extended the SEP until March 31, 2013. This Order extends the program by another year to provide MH's SEP customers with sufficient time to implement any changes to the program that may result from the GRA process.

2.0.0 LIST OF ABBREVIATIONS

GRA	General Rate Application
GS	General Service
kVA	Kilovolt-Ampere (Unit of Apparent Power)
kW	Kilowatt (Unit of Power)
kWh	Kilowatt-Hour (Unit of Energy)
MH	Manitoba Hydro
MISO	Midwest Independent System Operator
PUB	Public Utilities Board
SEP	Surplus Energy Program

3.0.0 BACKGROUND AND EVIDENCE

The SEP was first approved by the PUB in Order 90/00, dated June 30, 2000, as a replacement program for three other service programs, namely the Industrial Surplus Energy Program, the Dual Fuel Heating Program, and the Surplus Energy to Self Generators Program.

Under the SEP, MH makes surplus energy (i.e., energy exceeding the utility's domestic and export requirements) available on an interruptible basis to its General Service (GS) customers, under three different program options:

- Industrial Load - Option 1 - available to industrial loads whose total monthly demand is 1,000 kVA or greater. Under this option customers may only designate 25% of their total load as SEP load.
- Heating Load - Option 2 – available to electrical loads of 200 kW or greater. The electricity is to be used for space and/or water heating only and must be separately metered from the customer's firm load. Customers must have an alternate back-up energy source capable of heating the entire load in the event of an interruption.
- Self-Generation Displacement - Option 3 – available to industrial intermittent loads with total demand between 200 kW to 50,000 kW. Load would not be considered intermittent if the average monthly load factor exceeds 25%. The load must be separately metered from the customer's firm load and must be fully backed up by generating equipment which is leased or owned by the customer and is located on the premises of the SEP load.

All SEP customers are billed a monthly Basic Charge, Distribution Charge and an Energy Charge. The Basic Charge is \$50.00 per month for customers with connected loads less than 1,000 kVA, and \$100.00 per month for connected loads greater than

1,000 kVA. The Distribution Charge per kWh ranges from \$0.0006 to \$0.0062 dependent on customer class. The Energy Charge per kWh, applicable to three pricing periods, varies based on expected market prices from week-to-week. The three pricing periods are peak, shoulder and off-peak, which vary as follows depending on the season:

	Summer (May 1 – October 31)	Winter (November 1 – April 30)
Peak	12:01 to 20:00 hours Monday to Friday Except Statutory Holidays	07:01 to 11:00 hours and 16:01 to 20:00 hours Monday to Friday Except Statutory Holidays
Shoulder	All hours except Peak, every day from 07:01 to 23:00 hours	
Off-Peak	All night-time hours from 23:01 to 07:00 hours	

SEP energy prices are forecast by MH on a weekly basis for each of the peak, off-peak, and shoulder time slots and submitted to the PUB for approval. The PUB issues weekly interim *ex parte* SEP rate orders which generally are finalized as part of each GRA process.

Order 90/00 stipulated that the SEP would terminate on March 31, 2004, unless it was extended by the PUB. Since that time, the SEP has been extended on several occasions. The most recent extension was granted in Order 57/09, which sets a March 31, 2013 expiry date.

As part of its 2012/13 and 2013/14 GRA, MH filed a report on the SEP, which report constitutes Appendix 10.7 of MH's GRA filing. The PUB expects that the future of the SEP will be fully reviewed as part of the GRA hearing.

On August 3, 2012, the PUB issued a Procedural Order (Order 98/12) with respect to the hearing of the GRA. As set out in that Procedural Order, the oral hearing component

of the GRA will commence on December 10, 2012, but the hearing with respect to MH's Cost of Service will be left to a later date.

On April 10, 2012, MH filed a letter application to the PUB expressing its concern that the timetable imposed for the hearing of the GRA will not provide MH's SEP customers with sufficient notice to allow for changes in operation should a continuation of the SEP not be approved beyond March 31, 2012 in the substantive Order the PUB will render following the hearing of the GRA. On that basis, MH seeks an interim ex parte order extending the SEP to March 31, 2014, stating that this would provide the PUB and interveners with sufficient time to review the SEP during the GRA process and still provide SEP customers with assurance of reasonable notice if the result of the review is to end the program or significantly alter its terms and conditions.

4.0.0 BOARD FINDINGS

In Order 57/09, the PUB found that SEP primarily displaced export sales into the U.S. – MISO market and expressed concern about MH selling off-peak power at extremely low prices on either the export market or under the SEP. The PUB further expressed the view that energy sales at less than 2-3 ¢/kWh provide only nominal revenues while increasing the risk of periodic energy shortfalls having to be met by consumers at much higher prices. The Board at that time approved an extension of the SEP to March 31, 2013 and stated that it would review its pricing concerns in conjunction with MH's export program. In Order 5/11 rendered in respect of MH's 2010/11 and 2011/12 GRA, the PUB concluded that SEP was moderately profitable and that it would continue to monitor the situation. A consideration of the SEP as part of the 2012/13 and 2013/14 GRA will take place in that context and re-evaluate the program in today's marketplace.

Since the PUB most recently found the SEP to be moderately profitable, there appears to be no immediate urgency to make changes to the SEP, and the PUB is of the view that the program is best reviewed as part of the GRA as currently anticipated. The PUB agrees with MH's submission that the existing program expiry date of March 31, 2013 is

too close to the anticipated date of a GRA decision to provide MH's SEP customers with sufficient notice to restructure their power consumption and power purchases in time for April 1, 2013. The PUB therefore grants MH's Application on an interim *ex parte* basis, extending the SEP to March 31, 2014. Any termination of or material changes to the SEP flowing from the GRA process would be made effective April 1, 2014, thereby providing SEP customers with approximately one year of notice to allow them to adapt.

PUB decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with section 36 of the PUB's Rules of Practice and Procedure (Rules). The PUB's Rules may be viewed on the PUB's website at www.pub.gov.mb.ca.

5.0.0 IT IS THEREFORE ORDERED THAT:

1. Manitoba Hydro's Application for an interim *ex parte* order extending the SEP to March 31, 2014 **BE AND HEREBY IS APPROVED.**

THE PUBLIC UTILITIES BOARD

"RÉGIS GOSSELIN, C.G.A., M.B.A."
Chair

"HOLLIS SINGH"
Secretary

Certified a true copy of Order No. 111/12
issued by The Public Utilities Board

Secretary