

MANITOBA HYDRO'S 2015 COSS APPLICATION

PRELIMINARY ISSUE LIST AND VIEWS

A. CUSTOMER CLASSIFICATION AND REVENUE ASSIGNMENT

	ISSUE	MANITOBA HYDRO'S POSITION	PRELIMINARY VIEW / RATIONALE				
			COALITION				
1.	Domestic Classes	<ul style="list-style-type: none"> Residential/GSS-ND/GSS-D/GSM/GSL 0-30/GSL30-100/GSL>100/AR&L/Dieselⁱ No change from PCOSS13 	<ul style="list-style-type: none"> Accept for purposes of current review. The examination of customer classes was not part of the "review". No basis to suggest changes, but issue merits future review. 				
2.	Export Class(es)	<ul style="list-style-type: none"> Distinct Export Class(es) Differentiate between Dependable and Opportunity Salesⁱⁱ Treats "hybrid" exports as Dependable 	<ul style="list-style-type: none"> Agree with use of separate Export Class and differentiation between Dependable and Opportunity. View on treatment of Hybrid Exports pending. Export plans/contracts have significant impact on MH, including MH's capital plans. Dependable and Opportunity exports have distinctly different impacts. 				
3.	Revenue Assignment - Rate Based Revenues	<ul style="list-style-type: none"> Attributed to directly customer classes 	<ul style="list-style-type: none"> Agree 				
4.	Revenue Assignment - General Consumer Adj.	<ul style="list-style-type: none"> Allocated to all classes (except A&RL and GSL>50) based on revenue.ⁱⁱⁱ 	<ul style="list-style-type: none"> Don't Agree. Appears to be primarily Late Payment Charges which can be tracked by class 				
5.	Revenue Assignment - Other Non-Energy	<ul style="list-style-type: none"> Allocated to Operating Expense^{iv} 	<ul style="list-style-type: none"> Pending. Basis for the revenues not clear nor where/why being allocated 				

B. COST FUNCTIONALIZATION

	ISSUE	MANITOBA HYDRO'S POSITION	PRELIMINARY VIEW / RATIONALE				
			COALITION				
1.	Direct Assignment	<ul style="list-style-type: none"> • DSM costs directly assigned to benefiting class^v • AEF costs directly assigned to Export Class^{vi} • Directly assigns Additional Generation Interest and Operating costs(E01) and Transmission Operating costs (D04) to Exports^{vii} • Diesel Community costs assigned to Diesel Class^{viii} • Uniform Rate Adj. – Export Class^{ix} • Directly assigns GSL SEP customers some Generation and Transmission costs (D04)^x 	<ul style="list-style-type: none"> • Do not agree. Under IRP DSM is considered as an economic resource alternative and should be treated as such. • Agree. Reflective of government policy re use of export revenue • Pending, not clear what the costs are or rationale for direct assignment • Agree. Allocation to Diesel customer classes addressed in separate study. • Agree. Reflective of government policy re use of export revenue. • Pending, not clear what the costs are or rationale for direct assignment 				
2	Core Functions	<ul style="list-style-type: none"> • Core functions used are Generation, Transmission, Sub-Transmission, Distribution Plant and Distribution/Customer Services^{xi} 	<ul style="list-style-type: none"> • Agree. These are the basic “functions” for purposes of COSS analysis. 				
3	Generation - Definition	<ul style="list-style-type: none"> • Includes all Generating Stations, Purchases, HVDC facilities (incl 100% of Dorsey) and a share of communications, general and admin costs (CG&A costs).^{xii} 	<ul style="list-style-type: none"> • Generally Agree. There may be argument for less than 100% of Dorsey (and Riel) but proportion difficult to establish. 				
4	Transmission - Definition	<ul style="list-style-type: none"> • Includes all HV Transmission lines (incl. Radial lines>100 kV), share of Sub-Station costs and share of CG&A costs 	<ul style="list-style-type: none"> • Agree with the exception of radial taps used solely by one class which should ideally be directly assigned. • . 				

5.	Sub-Function Distinctions - Transmission	<ul style="list-style-type: none"> The Transmission Function consists of Tariffable (i.e.. OATT) vs. non-Tariffable Costs. The later are the costs of radial transmission and lines. Ancillary Services are separated out for purposes of cost functionalization, but included with Transmission for purposes of allocation^{xiii} US Interconnections are also separated out for purposes of allocation to customer classes^{xiv} 	<ul style="list-style-type: none"> Agree. Facilitates determination of OATT. Agree. Ancillary Services are distinct from the wire/poles/stations typically associated with transmission. Agree with principle that interties drivers different from those for domestic transmission. 					
6.	Distribution Plant	<ul style="list-style-type: none"> Includes all low voltage facilities (<33 kV), meters, metering transformers, low voltage portion of substations and a share of CG&A costs.^{xv} 	<ul style="list-style-type: none"> Agree 					
7.	Sub-Function Distinctions - Distribution Plant	<ul style="list-style-type: none"> Distribution Plant is segmented into: Stations, Lines, Transformers, Service Drops, Meters and Meter Maintenance.^{xvi} No separate “functions” to distinguish between primary and secondary lines, but the allocation factors are adjusted to account for the fact customer classes’ use of the two types of assets differ^{xvii}. 	<ul style="list-style-type: none"> Agree. Each sub-function will be used differently by customer classes. Agree with the need to distinguish between primary and secondary. However, creation of separate functions would be more appropriate. 					
8.	Distribution Service	<ul style="list-style-type: none"> Generally includes all costs associated with serving the customer after delivery of the energy.^{xviii} 	<ul style="list-style-type: none"> Agree 					
9.	Sub-Function Distinctions - Distribution Service	<ul style="list-style-type: none"> Distribution Service is segmented into: General Customer Service, Billing, Collections, Meter Reading, Electrical Inspection, and Marketing R&D 	<ul style="list-style-type: none"> Agree. Each sub-function will be used differently by customer classes. 					

C. CLASSIFICATION

	ISSUE	MANITOBA HYDRO'S POSITION	PRELIMINARY VIEW / RATIONALE				
			COALITION				
1.	Generation	<ul style="list-style-type: none"> Considered to be Energy-Related^{xi} 	<ul style="list-style-type: none"> Agree - if weighted energy used IN allocation. With sufficient time differentiation energy allocation can also reflect capacity/demand costs 				
2.	Transmission	<ul style="list-style-type: none"> All demand-related except for US inter-ties which are classified as energy-related (weighted).^{xx} 	<ul style="list-style-type: none"> Agree with domestic transmission treatment as demand, consistent with general practice. Pending wrt intertie treatment. Need to jointly consider classification and allocation. 				
3.	Sub-Transmission	<ul style="list-style-type: none"> Demand-related 	<ul style="list-style-type: none"> Agree. Reflects approach commonly used in COSS. 				
4.	Distribution Plant	<ul style="list-style-type: none"> Substations – Demand Transfs – Demand Lines – 60% Demand / 40% Customer Services – Customer Meters & Meter Maintenance - Cust 	<ul style="list-style-type: none"> Agree. Reflects general industry practice May be acceptable for current review, but requires future study. Agree, provided appropriate class weightings used Agree, provided appropriate class weightings used 				
5.	Distribution Service	<ul style="list-style-type: none"> All sub-functions deemed customer related 	<ul style="list-style-type: none"> Agree, subject to use of appropriate customer weighting factors 				

D. ALLOCATION

	ISSUE	MANITOBA HYDRO'S POSITION	PRELIMINARY VIEW / RATIONALE				
			COALITION				
1.	<p>Generation</p> <ul style="list-style-type: none"> Water Rental & Var. Hydro OM&A 	<ul style="list-style-type: none"> Opportunity Export allocation factor not clearly documented. It's assumed that Share to Opportunity Exports based on % of Total Hydro Energy^{xxi} Balance – as Pooled Generation 	<ul style="list-style-type: none"> Agree. Opportunity exports generally sourced from surplus hydro resources Agree – balance will go to Domestic and Dependable Exports 				
2.	<p>Generation</p> <ul style="list-style-type: none"> Purchases, MAPP/MISO Fees, Trading Desk, NEB Fees 	<ul style="list-style-type: none"> To all load (Domestic, Opportunity Exports and Dependable Exports) based on weighted energy using 12 periods and SEP+CRP prices.^{xxii} 	<ul style="list-style-type: none"> Pending, approach is a simplification of previous practices. Need to understand sensitivity and get clarification of costs included. 				
3.	<p>Generation</p> <ul style="list-style-type: none"> Natural Gas, Coal, Wind, balance of Hydro Generation and HVDC Transmission (Pooled Generation) 	<ul style="list-style-type: none"> To Domestic and Dependable Exports based on weighted energy using 12 periods and SEP+CRP prices.^{xxiii} 	<ul style="list-style-type: none"> Agree with allocation to Domestic & Dependable Exports. Approach is a simplification of previous practices. Need to confirm costs being allocated and confirm sensitivity. See additional comments below re weighted energy allocator. 				
4.	<p>Transmission</p> <ul style="list-style-type: none"> Domestic 	<ul style="list-style-type: none"> Allocated based on avg. CP for Domestic and Dependable Exports^{xxiv} 	<ul style="list-style-type: none"> Pending. Need clarification regarding Operating Costs allocated just to Domestic (D13) and confirmation of basis for D14 allocator. Also, need to consider implicit treatment of radial lines. 				
5.	<p>Transmission</p> <ul style="list-style-type: none"> Interties 	<ul style="list-style-type: none"> To Domestic and Dependable Exports based on weighted energy using 12 	<ul style="list-style-type: none"> Agree with allocation to Domestic and Dependable Exports. However, agreement 				

		periods and SEP+CRP prices ^{xxv}	with use of proposed weightings pending.				
6.	Sub-Transmission	<ul style="list-style-type: none"> Allocation to Domestic classes based on class NCPs (excl GSL<100)^{xxvi} 	<ul style="list-style-type: none"> Agree. Reflects general industry practice. 				
7.	Distribution Plant <ul style="list-style-type: none"> Demand Costs Cust. Costs 	^{xxvii} <ul style="list-style-type: none"> Stations - NCP<33 kV Lines – NCP <33 kV with Second. Adj.^{xxviii} Transf. – NCP <30, excl customer owned trsf. Lines – Number of Customers with adj for Street Light and excl. Sentinel & FRWH Services – Weighted Number of Customers, excl. >30 kV, FRWH, Street & Sentinel Lgts Meters – Weighted Number of Customers with meters Meter Maintenance – Wgt. # of Customers with meters 	<ul style="list-style-type: none"> Generally agree subject to clarification of Secondary Adj. For Lines Generally agree subject to clarification of basis for Sentinel and Street Lights treatment Generally agree subject to clarification of basis for Sentinel and Street Lights treatment Agree. Reflects general industry practice Agree. Reflects general industry practice 				
8.	Distribution Services	<ul style="list-style-type: none"> Each sub-function uses weighted customer counts – where weights based on relative costs to service each class.^{xxix} 	<ul style="list-style-type: none"> Agree. Reflects general industry practice 				

9.	NET EXPORT REVENUES - Calculation	<ul style="list-style-type: none"> Total Export Class revenues less allocated costs – including directly assigned costs 	<ul style="list-style-type: none"> Agree 				
10.	NET EXPORT REVENUES - Allocation	<ul style="list-style-type: none"> Allocate to domestic classes based on total allocated costs (excludes direct assignments)^{xxx}. The exception is Diesel where the total costs are <u>not</u> reduced for capital contributions.^{xxxii} 	<ul style="list-style-type: none"> Generally agree – consistent with principle that investment in exports undertaken to reduce customers rate as it lowers all classes’ costs by the same %. View pending re - treatment of direct assignments and diesel. 				
11.	WEIGHTED ENERGY ALLOCATOR - Definition	<ul style="list-style-type: none"> Each class’ usage is broken out into 12 time period (4 seasons x 3 time-of-day periods) and weighted using SEP price plus (in the peak periods) a value for capacity based on Reference Discount used in the CRP.^{xxxii} 	<ul style="list-style-type: none"> Pending. Concern that inclusion of full CRP credit fails to recognize that, even with current market conditions, peak period SEP prices likely reflect some allowance for capacity, particularly if and when market conditions change. 				

E. RATE DESIGN

	ISSUE	MANITOBA HYDRO'S POSITION	PRELIMINARY VIEW / RATIONALE				
			COALITION				
1.	Basic Rate Design - Residential	• TBD	• Pending.				
2.	Basic Rate Design - GSS - ND	• TBD	• Pending.				
3.	Basic Rate Design GSS - D	• TBD	• Pending.				
4.	Basic Rate Design - GSM	• TBD	• Pending.				
5.	Basic Rate Design - GSL	• TBD	• Pending.				
6.	Industrial TOU Rates	• TBD	• Pending.				
7.	Residential Conservation Rates	• TBD	• Appears to be little justification for inclining/tiered rates as Residential Energy Rate close to Marginal Cost (as last reported by MH.)				
8.	Energy Intensive Rates	• TBD	• Pending				

F. TERMS AND CONDITIONS (INCL. EXTENSION POLICIES)

	ISSUE	MANITOBA HYDRO'S POSITION	PRELIMINARY VIEW / RATIONALE				
			COALITION				
1.	Extension Policies	<ul style="list-style-type: none"> TBD 	<ul style="list-style-type: none"> Pending 				

- i Appendix 3, page 3 and Appendix 3.1, page 14
- ii Main Submission, pages 14-15 and Appendix 3.1, pages 4 and 10
- iii Appendix 3.1, page 29
- iv Appendix 3.1, page 43
- v Appendix 3.1, page 11
- vi Appendix 3.1, page 20
- vii Appendix 3.1, page 65
- viii Appendix 3.1, page 65
- ix Appendix 3.1, page 6
- x Appendix 3.1, page 65
- xi Appendix 3.1, page 22
- xii Main Submission, pages 17 and 20
- xiii Appendix 3.1, pages 24-25
- xiv Main Submission, page 21
- xv Appendix 3.1, page 23
- xvi Appendix 3.1, page 27

xvii Appendix 3.1, page 11

xviii Appendix 3.1, page 23

xix Main Submission, page 20

xx Main Submission, page 21; Appendix 3, page 3 and Appendix 3.1, page 64

xxi Appendix 1, page 3 and Appendix 3.1, page 6

xxii Main Submission, pages 16-17; Appendix 1, page 4 and Appendix 3, page 2

xxiii Main Submission, pages 16-17; Appendix 1, page 7 and Appendix 3, page 3

xxiv Main Submission, page 11 and Appendix 3.1, page 64 and 68-69

xxv Main Submission, page 21; Appendix 1, page 6 and Appendix 3, page 3

xxvi Appendix 3.1, page 70

xxvii Appendix 3.1 pages 71 - 73 and 80 - 83

xxviii Appendix 3.1, page 5

xxix Appendix 3.1, pages 74 - 79

xxx Main Submission, page 17 and Appendix 4, page 6

xxxi Appendix 3, page 12

xxxii Main Submission, page 20 and Appendix 3, page 3