<u>GSS/GSM Pre-Ask 1</u>

Topic: Exports: Treatment of Exports and Net Expert Revenues, Appendix 3, Page 4

Questions:

1. In order to properly understand the appropriateness of allocating fixed costs to different export types, please provide and file historical and forecasted export data for the last 10 years broken down by type:

    (i) Dependable exports;

    (ii) Opportunity exports; and,

    (iii) Hybrid exports.

    (b) Please file and provide historical fixed and variable costs assigned to the three types of exports listed above, for the past 10 years.

Response:

GSS/GSM Pre-Ask 2

Topic: Revenue Cost Coverage – Zone of Reasonableness – Appendix 3, Page

Questions:

1. The target Zone of Reasonableness ("ZOR") for Revenue Cost Coverage ("RCC") is to be within a range of 95% to 105%. To understand the rational of cost and revenue allocation resulting in RCC's outside the defined ZOR, please advise of the following:

    (a) What is the justification for using this range of the ZOR?

    (b) Why does Manitoba Hydro deem it appropriate that the "General Service – Small Non Demand RCC" is above this range and the "General Service – Large 0-30kV" is under this range?

Response:

GSS/GSM Pre-Ask 3

Topic: Cost Allocation Amendments – Export and general service cost allocation, Appendix 3, Page 4

Questions:

1. Manitoba Hydro provides a breakdown of the change in the cost assigned and net export revenue attributed to the export class based on adopting the PCOSS14-Amended Methodology. This amendment resulted in the reallocation of $57 million previously allocated to the export class. Please advise of the following:

   (a) To which customer classes was this $57 million reassigned?

   (b) Using a similar table what would be the difference in breakdown of this reassignment for general service small and medium customers?

Response:

GSS/GSM Pre-Ask 4

Topic: Cost Allocation – Appropriateness of cost coverage considering Manitoba Hydro's load forecast.

Question:

1. To understand the appropriateness of costs coverage considering Manitoba Hydro's load forecast and to understand the appropriateness of cost allocation in future years:

   (a) How has Manitoba Hydro accounted for the forecast in changes and customers, energy in demand across difference customer classes in its cost allocation?

   (b) If so, please advise how and please file any documents supporting or explaining?

Response:

GSS/GSM Pre-Ask 5

Topic: Hourly load profile.

Question:

1. In order to understand the allocation of costs on the basis of electricity demand, please file, for each customer class, including exports an annual average hourly load profile.

Response:

GSS/GSM Pre-Ask 6

Topic: Generation – Hourly Load Profiles.

Question:

In an effort to better understand the allocation and classification of costs on the basis of demand, GSS/GSM asked Manitoba Hydro to provide an annual average hourly load profile for each customer class. In addition, can Manitoba Hydro please:

1. Provide the annual average hourly load profile for each customer class?

2. Provide these load profiles broken down into Manitoba Hydro's defined subclasses?

Response:

GSS/GSM Pre-Ask 7

Topic: Generation – Functionalization

Question:

References:

- Model

Preamble:

Manitoba Hydro has divided the functionalization of $1.1 billion generation costs into two groups: (i) $838.9 million to providing service to domestic load and dependable exports; and (ii) $222.2 million to opportunity exports.

1. What is the rationale employed in determining the portion of costs assigned to opportunity export sales?

2. More specifically, how has Manitoba Hydro determined the Trading Desk, Purchased Power, Variable Hydro O&M and Water Rental costs assigned to opportunity exports?

3. During the planning stage of generation investment, what consideration is made in regards to opportunity exports in the assessment of project viability?

4. Are a portion of these profits considered in the overall plant economic/NPV analysis?

Response:

GSS/GSM Pre-Ask 8

Topic: Exports – Historical and forecast breakdown of exports

Question:

References:

- Coalition #57 c)

GSS/GSM has asked Manitoba Hydro to provide historical and forecasted export data broken down by type: (i) dependable exports; (ii) opportunity exports; and (iii) hybrid exports for the past 10 years. Manitoba Hydro has provided historical on-peak export sales of historical dependable and opportunity exports. In addition, can Manitoba Hydro please:

1. Provide totals across all hours of the year?

Response:

GSS/GSM Pre-Ask 9

Topic: Exports - Opportunity export Trading Desk and MISO membership costs

Question:

References:

- PUB #14

Preamble:

In PUB IR 14, Manitoba Hydro describes the rationale of splitting Trading Desk and MISO membership costs between domestic and export classes (deemed to be 58% and 42% respectively).

1. Given that this is based on 2009 analysis, please provide an update of this analysis?

2. If this cannot be done, please provide justification of how this analysis is still relevant?

Response:

GSS/GSM Pre-Ask 10

Topic: Treatment of exports and net export revenues - Opportunity export costs

Question:

References:

- Manitoba Hydro cost-of-service methodology review

Preamble:

On page 18 of Manitoba Hydro's cost-of-service methodology review submission, it states that net export revenue is allocated based on total cost - however the model uses 'Total – Direct costs.'

1. Please confirm that direct costs assigned to customer classes are not considered in the allocation of net export revenue?
2. If direct costs are not considered, what is Manitoba Hydro's justification for doing so?
3. If direct costs are not considered, please provide a schedule of the net export revenue and resulting RCC impact, if net export is allocated on total costs (inclusive of direct costs)?

Response:

GSS/GSM Pre-Ask 11

Topic: Distribution and any other issues

Question:

References:

- PUB #15

Preamble:

GSS/GSM has asked Manitoba Hydro the justification for using 95 to 105 percent as its target Zone of Reasonableness ("ZOR") for customer class revenue cost coverage ("RCC") ratios.

- In PUB IR 15, the past four prospective cost of service studies show that general service small non-demand customers have experienced incrementally higher RCCs, all above the 105 percent ceiling target.

- Likewise, general service large 0-30kV have seen successively lower RCCs in the past three studies, all below the 95 percent floor target.

1. Is Manitoba Hydro's objective to return this class to the ZOR?

2. What is the timeframe for doing so?

3. If not, why have these classes remained outside the ZOR?

Response: