2017/18 & 2018/19 ELECTRIC GENERAL RATE APPLICATION

Manitoba Hydro Undertaking Transcript Page 3088

Manitoba Hydro to go through the list of PUB findings at page 220 of Order 5/12 and provide any status updates that occurred with respect to each.

Response:

The PUB issued Order 5/12 on January 17, 2012, as the final rate order from Manitoba Hydro’s 2010/11 & 2011/12 General Rate Application. On page 220 of that Order, the PUB identified several initiatives in which it requested Manitoba Hydro to provide reports or status updates.

Manitoba Hydro routinely provides an update on the Status of Public Utilities Board Directives to Manitoba Hydro in each General Rate Application (“GRA”) filing. Manitoba Hydro filed its 2012/13 & 2013/14 GRA on July 6, 2012. Tab 12 of that Application (“Response to Directive”) contained the status update for each of the outstanding PUB Directives at that date. In Tab 10 of that GRA (“Proposed Rates and Customer Impacts”), Manitoba Hydro also provided updates to the PUB findings that were included in Order 5/12.

Tab 12 and Tab 10 (Section 10.6) from the 2012/13 & 2013/14 GRA are attached to this undertaking and further context is provided below.

The Board requires MH to file preliminary reports (and status updates on):

a) Inverted Rates, with a view to creating a significantly higher-priced second energy block, but providing accommodation to electric heat customers, some of which do not have access to natural gas for heating;

MH Responses:

- In response to Directive 6(d) from Order 7/03, Manitoba Hydro filed the report *Review Of Time-Of-Use And Inverted Electric Rate Structures For Application In Manitoba* prepared by NERA Economic Consulting on July 28, 2005, as Appendix 11.4 of the 2005 Cost of Service Methodology Review Application. This report was subsequently filed as Appendix 36 of Manitoba Hydro’s 2008/09 GRA, in response to COALITION/MH I-47(b).
• Manitoba Hydro implemented inverted rates in 2008 for its Residential customer class, as approved by the PUB in Order 90/08, an Order arising from the 2008/09 GRA. On July 29, 2008, the PUB issued Order 116/08 directing MH to

“...file a plan by January 15, 2009 outlining the pros and cons of the various potential inverted rate strategies under consideration, and the MH-proposed course of action to address this issue over the next five years;” (page 351).

This directive was re-stated in Order 150/08.

• In a letter dated February 2, 2009, Manitoba Hydro filed a Status Report on Directives from Orders 116/08 and 150/08, noting that the plan requested in Directive 23 was in preparation and expected to be filed around March 2009. Manitoba Hydro notes that, concurrently, the Corporation was working on a revised Energy Intensive Rate proposal to address in an integrated manner the issue of inverted and Time-of-Use (“TOU”) rates.

• In its 2010/11 & 2011/12 GRA, filed November 30, 2009, Manitoba Hydro proposed the continuation of the inverted rate for the Residential Class (Tab 10 “Proposed Rates and Customer Impacts”, page 2), and provided the following update, in Tab 13 (“PUB Directives”) on Directive 23 from Order 150/08:

“Manitoba Hydro intends to bring a proposal to its Board of Directors at the January 21, 2010 meeting. Such a proposal will address, in an integrated fashion, the role of TOU Rates and/or Inverted Rates in conjunction with any Energy Intensive Rate proposal and any revisions to Service Extension Policy for General Service Large customers served at higher than 30 kV. As soon thereafter as practicable, Manitoba Hydro will file same with the PUB.”

• On February 12, 2010, Manitoba Hydro filed the revised Energy Intensive Rate proposal, which included an inverted rate for above baseline on peak energy usage by General Service Large customers served at voltages greater than 30 kV. This Application was later withdrawn in October 2010 while Manitoba Hydro was undertaking consultation with MIPUG and other stakeholders. This consultation ultimately resulted in a proposal for implementation of TOU rates, to be filed in the 2012/13 & 2013/14 GRA.

• During the 2010/11 & 2011/12 GRA, Manitoba Hydro filed responses to Information Requests addressing the matter of inverted rates during this GRA, including RCM/TREE-MH I-8f (which explains preliminary work on review of seasonally-differentiated rates for the residential class).

• In Order 40/11 (dated March 30, 2011), the PUB directed MH to end inversion of Residential rates, noting on page 30:
“With respect to Residential rates, when the inverted rate was established, circumstances were different than what they are now. Natural gas prices were very high, so high that there was a risk that property owners would consider switching their heating source from natural gas to electricity and MH has yet to reflect consideration of home heating loads in its rate design. There are rate design issues still to be considered with possible revision in the Board’s final GRA Order.”

“In the remainder of the GRA Hearing and in its deliberations following closing argument, the Board will reassess its view on inverted rates for residential properties, particularly for those where gas heat is not an option.”

- During the 2010/11 & 2011/12 GRA Hearing (Final Argument, July 7, 2011, Transcript page 8890), Manitoba Hydro stated that its intention was to apply the requested rate increase to the second block, that would result in a steeper inversion for usage above 900 kWh; however, in interim approvals, the PUB ordered to eliminate the inversion. Manitoba Hydro further stated that it was not seeking any further changes to its rate structure beyond Order 40/11.
- The PUB issued Order 5/12 on January 17, 2012, noting that a specific proposal to mitigate the impacts of inverted rates on electric heat customers has not been filed (page 215) and noting at page 220, the following findings:

  “The Board invites MH to provide all stakeholders (including the Board) with an overall strategy to co-ordinate the changing of rate structures for MH’s various customer classes. The Board requires MH to file preliminary reports (and status updates on):
  · Inverted Rates, with a view to creating a significantly higher-priced second energy block, but providing an accommodation to electric heat customers, some of which do not have access to natural gas for heating;”

Manitoba Hydro notes that the above was not included as a formal directive in this Order.

- In Tab 10 “Proposed Rates and Customer Impacts” of the 2012/13 & 2013/14 GRA Application filed July 6, 2012, Manitoba Hydro responded to the PUB Findings on inverted rates in Order 5/12 as follows:

  “Manitoba Hydro has studied and continues to study an implementation strategy for the reintroduction of inverted rates (for the Residential Class)
with accommodation for those customers that heat electrically. Manitoba Hydro has established a working group to study this rate proposal which includes analysis of experiences in other jurisdictions with inverted rates. With respect to GSS (D) and GSM customers Manitoba Hydro is of the view that such a rate design is impractical for these customers. Manitoba Hydro does not intend to pursue inverted rates for these customer classes.”

• Manitoba Hydro also provided a status update on Directive 23 of Order 150/08 in Tab 12 of that Application:

“In Order 40/11, PUB directed MH to end inversion of Residential rates. It is expected that the PUB will not entertain any further proposal with respect to Residential rate inversion until there is a separate plan for electrically heated residences.”

• Manitoba Hydro addressed the matter of inverted rates in a number of IRs, including PUB/MH II-101a (which provided an overview of alternative residential rate strategies that Manitoba Hydro is considering with respect to customers whose primary heat source is electrical (and with no access to natural gas), including pros and cons, and administrative challenges).

• During the oral hearings for the 2012/13 & 2013/14 GRA, Manitoba Hydro took the position that Residential inverted rates continue to be a subject of interest and that it was open to enter into dialogue with interested intervenors on this subject, but not until such time as there has been resolution of the more immediate issues which have been deferred from the current proceeding (e.g. Cost of Service and TOU rates).

• In Order 43/13, issued April 26, 2013, the PUB ordered that the approved 3.5% rate increase effective May 1, 2013 be applied to the basic monthly charge, demand charge and energy charge across all consumer classes. The PUB made no findings with respect to inverted rates.

• In its 2014/15 & 2015/16 GRA, Manitoba Hydro indicated on page 17 of DSM Minimum Filing Requirement #3 (filed February 4, 2015) that conservation (or inverted) rates were under consideration by Manitoba Hydro, as identified in Appendix A.2 of Manitoba Hydro’s 2014-17 Power Smart Plan – 15 year supplementary report (Appendix 8.1). Manitoba Hydro reiterated that it was not in a position to advance an inverted rate strategy during this proceeding. Manitoba Hydro provided further clarification in its responses to MIPUG/MH I-3a and MIPUG/MH II-5a that the Conservation Rate Initiative is a placeholder in the long-range DSM plan.

• During the 2014/15 & 2015/16 GRA oral hearings, Manitoba Hydro indicated that it hired a consultant to provide guidance and recommendations in terms of what could
be achieved through conservation rates, but also noted that the immediate priority is to deal with matters associated with cost of service and TOU rates.

- The PUB made no findings with respect to inverted rates in Order 73/15.
- Pursuant to Procedural Order 26/16 from the 2016 Cost of Service Methodology Review, the PUB accepted Manitoba Hydro’s submission that rate rebalancing, time-of-use rates, and conservation rates should be excluded from the scope of the COSS hearing and be dealt with at the next GRA.
- Manitoba Hydro conducted consultation on conservation rates through the DSM Advisory Committee in 2016. In its current 2017/18 & 2018/19 GRA (specifically, the response to PUB/MH II-53a-b), Manitoba Hydro has provided copies of the presentations delivered to the DSM Advisory Committee on November 7, 2016 and January 12, 2017, as well as the compilation of presentations provided by external consultants related to conservation rates. In Tab 9, Section 9.2, Manitoba Hydro also noted that in consideration for the additional bill impact that may be borne by certain customers over and above the average level of increase, Manitoba Hydro has not advanced a proposal to change rate structures for its customer classes at this time. In Appendix 9.14, Manitoba Hydro filed an alternative rate design that could address some of the impact of the proposed rate increase on electric heat customers.

b) GSS and GSM Class consolidation with a view to defining the end-product and the specific timeframe for completion;

MH Response:

- In response to Directive 25 of Order 150/08, Manitoba Hydro filed on July 31, 2009 its plan to consolidate the GSS and GSM rate classes (which was also filed as Appendix 13.8 of Manitoba Hydro’s 2010/11 & 2011/12 GRA). In its final Order 5/12, flowing from the 2010/11 & 2011/12 GRA (PUB Findings, page 220), the PUB asked Manitoba Hydro to file updates/reports on the GSS and GSM Class consolidation with a view to defining the end-product and the specific timeframe for completion.
- On page 11 of Tab 10 of the 2012/13 & 2013/14 GRA, filed July 6, 2012, Manitoba Hydro provided an update as follows:

> “Manitoba Hydro has been consolidating the General Service Small and Medium classes through the past several rate hearings. The consolidation smooths the transition of customers between the two classes of service and avoids any adverse impacts to customers during this transition. Assuming the Corporation’s proposals in this application for rate increases are approved for September 1, 2012 and April 1, 2013 the consolidation will be complete.”
• In Order 43/13, the PUB ordered that the approved 3.5% rate increase effective May 1, 2013 be applied to the basic monthly charge, demand charge and energy charge across all consumer classes. The PUB’s approved application of the rate increase differed from that proposed by Manitoba Hydro in Tab 10. As such, consolidation was not completed.

• Manitoba Hydro’s rate increases since Order 43/13 have assumed application of the rate increase across all rate components for all customer classes.

• In Tab 6 of its 2015/16 & 2016/17 GRA, Manitoba Hydro provided another update on GSS/GSM consolidation, noting as follows:

Prior to the 2012/13 & 2013/14 General Rate Application, Manitoba Hydro was gradually adjusting the application of rate increases to eventually achieve the consolidation of the General Service (“GS”) Small and Medium rate classes. At the present time, the rates for these two classes vary only with respect to the monthly Basic Charge and Three Phase Charge. As the proposed rate increases are to be applied to all rate components, including Basic Charges and Three Phase Charges, no additional consolidation of these rate classes will result with this Application.

• Basic Monthly Charge/ Three Phase Charge is the only item outstanding in order to complete the consolidation of the GSS/GSM classes, as noted at Transcript pages 3076 of the current proceeding.

c) Demand/Energy Rate Rebalancing with a view to defining the optimum balance and timeframe to achieve that balance through the allocation of Class Rate increases to the energy component;

MH Response:

• In response to Directive 24 of Order 150/08, Manitoba Hydro filed on July 31, 2009 its plan to rebalance demand and energy charges (also provided as Appendix 13.7 of the 2010/11 & 2011/12 GRA). In Order 5/12, flowing from the 2010/11 & 2011/12 GRA, the PUB required Manitoba Hydro to provide updates/reports on the Demand/Energy Rate Rebalancing with a view to defining the optimum balance and timeframe to achieve that balance through the allocation of Class Rate increases to the energy component.

• Manitoba Hydro provided an update with regards to the above in Tab 10 “Proposed Rates and Customer Impacts” of the 2012/13 & 2013/14 GRA, filed July 6, 2012, noting as follows:
“Manitoba Hydro has also been in the process of rebalancing the demand/energy split for all demand billed customers. The primary method to enable this change is by limiting approved rate increases to the energy charge and decreasing the demand charge when rate reductions are implemented such as in 2003. The purpose of rebalancing is intended to reflect that the rates charged to customers are reflective of cost allocation as in the Cost of Service Study ("COS"). The last report to the Board (July 2009) indicated that rebalancing was progressing, with the result based on PCOSS11 showing further progress. Manitoba Hydro will update reporting subsequent to the filing of PCOSS13.”

- In Order 43/13, the PUB ordered that the approved 3.5% rate increase effective May 1, 2013 be applied to the basic monthly charge, demand charge and energy charge across all consumer classes.
- Manitoba Hydro’s rate increases since Order 43/13 have assumed application of the rate increase across all rate components for all customer classes.
- Pursuant to Procedural Order 26/16 from the 2016 Cost of Service Methodology Review, the PUB accepted Manitoba Hydro’s submission that rate rebalancing, time-of-use rates, and conservation rates should be excluded from the scope of the COSS hearing and be dealt with at the next General Rate Application.
- Order 164/16 from the 2016 Cost of Service Review resulted in significant changes to the classification and allocation of costs. As noted at Transcript pages 3069-3071 of the current proceeding, the changes to Cost of Service flowing from Order 164/16 will need to be considered in any rate rebalancing plans going forward.

d) Time-of-Use Rates with a view to applying these in the near future to Top Consumers and industrial customers that already have the necessary metering capability;

MH Response:

- In response to Directive 22 of Order 150/08, Manitoba Hydro communicated to the PUB during the 2010/11 & 2001/12 GRA (Tab 13 “PUB Directives”), that it planned to bring a proposal to the MHEB that:

  “..will address, in an integrated fashion, the role of TOU Rates and/or Inverted Rates in conjunction with any Energy Intensive Rate proposal and any revisions to Service Extension Policy for General Service Large customers served at higher than 30 kV”. 
Through this proposal, Manitoba Hydro also intended on addressing recommendations and directives from Order 112/09 with regards to the proposed Energy Intensive Rate.

- On February 12, 2010, Manitoba Hydro filed the revised Energy Intensive Rate proposal with the PUB. This proposal included an inverted rate for above baseline on peak energy usage by General Service Large customers served at voltages greater than 30 kV. This Application was subsequently withdrawn in October 2010. Due to shortcomings identified by the PUB with the revised Energy Intensive Industrial Rate proposal, Manitoba Hydro embarked on an engagement process between 2010 and 2012 with MIPUG to develop a more acceptable solution. A TOU rate concept emerged from those discussions as being a reasonable and acceptable approach to rate design for large electrical consumers in Manitoba. This consultation ultimately resulted in a proposal for implementation of TOU rates, filed in the 2012/13 & 2013/14 GRA.

- In Order 5/12 the PUB required Manitoba Hydro to provide updates/reports with respect to Time-of-Use Rates with a view to applying these in the near future to Top Consumers and industrial customers that already have the necessary metering capability.

- In Tab 10 “Proposed Rates and Customer Impacts” of its 2012/13 & 2013/14 GRA, Manitoba Hydro provided a response with respect to the PUB Finding above from page 220 of Order 5/12, noting as follows:

  “During 2010 and 2011 Manitoba Hydro met on a number of occasions with MIPUG membership and consultants. During this period, the parties reviewed the potential for introduction of mandatory Time of Use (‘TOU’) rates for large industrial customers. Manitoba Hydro also met with other General Service Large customers who are potentially affected by TOU rates.

  Introduction of TOU rates enable Manitoba Hydro to comply with the majority of issues which previous energy intensive rate proposals were intended to address, including broad application to all load growth and time of use pricing for on and off peak usage. Such a rate also partially addresses Manitoba Hydro’s concerns about load growth by energy-intensive industries and the potential impact that such growth may have on export sales. It also addresses many of the customers concerns raised with respect to EIIR options that require complex calculations, determination of baselines, and application of two-tier rates.

  Manitoba Hydro anticipates that the MHEB will review a TOU proposal at its August 18 2012 meeting.”
- On October 3, 2012, Manitoba Hydro filed, as Appendix 10.11 of Tab 10, a letter and supporting appendices seeking approval to implement TOU rates for the General Service Large customer class served at greater than 30kV effective April 1, 2013, and proposed increases to the demand ratchets for these customers.
- In Procedural Order 98/12, the PUB indicated that it will consider Manitoba Hydro’s Cost of Service Study Methodology at a separate process to be scheduled for the spring of 2013. In a subsequent letter dated November 6, 2012, the PUB confirmed that Manitoba Hydro’s request for TOU Rates and Class Differentiated Rates will also be considered at the same separate process in 2013. This direction was reiterated in Order 43/13.  
- After the hearings for the 2012/13 & 2013/14 GRA were concluded, Manitoba Hydro filed a letter with the PUB on March 21, 2013 advising that it wished to engage in a collaborative process with interested parties with respect to COSS and TOU proposals. In response to PUB/MH I-4(b) filed on April 15, 2014 as part of Manitoba Hydro’s Interim Rate Application for Rates effective April 1, 2014, Manitoba Hydro indicated that it was proposing to examine COSS and TOU matters through a collaborative stakeholder process commencing after the conclusion of the NFAT process.  
- In Tab 6, Section 6.3 of its 2015/16 & 2016/17 GRA, filed on January 16, 2015, Manitoba Hydro included a proposal for implementation of TOU rates for the GSL >30kV classes effective April 1, 2016.  
- In Procedural Order 18/15, the PUB determined that it would examine TOU rates at the Cost of Service Review. As such, this matter was not explored during the 2015 GRA. This decision was reiterated by the PUB in Order 73/15.  
- In Procedural Order 26/16 from the 2016 Cost of Service Review, the PUB accepted Manitoba Hydro’s submission that rate rebalancing, time-of-use rates, and conservation rates should be excluded from the scope of the COSS hearing and be dealt with at the next General Rate Application.  
- In Tab 9, Section 9.2, of the current 2017/18 & 2018/19 GRA, Manitoba Hydro noted that in consideration for the additional bill impact that may be borne by certain customers over and above the average level of increase, Manitoba Hydro has not advanced a proposal to change rate structures for its customer classes at this time.

e) Limited-Use Demand billing with an update of the continued need for this rate in light of the elimination of the Winter Ratchet;

MH Response:

- In an Application dated August 24, 2004, Manitoba Hydro sought to make the LUBD a permanent rate offering along with a request for modest changes to its Terms and Conditions.
• The PUB gave its final approval to the requested changes to the Terms and Conditions of LUBD on page 25 of Order 90/08.
• In accordance with Order 116/08, Manitoba Hydro eliminated the winter ratchet applicable to GSS-D, GSM and some GSL customers as of December 1, 2009.
• In Order 5/12, dated January 17, 2012, the PUB requested Manitoba Hydro to provide preliminary reports/updates with regards to the continued need for this rate in light of the elimination of the Winter Ratchet.
• On page 12 of Tab 10 “Proposed Rates and Customer Impacts” of the 2012/13 & 2013/14 GRA (filed July 6, 2012), Manitoba Hydro provided the following update:

“Manitoba Hydro has consistently maintained that the elimination of the winter ratchet does not in any way affect the need to have the LUBD rate available to customers. In fact the majority of customers on this tariff were not affected by the winter ratchet prior to its elimination in November 2009. The LUBD program is useful for customers whose load factor is approximately 18% or lower as it reduces their overall energy bill compared to the applicable class rate. In addition LUBD customers typically have lower coincidence factors than other customers in the class thus reducing the cost to Manitoba Hydro to serve them. In Appendix 10.8, the LUBD Annual Report, Manitoba Hydro noted as follows: “Consequently, the removal of the winter ratchet in December, 2009, does not eliminate the need for the LUBD rate or the benefits received by customers who subscribe to it.”

• Order 43/13 did not provide any further findings or direction with regards to this matter. Manitoba Hydro has considered this matter to be complete.

f) the Energy Intensive Industry Rate, with justification for either abandoning the rate proposal or providing an alternative on-peak rate scenario as directed in Board Order 112/09; and

MH Response:

• In its 2012/13 & 2013/14 GRA, Manitoba Hydro provided an update on this matter in Tab 10 “Proposed Rates and Customer Impacts”. Please refer to the discussion on TOU rates in part d) above for additional information.
the Service Extension Policy, including a proposal for the Board's review and possible acceptance in accordance with Order 112/09.

MH Response:

- Directive 4 of Order 112/09 stated:

  “MH file by November 30, 2009 for Board review and approval, a new Service Extension Policy that incorporates the capital credits available to offset basic sub-transmission and distribution upgrade charges, and required capital contributions toward generation and transmission costs for set MW load additions of, say, more than 30 or 50 MW, based on proposed parameters which are on a compatible basis with the new EIIR Terms and Conditions.”

- Manitoba Hydro provided an update to this PUB Directive in Tab 12 of its 2012/13 & 2013/14 GRA, filed on July 6, 2012. As found on page 4 of Tab 12, with respect to Directive 4 of Order 112/09, MH stated:

  “MH is not proposing to initiate new consultations with respect to any EIIR and will advise the PUB further if it intends to re-open them.”

On page 4 of Tab 12, Manitoba Hydro identified the status of Directive 4 as “complete”. There was no mention of this Directive in the PUB Orders subsequent to that filing, and therefore Manitoba Hydro assumed implicitly that there was no further action required on Directive 4.

- Further to the specific matter of Manitoba Hydro’s Service Extension Policy, Manitoba Hydro notes that the PUB itself acknowledges on its website that it does not regulate electricity service extensions by Manitoba Hydro.

## Manitoba Hydro

### Status of Public Utilities Board Directives to Manitoba Hydro

#### July 6, 2012

<table>
<thead>
<tr>
<th>Order</th>
<th>#</th>
<th>Order 5/12 – Directives (January 17, 2012)</th>
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<th>Comment</th>
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<tbody>
<tr>
<td>5/12</td>
<td>4</td>
<td>MH recalculate and refile, for Board approval, a schedule of rates reflecting a 1.9% average increase for all customer classes (except Area &amp; Roadway Lighting) effective April 1, 2010, together with all supporting schedules including proof of revenue and customer impacts;</td>
<td>Complete</td>
<td>Manitoba Hydro filed the requested rate schedules in its Application for Interim rates Effective April 1, 2012, filed on March 30, 2012.</td>
</tr>
<tr>
<td>5/12</td>
<td>5</td>
<td>MH recalculate and refile, for Board approval, a schedule of rates reflecting a further 2.0% average increase for all customer classes (except Area &amp; Roadway Lighting) effective April 1, 2011, together with all supporting schedules including proof of revenue and customer impacts;</td>
<td>Complete</td>
<td>Manitoba Hydro filed the requested rate schedules in its Application for Interim rates Effective April 1, 2012, filed on March 30, 2012.</td>
</tr>
<tr>
<td>5/12</td>
<td>6</td>
<td>MH calculate and file, for Board approval, a new interim rate that quantifies the difference between the April 1, 2010 and April 1, 2011 interim rates and the rates finalized in this Order, together with all supporting schedules including proof of revenue and customer impacts;</td>
<td>Complete</td>
<td>Manitoba Hydro filed the requested schedules in its Application for Interim rates Effective April 1, 2012, filed on March 30, 2012.</td>
</tr>
<tr>
<td>5/12</td>
<td>8</td>
<td>MH is to calculate, and file for Board approval, a deferral account that tracks the difference between revenues calculated pursuant to the interim rate orders (in Orders 18/10; 30/10; and 40/11) and the rates finalized in this Order, together with accrued interest at MH’s short-term borrowing rate;</td>
<td>Complete</td>
<td>Manitoba Hydro filed a schedule with the forecast balance of the deferral account (at March 31, 2012) in its Application for Interim rates Effective April 1, 2012, filed on March 30, 2012.</td>
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<th>Order 95/11 – Directives (July 22, 2011)</th>
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<tbody>
<tr>
<td>95/11</td>
<td>3</td>
<td>Manitoba Hydro is to file with PUB the documents described in the subpoena forthwith</td>
<td>Ongoing</td>
<td>This matter is currently before the courts.</td>
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<tr>
<th>Order</th>
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<th>Order 134/10 – Directives (December 22, 2010)</th>
<th>Status</th>
<th>Comment</th>
</tr>
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<tbody>
<tr>
<td>134/10</td>
<td>2</td>
<td>MH is to re-file, for Board approval, its proposed rates and all supporting schedules reflecting the decisions of the Board in this Order, to be effective for all electricity consumed in the Diesel Zone on and after January 1, 2011.</td>
<td>Complete</td>
<td>New rates were filed and approved by the PUB on January 4, 2011.</td>
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### Order 134/10 – Directives (December 22, 2010)

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<tr>
<td>134/10</td>
<td>3</td>
<td>MH file with the Board and all Parties to this Diesel Zone Application: &lt;br&gt; a) Confirmation that the Settlement Agreement (from the 2004 Minutes of Settlement) has been fully executed; &lt;br&gt; b) A true copy of the fully executed Settlement Agreement; &lt;br&gt; c) Confirmation of payments or adequate funding arrangements for the capital costs incurred by MH, by community, since 2004; and &lt;br&gt; d) Indication of capital costs still in dispute, if any, and the process and timeline for resolution of such dispute(s).</td>
<td>Outstanding</td>
<td>Manitoba Hydro has previously advised the Board that on January 24, 2011 Manitoba Hydro received an email from MKO attaching PDF copies of the Settlement Agreement and related authorizing documents. On February 28, 2011 Manitoba Hydro provided the PUB with the PDF copies of the Settlement Agreement as forwarded by MKO. To date, Manitoba Hydro has not received true copies of the Settlement Agreement and related documents. On June 16, 2011, MKO advised Manitoba Hydro and AANDC that MKO had received most of the originals. Missing were three original Band Council Resolutions and one original Certificate of Independent Legal Advice. Manitoba Hydro was advised by MKO that these documents could not be located by either MKO or the First Nations. To remedy this situation, AANDC proposed that for each of the four documents, a sworn declaration by one of the signatories to the document attesting that either the fax copy or the PDF (depending upon the circumstances) is a true copy of the original document and that the document was signed on that particular date. Manitoba Hydro and MKO concurred with the proposed remedy and action was to be taken by MKO in this regard. On October 28, 2011, Manitoba Hydro received from MKO, PDF copies of three of the four sworn declarations. Specifically, Manitoba Hydro received PDF copies of the sworn declarations from representatives of MKO, Tadoule Lake and Barren Lands. MKO has advised that it has yet to...</td>
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<td>134/10</td>
<td>4</td>
<td>MH, supported by the written consents of INAC, MKO, the four First Nations and CAC/MSOS, is to seek an Order of this Board to confirm, as final, all Diesel Zone rates approved on an interim basis since 2004, including those interim rate approvals in Board Orders 17/04; 46/04; 159/04; 176/06.</td>
<td>Outstanding</td>
<td>MH has forwarded draft consents to the parties and will file same when executed copies are received.</td>
</tr>
<tr>
<td>134/10</td>
<td>5</td>
<td>MH to advise the Board and all Parties to this Application as to the Utility’s ability to provide electronic spreadsheets, as well as any attendant incremental costs had this application been filed with electronic spreadsheets.</td>
<td>Complete</td>
<td>Manitoba Hydro is willing to provide data only spreadsheets upon request. Comprehensive spreadsheets that contain complex formulas (e.g. cost allocation models), links to other spreadsheets, or those that contain proprietary information or metadata, cannot be shared. The cost assessment requested cannot reasonably be determined, but would not likely be significant.</td>
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<td>134/10</td>
<td>6</td>
<td>In the event that there is no positive support for removing the service restrictions, including the 60 Amp restriction, and eliminating the use of diesel fuel to supply power to the off-grid communities, Manitoba Hydro is to develop and file with the Board, within one year of the issuance of this Order, a five year fully costed plan to migrate Residential and nongovernment General Service Diesel Zone customers to grid rates for all consumption.</td>
<td>Complete</td>
<td>Manitoba Hydro’s response to this directive was provided in two Attachments to the December 22 filing: i) Summary of Service Enhancement Options for Diesel Communities; and ii) Incremental Cost of Unlimited Use at Grid Rates by Diesel Residential and General Service Customers.</td>
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<td>112/09</td>
<td>2</td>
<td>MH file on or before July 31, 2009, for the Board’s review and comment, the Stakeholder Consultation Plan.</td>
<td>Complete</td>
<td>MH is not proposing to initiate new consultations with respect to any EIIR and will advise the PUB further if it intends to re-open them.</td>
</tr>
<tr>
<td>112/09</td>
<td>3</td>
<td>MH file by November 30, 2009, for Board review and approval a revised General Service Large &gt;30 kV Energy Intensive Industrial Rate proposal as directed in this Order, together with any further scenarios MH and/or Stakeholders want to be considered by the Board.</td>
<td>Complete</td>
<td>MH is not proposing to initiate new consultations with respect to any EIIR and will advise the PUB further if it intends to re-open them.</td>
</tr>
<tr>
<td>112/09</td>
<td>4</td>
<td>MH file by November 30, 2009 for Board review and approval, a new Service Extension Policy that incorporates the capital credits available to offset basic sub-transmission and distribution upgrade charges, and required capital contributions toward generation and transmission costs for set MW load additions of, say, more than 30 or 50 MW, based on proposed parameters which are on a compatible basis with the new EIIR Terms and Conditions.</td>
<td>Complete</td>
<td>MH is not proposing to initiate new consultations with respect to any EIIR and will advise the PUB further if it intends to re-open them.</td>
</tr>
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<table>
<thead>
<tr>
<th>Order</th>
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<th>Order 32/09 – Directives (March 30, 2009)</th>
<th>Status</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>32/09</td>
<td>3</td>
<td>MH to prepare a series of alternative 20-year scenarios (IFF/Power Resource Plan/Capital Plan), to reflect:</td>
<td>Complete</td>
<td>Manitoba Hydro filed a response to this directive with the PUB on February 3, 2010, and provided an updated response in Undertakings #154 and#158 of the 2010/11 &amp; 2011/12 General Rate Application.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a) A pessimistic view of export prices (minimal U.S. - CO2 pricing levels).</td>
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<td></td>
<td></td>
<td>b) A periodic one-year drought (e.g. 2003-04).</td>
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<td></td>
<td></td>
<td>c) A periodic multi-year drought (e.g. 1940’s or 1980’s).</td>
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### Status of Public Utilities Board Directives to Manitoba Hydro

**July 6, 2012**

<table>
<thead>
<tr>
<th>Order #</th>
<th>Order 32/09 – Directives (March 30, 2009)</th>
<th>Status</th>
<th>Comment</th>
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</table>
| 32/09 4 | d) Zero long-term contract commitments.  
e) A strong movement to domestic electric heating.  
f) Existing transmission tie-line constraints.  
g) Potential carbon tax on MH’s imports and a doubling of water rental rates. | Complete | This directive was satisfied through the reports filed pursuant to the risk review portion of the 2010/11 GRA proceeding, the information request responses, the hearings and the two orders that issued pursuant to that proceeding. |
| 32/09 6 | MH to file by September 30, 2009, for Board approval, a conceptual outline for an in-depth and independent study of all the operational and business risks facing the corporation. The study to be a thorough and quantified Risk Analysis, including probabilities of all identified operational and business risks. This report should consider the implications of planned capital spending taking into account export revenue growth, variable interest rates, drought, inflation experience and risk, and potential currency fluctuation. | Complete | On June 15, 2012, Manitoba Hydro filed an IFRS status and an updated report as at April 30, 2012 included as Appendix 5.5 to Tab 5 of this Application. |
| 32/09 7 | MH file, on or before December 1, 2009, a full 20-year capital expenditure forecast, together with draft terms of reference and timeline for a regulatory review of MH’s planned capital program and its impact on consumer rates; | Complete | The 20 year capital expenditure forecast was filed as Appendices 15 and 16 during the 2010/11 GRA process. Manitoba Hydro anticipates that the Government of Manitoba will issue terms of reference and process for a review of the capital program. |
### Order 32/09 – Directives (March 30, 2009)

<table>
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<tr>
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<th>Status</th>
<th>Comment</th>
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</thead>
</table>
| 32/09 | 8  | MH file, ahead of the 2009/10 heating season, an update of its plans for a low-income bill assistance program; and | Complete | Manitoba Hydro filed Appendix 44 in the 2010/11 & 2011/12 General Rate Application which included:  
- Attachment 1 - Manitoba Hydro Affordable Energy Program  
- Attachment 2 - Bill Assistance Report  
- Attachment 3 - Affordable Energy Program Marketing Plan |
| 32/09 | 9  | MH file its next General Rate Application, including any rate adjustment requests for both 2010 and 2011, by October 1, 2009. | Completed | Manitoba Hydro filed its General Rate Application on November 30, 2009. |

### Order 150/08 – Directives (November 7, 2008)

<table>
<thead>
<tr>
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<th>#</th>
<th>Action</th>
<th>Status</th>
<th>Comment</th>
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</table>
| 150/08 | 2  | With respect to MH’s export program, MH is to work co-operatively with Board Staff and/or Advisors to develop a process that will enhance the Board’s understanding of MH’s export program and its potential impact on domestic rates. MH is to thereafter, file a report with the Board that may include the following:  
  a) Overview of strategy, options, historical costs and revenues;  
  b) Monthly historical export prices for the last five years, disaggregated for both peak and off-peak periods;  
  c) Existing and pending export contract commitments, with annual forecast revenues both aggregated and also disaggregated (in confidence if necessary);  
  d) Forecast export revenues until 2028, identifying opportunity sales distinct from firm contract sales and broken down by peak/off peak,  
  e) Detailed assumptions used in export market price forecasts (filed in confidence if necessary). MH to resubmit its export pricing forecasts to reflect recent realities of market prices and exchange rates;  
  f) A testing of MH’s assumptions through detailed sensitivity analyses for upper/lower quartile water flows, foreign exchange, domestic load growth and natural gas prices; and  
  g) Given the crucial nature of the Corporation’s export contracts and | Complete | Manitoba Hydro responded to items a) through f) of this directive through meetings held in November and December of 2009 with PUB advisors, through detailed presentations provided to the PUB and Intervenors in May of 2010, and through numerous filings during the risk portion of the 2010/11 GRA review.  
  Item g) is currently before the courts.  

<table>
<thead>
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<th>Comment</th>
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</thead>
</table>
| 150/08  | assumptions, with potential impacts on domestic rates, MH file for Board review all proposed export contracts; | Complete      | a) Manitoba Hydro responded to this directive through meetings held in November and December of 2009 with PUB advisors, through detailed presentations provided to the PUB and Intervenors in May of 2010, and through numerous filings during the risk portion of the 2010/11 GRA review.  

  b) Manitoba Hydro continues to file annual reports on LUBD program performance. The most recent report was filed with the PUB on November 1, 2011.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 150/08  | MH to provide the Board with:  
a) Specific quarterly reports on energy supplies (including imports), domestic demand, and export sales (e.g., similar to NEB volume and price data); and  
b) Annual reports on the LUBD Program performance;                                                    | Complete      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|         | With respect to IFRS, the Board requires MH to file on or by January 15, 2010:  
a) A report explaining and quantifying the proposed transition to IFRS;  
b) A copy of MH’s consultant’s report indicating the projected impact of the adoption of IFRS on the Utility, specifically with respect to MH’s current deferral and capitalization approaches, and as to the likely status of goodwill now recorded in its accounts;  
c) An articulation of the new proposed MH accounting policies detailing how they comply with IFRS;  
d) An explanation of any changes to the internal operations of MH which may be planned or contemplated to offset any increased annual expenses expected as a result of the adoption of IFRS, together with MH’s and its consultant’s views of the Board’s regulatory options, including a review of the pros and cons of special purpose financial reporting for utilities for rate setting purposes; and  
e) An updated IFF and CEF (covering the years 2008 to 2028) reflecting the expected impact of the new standards and assumptions of related operational changes as may be planned or contemplated by MH; | Complete      | On June 15, 2012, Manitoba Hydro filed an IFRS status updated report as at April 30, 2012 as Appendix 5.5 to Tab 5 of this Application.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
### Manitoba Hydro

**2012/13 & 2013/14 General Rate Application**

**Status of Public Utilities Board Directives to Manitoba Hydro**  
**July 6, 2012**

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</tr>
</thead>
</table>
| 150/08 | 6 | MH to undertake and file with the Board, by a date to be fixed by the Board after its review of the study outline to be filed by MH by June 30, 2009, an independent benchmarking study of key performance metrics, using the most currently-available data and including:  
   a) Primary key drivers of OM&A in each operational division [Board preference is for a divisional break-down to allow for a comparison with other utilities, even if the comparison needs to be limited to specific divisions/activities],  
   b) Comparable other Canadian Utility data for each of the drivers;  
   c) Key comparison indicators, including staffing levels;  
   d) A comparison with and discussion of industry best practices; and  
   e) Potential improvement areas.  
   The Board expects to be apprised of the scope of the benchmarking study in advance of it being undertaken, and will anticipate being provided a study outline on or before June 30, 2009, to allow the Board the opportunity to provide direction and/or comment. | Deferred | In April 2010, Manitoba Hydro requested this directive be deferred. Manitoba Hydro intends to address this directive once it has implemented IFRS. |
| 150/08 | 7 | MH to undertake and file with the Board an Asset Condition Assessment Report by a date to be fixed by the Board after its review of the Terms of Reference to be filed by MH by June 30, 2009, that defines:  
   a) major assets and categories of assets;  
   b) the estimated remaining economic life of each major asset and category of asset;  
   c) an indication of the implications for OM&A costs related to required and scheduled maintenance;  
   d) a listing of scheduled, planned or anticipated major | Deferred | In April 2010, Manitoba Hydro requested this directive be deferred until the new Enterprise Asset Management system is implemented. |
### Order 150/08 – Directives (November 7, 2008)

<table>
<thead>
<tr>
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<th>Status</th>
<th>Comment</th>
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</thead>
<tbody>
<tr>
<td>150/08</td>
<td>11</td>
<td>The Board will direct MH to propose to the Board, on a date to be determined after MH provides the information requested in Directive 10, the terms of reference for a regulatory review of MH’s planned Capital Program and its impact on consumer rates;</td>
<td>Complete</td>
<td>Manitoba Hydro provided the PUB with a letter dated January 13, 2011, from Minister Wowchuk to the Chairman of the MHEB indicating that Government intended to appoint an independent body to conduct a “Needs for and Alternatives To” review of Manitoba Hydro’s major new hydro generation projects.</td>
</tr>
<tr>
<td>150/08</td>
<td>12</td>
<td>MH to prepare a study, and file it with the Board by January 15, 2009, a thorough and quantified Risk Analysis, including probabilities of all identified operational and business risks. This report should consider the implications of planned capital spending and take into account revenue growth, variable interest rates, drought, inflation experience and risk, and potential currency fluctuation;</td>
<td>Complete</td>
<td>This directive was satisfied through the reports filed pursuant to the risk review portion of the 2010/11 GRA proceeding, the information request responses, the hearings and the two orders that were issued pursuant to that proceeding.</td>
</tr>
<tr>
<td>150/08</td>
<td>13</td>
<td>MH to file for Board approval, following Board review of the information MH is to file by January 15, 2009, and only in the event thereafter directed, a conceptual outline for an in-depth and independent study of all the operational and business risks facing the corporation set out in the previous directive (12);</td>
<td>Complete</td>
<td>This directive was satisfied through the reports filed pursuant to the risk review portion of the 2010/11 GRA proceeding, the information request responses, the hearings and the two orders that were issued pursuant to that proceeding.</td>
</tr>
<tr>
<td>150/08</td>
<td>14</td>
<td>MH to provide the Board, only if so directed following the Board’s review of the information to be filed by MH by January 15, 2009, with</td>
<td>Complete</td>
<td>This directive was satisfied through the reports filed pursuant to the risk review portion of the</td>
</tr>
<tr>
<td>Order</td>
<td>#</td>
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<tr>
<td>150/08</td>
<td>16</td>
<td>MH to submit a report to the Board within 30 days following MH’s Board finalization of the matter, on the 300 MW of additional wind energy project(s), with a discussion of the business case, general wind strategy, prospects and timelines for the project, as well as with respect to the prospect for a further 600 MW consistent with the government’s identified longer-term target of 1,000 MW of wind energy. The Board will also require access to the agreements for the existing 100 MW St. Leon wind project, and an opportunity to review the pending agreements for the 300 MW project(s) within 30 days following MH’s Board finalization of the matter;</td>
<td>Outstanding</td>
<td>Manitoba Hydro will provide the St. Leon Wind Power Purchase Agreement to the PUB upon confirmation that it will be received in confidence as suggested in the PUB’s previous order 116/08.</td>
</tr>
<tr>
<td>150/08</td>
<td>17</td>
<td>MH report to the Board before June 30, 2009, as to whether there are greater global environmental (GHG) and economic benefits to be achieved by exporting hydraulically-generated electricity than would be achieved by fuel switching (from natural gas to electricity) and/or geothermal within Manitoba. The report should address and clearly define the relative environmental and economic benefits of these exports. The overall assumptions and impacts on the Load Forecast should also be included in the report;</td>
<td>Outstanding</td>
<td>Manitoba Hydro is currently updating the assessment to reflect current information. Upon finalizing internal reviews, the report will be submitted to the Manitoba Public Utilities Board.</td>
</tr>
<tr>
<td>150/08</td>
<td>20</td>
<td>MH to provide and file with the Board by January 15, 2009, or by such subsequent date as determined by the Board following the clarification meeting(s) between Board staff and/or Advisors and MH, a revamped Marginal Cost (MC)-COSS analysis; one reflecting needed refinements to generation, transmission and distribution marginal costs. This should include specific demonstrations of how alternative MC adjustments could be applied to an embedded COSS. Among the scenarios to be explored, MH should consider the addition or blending of marginal costs to embedded costs prior to comparison to class revenues;</td>
<td>Complete</td>
<td>Manitoba Hydro has engaged external consulting services to review its Cost of Service methodology, and to make appropriate recommendations with respect to varying those methodologies.</td>
</tr>
<tr>
<td>Order</td>
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<td>Order 150/08 – Directives (November 7, 2008)</td>
<td>Status</td>
<td>Comment</td>
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<tr>
<td>150/08</td>
<td>21</td>
<td>MH to file all appropriate data [e.g. SEP/ NEB/ MISO clearinghouse information and avoided cost information etc.] required for input to the marginal cost determinations for generation, transmission and distribution and to further define the key assumptions employed by MH in support of this process, with the Board [on a confidential basis if necessary] on or before January 15, 2009;</td>
<td>Complete</td>
<td>MH responded to this directive in its response to PUB/MH II-174(a) in the 2010/11 &amp; 2011/12 GRA proceeding.</td>
</tr>
<tr>
<td>150/08</td>
<td>23</td>
<td>MH file a plan by January 15, 2009 outlining the pros and cons of the various potential inverted rate strategies under consideration, and the MH-proposed course of action to address this issue over the next five years;</td>
<td>Ongoing</td>
<td>In Order 40/11, PUB directed MH to end inversion of Residential rates. It is expected that the PUB will not entertain any further proposal with respect to Residential rate inversion until there is a separate plan for electrically heated residences.</td>
</tr>
</tbody>
</table>
important to note that the appreciation of the Canadian dollar relative to the United States
dollar may have a significant impact on the results when compared to previous years.

<table>
<thead>
<tr>
<th>State / Province</th>
<th>Cents per kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manitoba</td>
<td>5.86</td>
</tr>
<tr>
<td>Idaho</td>
<td>6.18</td>
</tr>
<tr>
<td>Quebec</td>
<td>6.32</td>
</tr>
<tr>
<td>Wyoming</td>
<td>6.77</td>
</tr>
<tr>
<td>British Columbia</td>
<td>6.86</td>
</tr>
<tr>
<td>Louisiana</td>
<td>6.98</td>
</tr>
<tr>
<td>Utah</td>
<td>7.00</td>
</tr>
<tr>
<td>Kentucky</td>
<td>7.02</td>
</tr>
<tr>
<td>Iowa</td>
<td>7.09</td>
</tr>
<tr>
<td>Washington</td>
<td>7.09</td>
</tr>
</tbody>
</table>

### 10.6 UPDATE ON BOARD FINDINGS ORDER 5/12, SECTION 20.12.0

The Board requires MH to file preliminary reports (and status updates on):

a) Inverted Rates, with a view to creating a significantly higher-priced second energy
block, but providing an accommodation to electric heat customers, some of which do
not have access to natural gas for heating;

**Status**

Manitoba Hydro has studied and continues to study an implementation strategy for
the reintroduction of inverted rates (for the Residential Class) with accommodation
for those customers that heat electrically. Manitoba Hydro has established a working
group to study this rate proposal which includes analysis of experiences in other
jurisdictions with inverted rates.
With respect to GSS (D) and GSM customers Manitoba Hydro is of the view that such a rate design is impractical for these customers. Manitoba Hydro does not intend to pursue inverted rates for these customer classes.

b) **GSS and GSM Class consolidation with a view to defining the end-product and the specified timeframe for completion:**

**Status**

Manitoba Hydro has been consolidating the General Service Small and Medium classes through the past several rate hearings. The consolidation smoothes the transition of customers between the two classes of service and avoids any adverse impacts to customers during this transition. Assuming the Corporation’s proposals in this application for rate increases are approved for September 1, 2012 and April 1, 2013 the consolidation will be complete.

c) **Demand/Energy Rate Rebalancing with a view to defining the optimum balance and timeframe to achieve that balance through the allocation of Class Rate increases to the energy component:**

**Status**

Manitoba Hydro has also been in the process of rebalancing the demand/energy split for all demand billed customers. The primary method to enable this change is by limiting approved rate increases to the energy charge and decreasing the demand charge when rate reductions are implemented such as in 2003. The purpose of rebalancing is intended to reflect that the rates charged to customers are reflective of cost allocation as in the Cost of Service Study (“COS”). The last report to the Board (July 2009) indicated that rebalancing was progressing, with the result based on PCOSS11 showing further progress. Manitoba Hydro will update reporting subsequent to the filing of PCOSS13.

d) **Time-of-Use Rates with a view to applying these in the near future to Top Consumers and industrial customers that already have the necessary metering capability:**
During 2010 and 2011 Manitoba Hydro met on a number of occasions with MIPUG membership and consultants. During this period, the parties reviewed the potential for introduction of mandatory Time of Use (“TOU”) rates for large industrial customers. Manitoba Hydro also met with other General Service Large customers who are potentially affected by TOU rates.

Introduction of TOU rates enable Manitoba Hydro to comply with the majority of issues which previous energy intensive rate proposals were intended to address, including broad application to all load growth and time of use pricing for on and off peak usage. Such a rate also partially addresses Manitoba Hydro’s concerns about load growth by energy-intensive industries and the potential impact that such growth may have on export sales. It also addresses many of the customers concerns raised with respect to EIIR options that require complex calculations, determination of baselines, and application of two-tier rates.

Manitoba Hydro anticipates that the MHEB will review a TOU proposal at its August 2012 meeting.

e) Limited-Use Demand billing with an update of the continued need for this rate in light of the elimination of the Winter Ratchet;

Status

Manitoba Hydro has consistently maintained that the elimination of the winter ratchet does not in any way affect the need to have the LUBD rate available to customers. In fact the majority of customers on this tariff were not affected by the winter ratchet prior to its elimination in November 2009. The LUBD program is useful for customers whose load factor is approximately 18% or lower as it reduces their overall energy bill compared to the applicable class rate. In addition LUBD customers typically have lower coincidence factors than other customers in the class thus reducing the cost to Manitoba Hydro to serve them.

f) The Energy Intensive Rate, with justification for either abandoning the rate proposal or providing an alternative on-peak rate scenario as directed in Board Order 112/09; and,
Status

Please see response to item d) above.

g) The Service Extension Policy, including a proposal for the Board’s review and possible acceptance in accordance with Order 112/09.

Status

Please see response to item d) above.