

MANITOBA ) Order No. 1/04  
 )  
THE PUBLIC UTILITIES BOARD ACT )  
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THE MANITOBA HYDRO ACT )  
 )  
THE CROWN CORPORATIONS PUBLIC REVIEW )  
AND ACCOUNTABILITY ACT ) January 6, 2004

BEFORE: G. D. Forrest, Chairman  
R. Mayer, Q.C., Vice-Chair  
Dr. K. Avery-Kinew, Member

AN ORDER APPROVING NEW GENERAL SERVICE RATES  
EFFECTIVE APRIL 1, 2003 FLOWING FROM BOARD  
ORDER 154/03

## TABLE OF CONTENTS

	<u>Page</u>	
1.0	Background	3
2.0	Hydro's Response to Order 154/03	3
3.0	Intervenor Responses	4
	3.1 The Manitoba Industrial Power Users Group ("MIPUG")	4
	3.2 Time to Respect Earth's Ecosystems Inc./ Resource Conservation Manitoba ("TREE/RCM")	4
4.0	Hydro's Response to MIPUG	4
5.0	Board Findings	5

## **1.0 Background**

On February 3, 2003, The Public Utilities Board ("the Board") issued Order 7/03 with respect to a filing by Manitoba Hydro ("Hydro") which provided an information update on financial results, forecasts, methodologies, processes and other matters relating to sales rates charged by Hydro. Order 7/03 included a requirement for Hydro to file a revised Schedule of Rates to be effective April 1, 2003, as well as other studies and reports.

On March 19, 2003, Hydro filed an application with the Board pursuant to subsection 44(3) of *The Public Utilities Board Act*, to review and vary certain directives contained in Order 7/03. On March 31, 2003, the Board issued Order 51/03 which deferred the operation and implementation of the Board's directives in Order 7/03 until a further Order of the Board.

On October 31, 2003, the Board issued Order No. 154/03 which set out the Board's decisions with respect to the application by Hydro to vary Board Order 7/03. Directive 2 (c) of Order 154/03 required Hydro to immediately file for Board approval a revised schedule of rates pursuant to Directive 3(a), 3( b) , and 3(c) of Order 7/03, to be effective April 1, 2003, including a proposed method of implementation.

In Order 154/03, the Board recognized that because of the passage of time and Hydro's current regulatory agenda, some of the dates requested by Hydro in their application to vary Order 7/03 to file certain studies and reports with the Board may no longer be achievable. The Board therefore requested Hydro to recommend achievable filing dates where necessary.

## **2.0 Hydro's Response to Order 154/03**

By letter dated December 2, 2003, Hydro filed a document entitled "Application for new General Service Rates effective April 1, 2003 flowing from Board Order 154/03", attached as Appendix 1 to this Order. Appendix 1 includes background information, financial implications, proposed rates, justification, proposed method of implementation, proof of revenue and bill comparisons.

### **3.0 Intervenor Responses**

#### ***3.1 The Manitoba Industrial Power Users Group ("MIPUG")***

By letter to the Board dated December 11, 2003, MIPUG objected to Hydro's proposal to implement the 2% rate decrease to General Service ("GS") Large greater than 100kv customers by reducing the demand charge with no adjustment to the energy charge. MIPUG expressed concern that applying the rate adjustment solely to the demand portion of the rate will result in an uneven distribution of benefits among customers, reward customers with lower load factors and will not provide satisfactory revenue impacts under all potential class load profiles.

MIPUG did not comment on Hydro's proposed method to implement the rate changes, and took no position on Hydro's request to amend the filing dates of certain reports and studies identified in Orders 7/03 and 154/03.

#### ***3.2 Time to Respect Earth's Ecosystems Inc./Resource Conservation Manitoba ("TREE/RCM")***

By letter dated December 21, 2003, TREE/RCM provided comments on MIPUG's opposition to the proposed rate adjustment. TREE/RCM noted Hydro's evidence that energy is under priced relative to demand on a long-term imbedded costs basis, and that Hydro's proposal to leave the tail block energy rates intact does consider efficiency and conservation issues, while MIPUG's counterproposal of a 2% reduction in both demand and energy does not. TREE/RCM recommended that MIPUG's objection and counterproposal should be rejected.

TREE/RCM did not comment on Hydro's proposed method of implementing the rate changes, or Hydro's request to amend the filing dates of certain reports and studies identified in Orders 7/03 and 154/03.

### **4.0 Hydro's Response to MIPUG**

By letter dated December 18, 2003, Hydro responded to the concerns expressed by MIPUG in their letter of December 11, 2003. Hydro stated that an even distribution of rate reduction benefits among customers in the GS Large greater than 30kv customer classes is not necessarily a fair distribution when the relative costs of energy and capacity are considered. In addition, stability of results relative to forecast variability is a risk with any forecast, and

should not be a material consideration in the evaluation of the proposed rates.

Hydro stated that the current cost environment strongly supports Hydro's proposal to implement the rate changes directed by the Board through a reduction in the demand charge only, because on an embedded cost basis, the extent to which the demand rate exceeds the related cost is significantly higher than the extent to which the energy rate exceeds the embedded cost.

#### **5.0 Board Findings**

The Board has considered the positions put forward by each of the parties regarding the proposed rate changes and implementation, and agrees with Hydro that the current cost environment strongly supports Hydro's proposal to implement the rate changes through a reduction in the demand charge only. The Board will therefore approve the revised rates as proposed by Hydro, as well as the method of implementation proposed by Hydro. In most cases, rate changes will result in reduced billing rates effective January 1, 2004, and a one time rate adjustment retroactive to April 1, 2003, which one-time credit will be applied to each customer's account prior to March 31, 2004.

The Board will also approve the revised filing dates for certain reports and studies as requested by Hydro in their letter to the Board dated December 2, 2003.

#### **IT IS THEREFORE ORDERED THAT:**

1. The General Service Rates to be effective April 1, 2003, flowing from Board Order 154/03, as set out in Appendix 1 to this Order, as well as the proposed method of implementation, BE AND IS HEREBY APPROVED.
2. Hydro's request to extend to June 30, 2004 the filing date of the study on reducing the winter ratchet to 70%, the impacts of the possible elimination of the winter ratchet, the measures to mitigate the impacts of the possible elimination of the winter ratchet and the capital expenditures that would be required to enhance the distribution system should the winter ratchet be eliminated, BE AND IS HEREBY APPROVED.
3. Hydro's request to extend to June 30, 2004 the filing date of the report that considers the initial and current purposes of the Limited Use Billing Demand Program and

whether such purposes have been achieved, possible revisions to improve the program, and impacts of elimination of the program, BE AND IS HEREBY APPROVED.

4. Hydro's request to extend to February 29, 2004 the filing date of the report on the impact of decreasing the demand charge and increasing the tail block of the energy charge, BE AND IS HEREBY APPROVED.
5. Hydro's request to extend to February 29, 2004 the filing date of the report on the review of generation cost classification methodology options, BE AND IS HEREBY APPROVED.
6. Hydro's request to extend to April 30, 2004 the report on various options for allocation of net export revenue, BE AND IS HEREBY APPROVED.
7. Hydro's request to extend to June 30, 2004 the filing of a report on the review of creation of an export class or classes, BE AND IS HEREBY APPROVED.

THE PUBLIC UTILITIES BOARD

"G. D. FORREST"

Chairman

"G. O. BARRON"

Secretary

Certified a true copy of Order  
No. 1/04 issued by The Public  
Utilities Board

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Secretary