

SURPLUS ENERGY PROGRAM

TERMS AND CONDITIONS

November 30, 2009



**SURPLUS ENERGY PROGRAM
INDUSTRIAL LOAD - OPTION 1
TABLE OF CONTENTS**

	<u>Page No.</u>
Program Duration.....	1
Eligibility	1
Reference Demand.....	1
Billing	2
Interruptions.....	4
Metering and Electric Service Facilities.....	4
Contract Requirements	4
Customer Waiver - No Back-Up Facilities Required	5
Customer Waiver - Back-Up Facilities Required	5
Schedules	
SEP-1 - General Service Alternative Rates - Surplus Energy Program Rate	7
SEP-2 - Surplus Energy Program - Procedures For Interim <i>Ex Parte</i> - Public Utilities Board (PUB) Approval of SEP Rate.....	8
SEP-3 - Surplus Energy Program - Procedure For Determination of Weekly Energy Charge	9

**SURPLUS ENERGY PROGRAM
INDUSTRIAL LOAD - OPTION 1
TERMS AND CONDITIONS**

PROGRAM DURATION

1. The Surplus Energy Program (SEP) is effective as of December 4, 2000 through to March 31, 2013.

ELIGIBILITY

2. SEP - Option 1 is available to industrial loads which meet the following qualifications:
 - a) Total Demand must be 1 000 kV.A or greater. Total Demand is defined as the Reference Level of Demand (as described in Section 3 below) **plus** the level of Demand associated with SEP; and
 - b) Demand associated with SEP does not exceed 50 MV.A **except** where the load factor of such load is guaranteed by the customer, in writing, to exceed 25% on a weekly basis; and
 - c) Are not being served under the Curtailable Service Program; and
 - d) Manitoba Hydro may require a customer to maintain a minimum Power Factor of 90% as a condition of participation.

REFERENCE DEMAND

3. A customer shall designate a Reference Level of Demand (both in kV.A and kW) for each calendar month of the year, subject to the following:
 - a) The designation must be made prior to participation in SEP; and
 - b) The Reference Level of Demand must equal at least 75% of Total Demand
 - *Exception:* Manitoba Hydro may allow exceptions to the 75% qualification, where a customer can demonstrate, to the satisfaction of Manitoba Hydro, that it has on-site back-up capability in the form of a generating facility or alternative equipment capable of supporting the process to which SEP is applied and, that, the back-up capability together with the Reference Level of Demand can supply 75% or more of the Total Demand; and
 - c) The same Reference Level of Demand must be designated for all daily Time-of-Use (TOU) periods.

4. Subject to Subsections 3 b) and c), a customer may increase its designated Reference Level of Demand or may convert part or all of the load served under SEP to firm service by providing Manitoba Hydro with advance written notice based on the following notice period options, of which, must be determined and designated on Schedule 'A' of the customer's SEP contract prior to participation in SEP. In all cases Manitoba Hydro may reduce the notice period if, in its sole discretion such reduction can be accomplished without adverse impact to the operations or revenues of the corporation.
- a) A 12 month notice period with an option of:
 - i) the customer will pay a premium of 1.0¢ per kW.h for energy purchased during the summer peak hours; or
 - ii) the customer will agree that load converted on 12 months notice shall be subject to curtailment under the provisions of Option "A" or "C" of the Curtailable Service Program for the first four months following the conversion; or
 - b) A notice period dependent on when the said notice is provided, as follows:
 - i) where notice is provided between September 1 up to and including January 31, a 12 month notice period shall apply; or
 - ii) where notice is provided between February 1 up to and including April 30, a 16 month notice period shall apply. Where the customer provides notice between February 1 and April 30, the customer may elect at the time notice is given, to convert to the notice provisions outlined in Subsection 4 a) ii) above; or
 - iii) where notice is provided between May 1 up to and including August 31, the notice period shall not expire prior to August 31 of the following year such that notice will be not greater than 16 months or less than 12 months. Where the customer provides notice between May 1 and August 1, the customer may elect, at the time notice is given, to convert to the notice provisions outlined in Subsection 4 a) ii) above.

BILLING

5. Energy Charges:

SEP energy is energy associated with the demand taken by a customer in excess of the monthly Reference Level of Demand (in kW). Measurement of SEP energy will be based on each 15-minute interval reading of kW during a billing month.

Rates to SEP - Option 1 customers will be set as follows. The rates which will be charged are set out in Schedule SEP-1 (attached) and are subject to weekly approval by the PUB as per Schedule SEP-2 (attached).

- a)
 - i) a Basic Charge of \$100.00 per month to cover administration and metering costs;
 - ii) an Energy Charge per kW.h which will be set for three Time-of-Use periods on a weekly basis; that is, one for each of the peak, shoulder, and off-peak periods. The periods are defined below:

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

The Weekly Energy Charge will be determined as per Schedule SEP-3 (attached).

- iii) a Distribution Charge per kW.h intended to collect approximately one-third of the embedded cost of distribution, subtransmission, and regional transmission.
- b) All non-SEP energy will be billed at the appropriate standard General Service Large or Medium rate.

6. Demand Charge:

- a) In general, all demand taken by a customer up to a maximum of the monthly Reference Level of Demand in kV.A will be billed at the appropriate standard General Service Large or Medium rate, subject to Monthly Billing Demand criteria as set out in Subsection 6 b).
- b) The Monthly Billing Demand in kV.A for a customer participating in SEP is the greatest of the following:
 - i. measured demand up to a maximum of the monthly Reference Level of Demand in kV.A; or
 - ii. 25% of the highest annual Reference Level of Demand in kV.A
 - *Exception:* In the event that a customer's demand exceeds Total Demand as defined in Subsection 2 a), the appropriate standard General Service Large or Medium Demand Charge will apply to all kV.A in excess of Total Demand. The Reference Level of Demand plus the demand in excess of Total Demand will be used in determining the Monthly Billing

Demand. Manitoba Hydro does not guarantee the supply of firm capacity in excess of the Reference Level of Demand.

INTERRUPTIONS

7. On notice by fax or phone from Manitoba Hydro, a customer will be required to reduce its load within 36 hours to its Reference Level of Demand (kW) in one or more of the TOU periods as specified in the notice, and to maintain its load at or below its Reference Level of Demand in the specified period(s) until notified by Hydro by fax or phone that the interruption is ended.

Where the SEP load is separately metered, the customer will be required to interrupt supply to the SEP load.

8. Failure to reduce load to or below the Reference Level of Demand (kW) during an interruption can result in additional charges based on the actual costs Manitoba Hydro incurs to supply any load above the Reference Level of Demand. The maximum additional charge is \$150.00 per kW of Demand and \$1.00 per kW.h of associated energy.
9. A customer will be subject to unplanned interruptions such as those due to under frequency relay operation during power system emergencies. Manitoba Hydro cannot guarantee continuous service to any class of service in Manitoba or extra-provincially.

METERING AND ELECTRIC SERVICE FACILITIES

10. Manitoba Hydro will supply the appropriate metering for a SEP customer.
11. The customer shall be responsible for all costs of building or upgrading regional transmission, subtransmission, distribution and/or dedicated services which may be required to serve SEP load.

CONTRACT REQUIREMENTS

12. A customer will be required to enter into a formal agreement with Manitoba Hydro. The agreement will document the above Terms and Conditions as well as any others considered necessary due to the nature of a specific service.

CUSTOMER WAIVER - NO BACK-UP FACILITIES REQUIRED

13. Where no back-up facilities are required as per Subsection 3 b), a customer will be required to sign a waiver stating that:
- a) The customer has included in its Reference Level of Demand sufficient kV.A/kW for all essential load within its operation.
 - b) The customer understands that the Terms and Conditions of SEP provide for:
 - i) SEP energy prices-per-kW.h which can be volatile from week-to-week, and can be extremely high during periods of scarcity in interconnected markets; and
 - ii) interruption in the supply of SEP energy can be initiated by Manitoba Hydro on 36 hours notice to the customer for any reason; and
 - iii) possible lengthy periods of interruption.
 - c) The customer has considered the implications of the foregoing and will comply without objection to interruptions made in accordance with the Terms and Conditions of SEP.

CUSTOMER WAIVER - BACK-UP FACILITIES REQUIRED

14. Where back-up facilities are required as per Subsection 3 b):
- a) A customer will be required to sign a waiver as per Subsections 13 b) and c).
 - b) The customer must provide certification in writing to Manitoba Hydro that:
 - i) the back-up facility is adequate to serve that portion of SEP load in excess of 25% of Total Demand, given the type of load and possibly lengthy interruption of SEP supply; and
 - ii) the installation and operation of the back-up facility complies with all government regulations including all municipal and provincial zoning and environmental regulations.
 - c) Certification of back-up as described in Subsections 14 b) i) and ii) must be provided in writing to Manitoba Hydro when the customer first accepts SEP service and by no later than October 1, of every year thereafter that the customer is accepting SEP service.

- d) If a customer ceases, or is unable to maintain an adequate back-up facility:
 - i) the customer must notify Manitoba Hydro in writing of the situation immediately; and
 - ii) the customer must reduce its Total Demand to the Reference Level of Demand; and
 - iii) should the customer continue to use SEP, Manitoba Hydro may bill the customer for Demand (kV.A) associated with SEP energy use at the applicable General Service Large or Medium Demand Charge for the period of time the back-up facility is considered to be, or to have been, inadequate; and
 - iv) notice to convert load served under SEP to firm service will be as set out in Section 4.

**OPTION 1
SCHEDULE SEP-1**

**GENERAL SERVICE ALTERNATIVE RATES
SURPLUS ENERGY PROGRAM RATE**

General Service-Medium (Utility-Owned Transformer)

Tariff No. 50-19:

Basic Monthly Charge:	\$100.00
PLUS	
Distribution Charge:	0.62¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

General Service-Large 750 V to Not Exceeding 30 kV

Tariff No. 50-20:

Basic Monthly Charge:	\$100.00
PLUS	
Distribution Charge:	0.33¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

General Service-Large 30 kV to Not Exceeding 100 kV

Tariff No. 50-21:

Basic Monthly Charge:	\$100.00
PLUS	
Distribution Charge:	0.14¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

General Service-Large Exceeding 100 kV

Tariff No. 50-22:

Basic Monthly Charge:	\$100.00
PLUS	
Distribution Charge:	0.06¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

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

**SURPLUS ENERGY PROGRAM
PROCEDURE FOR INTERIM EX PARTE
PUBLIC UTILITIES BOARD (PUB) APPROVAL OF SEP RATE**

1. Each Wednesday by 9:00 AM Central Time (CT), Manitoba Hydro shall:
 - i) fax to the Board a copy of Schedule SEP-1 which shall include the Energy Charge for the Time-of-Use periods for all General Service Medium and Large classes of service;
 - ii) indicate the expected source of SEP energy (i.e. from displaced exports, Manitoba Hydro generation, or imports); and
 - iii) warrant that the price has been estimated using approved methodology as set out in Schedule SEP-3.

The “Message Confirmation” sheet for the fax will serve as confirmation that the PUB has received the schedule.
2. If Schedule SEP-1 is acceptable, the PUB will provide interim *ex parte* approval of the rates and fax the Interim *Ex Parte* Order to Manitoba Hydro by 2:00 PM CT the same day. If the proposed Schedule, for any reason, is not acceptable, the PUB will contact Manitoba Hydro as soon as possible and attempt to resolve any concerns. If these concerns cannot be resolved by Wednesday at 3:00 PM CT, Manitoba Hydro will then forthwith contact customers to inform them that SEP energy is not available for the following week.
3. If the PUB faxes an Interim *Ex Parte* Order to Manitoba Hydro by 2:00 PM CT on Wednesday, Manitoba Hydro shall fax the approved rate schedule to the SEP customers by 3:00 PM CT the same day.
4. Steps 1 through 3 shall be repeated each Wednesday that SEP energy is available.

**SURPLUS ENERGY PROGRAM
PROCEDURE FOR DETERMINATION OF
WEEKLY ENERGY CHARGE**

The SEP Energy Charge for each of the three Time-of-Use (TOU) periods shall be determined by Manitoba Hydro weekly, on a forecast basis for the following week (Monday through Sunday), as follows:

- If SEP energy displaces extra-provincial sales, the Energy Charge shall be such as to collect the revenue that would have been received from the foregone energy sales from the week to which the Energy Charge applies.
- If SEP energy is provided from purchased power, the Energy Charge shall be the amount necessary to recover the cost of the purchased power, including Transmission Service Charges, Administration Fees and Losses, plus 10% as a contribution to reserves.
- If SEP energy is provided from Manitoba Hydro generation, the Energy Charge shall be the amount necessary to collect the incremental cost of generation including Transmission Losses, plus 10% as a contribution to reserves. The latter is to administer energy and to cover a small share of fixed cost or contribution to reserves.
- In forecasting the weekly energy prices, Manitoba Hydro will consider what price experience has been under similar conditions of seasonality, expected demand and supply in the Mid-Continent Area Power Pool (MAPP) region. An adder will be applied to each of the three TOU periods to account for market volatility or unforeseen supply costs. The adders will be adjusted as required to ensure a balance is maintained over the long-term between actual energy costs and revenues from SEP energy.

**SURPLUS ENERGY PROGRAM
HEATING LOAD - OPTION 2
TABLE OF CONTENTS**

	<u>Page No.</u>
Program Duration.....	1
Eligibility	1
Conversion to Firm Service	1
Billing	2
Interruptions.....	3
Metering and Electric Service Facilities.....	3
Contract Requirements	3
Customer Waiver	3
Schedules	
SEP-1 - General Service Alternative Rates - Surplus Energy Program Rate	5
SEP-2 - Surplus Energy Program - Procedures For Interim <i>Ex Parte</i> - Public Utilities Board (PUB) Approval of SEP Rate	6
SEP-3 - Surplus Energy Program - Procedure For Determination of Weekly Energy Charge	7

**SURPLUS ENERGY PROGRAM
HEATING LOAD - OPTION 2
TERMS AND CONDITIONS**

PROGRAM DURATION

1. The Surplus Energy Program (SEP) is effective as of December 4, 2000 through to March 31, 2013.

ELIGIBILITY

2. SEP - Option 2 is available to heating loads which meet the following qualifications:
 - a) Demand must be 200 kW or greater; and
 - b) The electricity is to be used for space and/or water heating only; and
 - c) The load must be metered separately from the customer's firm load; and
 - d) The customer has an alternate energy source as a back-up facility for the entire SEP load; and
 - e) Demand associated with SEP does not exceed 50 MW. **except** where the load factor of such load is guaranteed by the customer, in writing, to exceed 25% on a weekly basis; and
 - f) The load is not being served under the Curtailable Service Program.

CONVERSION TO FIRM SERVICE

3. A customer may convert part or all of the load served under SEP to firm service by providing Manitoba Hydro with advance written notice based on the following notice period options, of which, must be determined and designated on Schedule 'A' of the customer's SEP contract prior to participation in SEP. In all cases Manitoba Hydro may reduce the notice period if, in its sole discretion such reduction can be accomplished without adverse impact to the operations or revenues of the corporation.
 - a) A 12 month notice period with an option of:
 - i) the customer will pay a premium of 1.0¢ per kW.h for energy purchased during the summer peak hours; or
 - ii) the customer will agree that load converted on 12 months notice shall be subject to curtailment under the provisions of Option "A" or "C" of the Curtailable Service Program for the first four months following the conversion; or

- b) A notice period dependent on when the said notice is provided, as follows:
- i) where notice is provided between September 1 up to and including January 31, a 12 month notice period shall apply; or
 - ii) where notice is provided between February 1 up to and including April 30, a 16 month notice period shall apply. Where the customer provides notice between February 1 and April 30, the customer may elect at the time notice is given, to convert to the notice provisions outlined in Subsection 3 a) ii) above; or
 - iii) where notice is provided between May 1 up to and including August 31, the notice period shall not expire prior to August 31 of the following year such that notice will be not greater than 16 months or less than 12 months. Where the customer provides notice between May 1 and August 1, the customer may elect, at the time notice is given, to convert to the notice provisions outlined in Subsection 3 a) ii) above.

BILLING

4. Rates to SEP - Option 2 customers will be set as follows. The rates which will be charged are set out in Schedule SEP-1 (attached) and are subject to weekly approval by the PUB as per Schedule SEP-2 (attached).
- a) i) a Basic Charge to cover administration and metering costs as follows:
 - For loads of 1 000 kV.A or greater \$100.00 per month
 - For loads of less than 1 000 kV.A \$50.00 per month
 - ii) An Energy Charge per kW.h which will be set for three Time-of-Use periods on a weekly basis; that is, one for each of the peak, shoulder, and off-peak periods. The periods are defined below:

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

The Weekly Energy Charge will be determined as per Schedule SEP-3 (attached).

- iii) a Distribution Charge per kW.h intended to collect approximately one-third of the embedded cost of distribution, subtransmission, and regional transmission.

INTERRUPTIONS

- 5. On notice by fax or phone from Manitoba Hydro, a customer will be required to interrupt electricity supply to the SEP load within 36 hours in one or more of the TOU periods as specified in the notice, and may not resume use of SEP in the specified period(s) until notified by Hydro by fax or phone that the interruption is ended.
- 6. Failure to interrupt SEP load during an interruption can result in additional charges based on the actual costs Manitoba Hydro incurs to supply SEP load during an interruption. The maximum additional charge is \$150.00 per kW of Demand and \$1.00 per kW.h of associated energy.
- 7. A customer will be subject to unplanned interruptions such as those due to under frequency relay operation during power system emergencies. Manitoba Hydro cannot guarantee continuous service to any class of service in Manitoba or extra-provincially.

METERING AND ELECTRIC SERVICE FACILITIES

- 8. Manitoba Hydro will supply the appropriate metering for a SEP customer.
- 9. The customer shall be responsible for all costs of building or upgrading regional transmission, subtransmission, distribution and/or dedicated services which may be required to serve SEP load.

CONTRACT REQUIREMENTS

- 10. A customer will be required to enter into a formal agreement with Manitoba Hydro. The agreement will document the above Terms and Conditions as well as any others considered necessary due to the nature of a specific service.

CUSTOMER WAIVER

- 11. a) A customer will be required to sign a waiver stating that the customer understands that the Terms and Conditions of SEP provide for:
 - i) SEP energy prices-per-kW.h which can be volatile from week-to-week, and can be extremely high during periods of scarcity in interconnected markets; and
 - ii) interruption in the supply of SEP energy can be initiated by Manitoba Hydro on 36 hours notice to the customer for any reason; and
 - iii) possible lengthy periods of interruption

- b) The customer has considered the implications of the foregoing and will comply without objection to interruptions made in accordance with the Terms and Conditions of SEP.
- c) The customer must provide certification in writing to Manitoba Hydro that:
 - i) the back-up facility is adequate to serve the entire SEP load given the type of load and possibly lengthy interruption of SEP supply; and
 - ii) the installation and operation of the back-up facility complies with all government regulations including all municipal and provincial zoning and environmental regulations.
- d) Certification of back-up as described in Subsections 11 c) i) and ii) must be provided in writing to Manitoba Hydro when the customer first accepts SEP service and by no later than October 1, of every year thereafter that the customer is accepting SEP service.
- e) If a customer ceases, or is unable to maintain an adequate back-up facility:
 - i) the customer must notify Manitoba Hydro in writing of the situation immediately; and
 - ii) should the customer continue to use SEP, Manitoba Hydro may bill the customer for Demand (kV.A) associated with SEP energy use at the applicable General Service Large or Medium Demand Charge for the period of time the back-up facility is considered to be, or to have been, inadequate. The appropriate SEP Energy and Distribution Charges will continue to be applied to all energy use; and
 - iii) Notice to convert load served under SEP to firm service will be as set out in Section 3.

OPTION 2
SCHEDULE SEP-1

GENERAL SERVICE ALTERNATIVE RATES
SURPLUS ENERGY PROGRAM RATE

General Service-Medium (Utility-Owned Transformer)

Tariff No. 50-19:

Basic Monthly Charge:	
SEP Load \leq 1 000 kV.A	\$ 50.00
SEP Load > 1 000 kV.A	\$100.00
PLUS	
Distribution Charge:	0.62¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

General Service-Large 750 V to Not Exceeding 30 kV

Tariff No. 50-20:

Basic Monthly Charge:	
SEP Load \leq 1 000 kV.A	\$ 50.00
SEP Load > 1 000 kV.A	\$100.00
PLUS	
Distribution Charge:	0.33¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

General Service-Large 30 kV to Not Exceeding 100 kV

Tariff No. 50-21:

Basic Monthly Charge:	
SEP Load \leq 1 000 kV.A	\$ 50.00
SEP Load > 1 000 kV.A	\$100.00
PLUS	
Distribution Charge:	0.14¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

General Service-Large Exceeding 100 kV

Tariff No. 50-22:

Basic Monthly Charge:	
SEP Load \leq 1 000 kV.A	\$ 50.00
SEP Load > 1 000 kV.A	\$100.00
PLUS	
Distribution Charge:	0.06¢/kW.h
PLUS	
Energy Charge:	
Peak Hours	_____
Shoulder Hours	_____
Off-Peak Hours	_____

Hours	Summer (May 1 - October 31)	Winter (November 1 - April 30)
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Off-Peak	All night time hours from 23:01 hours - 07:00 hours	

**SURPLUS ENERGY PROGRAM
PROCEDURE FOR INTERIM EX PARTE
PUBLIC UTILITIES BOARD (PUB) APPROVAL OF SEP RATE**

1. Each Wednesday by 9:00 AM Central Time (CT), Manitoba Hydro shall:
 - i) fax to the Board a copy of Schedule SEP-1 which shall include the Energy Charge for the Time-of-Use periods for all General Service Medium and Large classes of service;
 - ii) indicate the expected source of SEP energy (i.e. from displaced exports, Manitoba Hydro generation, or imports); and
 - iii) warrant that the price has been estimated using approved methodology as set out in Schedule SEP-3.

The “Message Confirmation” sheet for the fax will serve as confirmation that the PUB has received the schedule.
2. If Schedule SEP-1 is acceptable, the PUB will provide interim *ex parte* approval of the rates and fax the Interim *Ex Parte* Order to Manitoba Hydro by 2:00 PM CT the same day. If the proposed Schedule, for any reason, is not acceptable, the PUB will contact Manitoba Hydro as soon as possible and attempt to resolve any concerns. If these concerns cannot be resolved by Wednesday at 3:00 PM CT, Manitoba Hydro will then forthwith contact customers to inform them that SEP energy is not available for the following week.
3. If the PUB faxes an Interim *Ex Parte* Order to Manitoba Hydro by 2:00 PM CT on Wednesday, Manitoba Hydro shall fax the approved rate schedule to the SEP customers by 3:00 PM CT the same day.
4. Steps 1 through 3 shall be repeated each Wednesday that SEP energy is available.

**SURPLUS ENERGY PROGRAM
PROCEDURE FOR DETERMINATION OF
WEEKLY ENERGY CHARGE**

The SEP Energy Charge for each of the three Time-of-Use (TOU) periods shall be determined by Manitoba Hydro weekly, on a forecast basis for the following week (Monday through Sunday), as follows:

- If SEP energy displaces extra-provincial sales, the Energy Charge shall be such as to collect the revenue that would have been received from the foregone energy sales from the week to which the Energy Charge applies.
- If SEP energy is provided from purchased power, the Energy Charge shall be the amount necessary to recover the cost of the purchased power, including Transmission Service Charges, Administration Fees and Losses, plus 10% as a contribution to reserves.
- If SEP energy is provided from Manitoba Hydro generation, the Energy Charge shall be the amount necessary to collect the incremental cost of generation including Transmission Losses, plus 10% as a contribution to reserves. The latter is to administer energy and to cover a small share of fixed cost or contribution to reserves.
- In forecasting the weekly energy prices, Manitoba Hydro will consider what price experience has been under similar conditions of seasonality, expected demand and supply in the Mid-Continent Area Power Pool (MAPP) region. An adder will be applied to each of the three TOU periods to account for market volatility or unforeseen supply costs. The adders will be adjusted as required to ensure a balance is maintained over the long-term between actual energy costs and revenues from SEP energy.

**SURPLUS ENERGY PROGRAM
SELF-GENERATION DISPLACEMENT - OPTION 3
TABLE OF CONTENTS**

	<u>Page No.</u>
Program Duration.....	1
Eligibility	1
Conversion to Firm Service	1
Billing	2
Interruptions.....	3
Metering and Electric Service Facilities.....	3
Contract Requirements	3
Customer Waiver	3
Schedules	
SEP-1 - General Service Alternative Rates - Surplus Energy Program Rate	5
SEP-2 - Surplus Energy Program - Procedures For Interim <i>Ex Parte</i> - Public Utilities Board (PUB) Approval of SEP Rate.....	6
SEP-3 - Surplus Energy Program - Procedure For Determination of Weekly Energy Charge	7

**SURPLUS ENERGY PROGRAM
SELF-GENERATION DISPLACEMENT - OPTION 3
TERMS AND CONDITIONS**

PROGRAM DURATION

1. The Surplus Energy Program (SEP) is effective as of December 4, 2000 through to March 31, 2013.

ELIGIBILITY

2. SEP - Option 3 is available to electric loads which meet the following qualifications:
 - a) Demand must be between 200 kW and 50 000 kW; and
 - b) The load 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; and
 - c) The load is intermittent and for industrial use which can be deferred, for several days, if necessary, should maintenance of back-up generation be required during a period of interruption of SEP energy supply.

Load would not be considered intermittent if the average monthly load factor exceeds 25%; and
 - d) The load must be metered separately from the customer's firm load; and
 - e) The load is not being served under the Curtailable Service Program; and
 - f) Manitoba Hydro may require a customer to maintain a minimum Power Factor of 90% as a condition of participation.

CONVERSION TO FIRM SERVICE

4. A customer may convert part or all of the load served under SEP to firm service by providing Manitoba Hydro with advance written notice based on the following notice period options, of which, must be determined and designated on Schedule 'A' of the customer's SEP contract prior to participation in SEP. In all cases Manitoba Hydro may reduce the notice period if, in its sole discretion such reduction can be accomplished without adverse impact to the operations or revenues of the corporation.
 - a) A 12 month notice period with an option of:
 - i) the customer will pay a premium of 1.0¢ per kW.h for energy purchased during the summer peak hours; or

- ii) the customer will agree that load converted on 12 months notice shall be subject to curtailment under the provisions of Option “A” or “C” of the Curtailable Service Program for the first four months following the conversion; or
- b) A notice period dependent on when the said notice is provided, as follows:
 - i) where notice is provided between September 1 up to and including January 31, a 12 month notice period shall apply; or
 - ii) where notice is provided between February 1 up to and including April 30, a 16 month notice period shall apply. Where the customer provides notice between February 1 and April 30, the customer may elect at the time notice is given, to convert to the notice provisions outlined in Subsection 3 a) ii) above; or
 - iii) where notice is provided between May 1 up to and including August 31, the notice period shall not expire prior to August 31 of the following year such that notice will be not greater than 16 months or less than 12 months. Where the customer provides notice between May 1 and August 1, the customer may elect, at the time notice is given, to convert to the notice provisions outlined in Subsection 3 a) ii) above.

BILLING

- 4. Rates to SEP - Option 3 customers will be set as follows. The rates which will be charged are set out in Schedule SEP-1 (attached) and are subject to weekly approval by the PUB as per Schedule SEP-2 (attached).
 - a) i) a Basic Charge to cover administration and metering costs as follows:
 - For loads of 1 000 kV.A or greater \$100.00 per month
 - For loads of less than 1 000 kV.A \$50.00 per month
 - ii) an Energy Charge per kW.h which will be set for three Time-of-Use periods on a weekly basis; that is, one for each of the peak, shoulder, and off-peak periods. The periods are defined below:

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

The Weekly Energy Charge will be determined as per Schedule SEP-3 (attached).

- iii) a Distribution Charge per kW.h intended to collect approximately one-third of the embedded cost of distribution, subtransmission, and regional transmission.

INTERRUPTIONS

- 5. On notice by fax or phone from Manitoba Hydro, a customer will be required to interrupt electricity supply to the SEP load within 36 hours in one or more of the TOU periods as specified in the notice, and may not resume use of SEP in the specified period(s) until notified by Hydro by fax or phone that the interruption is ended.
- 6. Failure to interrupt SEP load during an interruption can result in additional charges based on the actual costs Manitoba Hydro incurs to supply SEP load during an interruption. The maximum additional charge is \$150.00 per kW of Demand and \$1.00 per kW.h of associated energy.
- 7. A customer will be subject to unplanned interruptions such as those due to under frequency relay operation during power system emergencies. Manitoba Hydro cannot guarantee continuous service to any class of service in Manitoba or extra-provincially.

METERING AND ELECTRIC SERVICE FACILITIES

- 8. Manitoba Hydro will supply the appropriate metering for a SEP customer.
- 9. The customer shall be responsible for all costs of building or upgrading regional transmission, subtransmission, distribution and/or dedicated services which may be required to serve SEP load.

CONTRACT REQUIREMENTS

- 10. A customer will be required to enter into a formal agreement with Manitoba Hydro. The agreement will document the above Terms and Conditions as well as any others considered necessary due to the nature of a specific service.

CUSTOMER WAIVER

- 11. a) A customer will be required to sign a waiver stating that the customer understands that the Terms and Conditions of SEP provide for:

- i) SEP energy prices-per-kW.h which can be volatile from week-to-week, and can be extremely high during periods of scarcity in interconnected markets; and
 - ii) interruption in the supply of SEP energy can be initiated by Manitoba Hydro on 36 hours notice to the customer for any reason; and
 - iii) possible lengthy periods of interruption.
- b) The customer has considered the implications of the foregoing and will comply without objection to interruptions made in accordance with the Terms and Conditions of SEP.
- c) The customer must provide certification in writing to Manitoba Hydro that:
 - i) the back-up facility is adequate to serve the entire SEP load given the type of load and possibly lengthy interruption of SEP supply; and
 - ii) the installation and operation of the back-up facility complies with all government regulations including all municipal and provincial zoning and environmental regulations.
- d) Certification of back-up as described in Subsections 11 c) i) and ii) must be provided in writing to Manitoba Hydro when the customer first accepts SEP service and by no later than October 1, of every year thereafter that the customer is accepting SEP service.
- e) If a customer ceases, or is unable to maintain an adequate back-up facility:
 - i) the customer must notify Manitoba Hydro in writing of the situation immediately; and
 - ii) should the customer continue to use SEP, Manitoba Hydro may bill the customer for Demand (kW.A) associated with SEP energy use at the applicable General Service Large or Medium Demand Charge for the period of time the back-up facility is considered to be, or to have been, inadequate. The appropriate SEP Energy and Distribution Charges will continue to be applied to all energy use; and
 - iii) notice to convert load served under SEP to firm service will be as set out in Section 3.

GENERAL SERVICE ALTERNATIVE RATES

SURPLUS ENERGY PROGRAM RATE

Tariff No. 50-19:

Tariff No. 50-20:

Tariff No. 50-21:

Tariff No. 50-22:

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

**SURPLUS ENERGY PROGRAM
PROCEDURE FOR INTERIM EX PARTE
PUBLIC UTILITIES BOARD (PUB) APPROVAL OF SEP RATE**

1. Each Wednesday by 9:00 AM Central Time (CT), Manitoba Hydro shall:
 - i) fax to the Board a copy of Schedule SEP-1 which shall include the Energy Charge for the Time-of-Use periods for all General Service Medium and Large classes of service;
 - ii) indicate the expected source of SEP energy (i.e. from displaced exports, Manitoba Hydro generation, or imports); and
 - iii) warrant that the price has been estimated using approved methodology as set out in Schedule SEP-3.

The "Message Confirmation" sheet for the fax will serve as confirmation that the PUB has received the schedule.

2. If Schedule SEP-1 is acceptable, the PUB will provide interim *ex parte* approval of the rates and fax the Interim *Ex Parte* Order to Manitoba Hydro by 2:00 PM CT the same day. If the proposed Schedule, for any reason, is not acceptable, the PUB will contact Manitoba Hydro as soon as possible and attempt to resolve any concerns. If these concerns cannot be resolved by Wednesday at 3:00 PM CT, Manitoba Hydro will then forthwith contact customers to inform them that SEP energy is not available for the following week.
3. If the PUB faxes an Interim *Ex Parte* Order to Manitoba Hydro by 2:00 PM CT on Wednesday, Manitoba Hydro shall fax the approved rate schedule to the SEP customers by 3:00 PM CT the same day.
4. Steps 1 through 3 shall be repeated each Wednesday that SEP energy is available.

**SURPLUS ENERGY PROGRAM
PROCEDURE FOR DETERMINATION OF
WEEKLY ENERGY CHARGE**

The SEP Energy Charge for each of the three Time-of-Use (TOU) periods shall be determined by Manitoba Hydro weekly, on a forecast basis for the following week (Monday through Sunday), as follows:

- If SEP energy displaces extra-provincial sales, the Energy Charge shall be such as to collect the revenue that would have been received from the foregone energy sales from the week to which the Energy Charge applies.
- If SEP energy is provided from purchased power, the Energy Charge shall be the amount necessary to recover the cost of the purchased power, including Transmission Service Charges, Administration Fees and Losses, plus 10% as a contribution to reserves.
- If SEP energy is provided from Manitoba Hydro generation, the Energy Charge shall be the amount necessary to collect the incremental cost of generation including Transmission Losses, plus 10% as a contribution to reserves. The latter is to administer energy and to cover a small share of fixed cost or contribution to reserves.
- In forecasting the weekly energy prices, Manitoba Hydro will consider what price experience has been under similar conditions of seasonality, expected demand and supply in the Mid-Continent Area Power Pool (MAPP) region. An adder will be applied to each of the three TOU periods to account for market volatility or unforeseen supply costs. The adders will be adjusted as required to ensure a balance is maintained over the long-term between actual energy costs and revenues from SEP energy.