

MIPUG MFR 6

A clear explanation and fundamental cost of service methods used in the current study and rationale behind each of the proposed changes between the Existing Methodology and the Proposed Methodology. [Note that currently Hydro's filing includes only a brief description of the methods used without provision for background or explanation except for a limited range of topic (e.g., treatment of exports, HVDC, weighted energy generator allocator and the US Interconnection)].

An explanation and rationale of fundamental cost of service methods used in the current study PCOSS14 is provided in Manitoba Hydro's Response to the Christensen Associates Cost of Service Report filed with the PUB in July 2012 (Appendix 4) and contained in Manitoba Hydro's December 4, 2015 COS Submission. Methodological modifications that have been made subsequent to the issuance of those reports in 2012 and reflected in PCOSS14 (Amended) have been discussed in detail in Manitoba Hydro's December 4, 2015 Submission.

In the table below, Manitoba Hydro has itemized directives in Order 116/08 and a brief description of the methodology reflected in PCOSS14 (Amended) along with the page reference(s) to the detailed discussion contained in Manitoba Hydro's COS Submission. Additional information can be found in PUB MFR 13.

Order 116/08	PCOSS14 (Amended)	Rationale	Page Ref
No cost distinction of Dependable and Opportunity Export Sales	Recognizes cost differences between Dependable and Opportunity Export Sales	Dec 4, 2015 COS Submission Appendix 4	Pg 14-19 Pg 4
Allocate embedded Generation and Transmission costs to all export sales on a basis similar to methodologies applied to domestic customers except those costs as specified below:	<u>Dependable Exports</u> Embedded G&T costs are allocated to dependable exports on a basis similar to methodologies applied to domestic customers <u>Opportunity Exports</u> Variable cost assignment to Opportunity Exports	Dec 4, 2015 COS Submission Appendix 4	Pg 14-19 Pg 4

<ul style="list-style-type: none"> <u>Water Rentals</u> Allocate water rentals to export class on a basis similar to methodologies applied to domestic customers 	Consistent with 116/08	Dec 4, 2015 COS Submission	Pg 17
<ul style="list-style-type: none"> <u>Purchased Power Costs</u> Assign Purchased Power costs to export class 	Purchased Power allocated to domestic and all export sales	Dec 4, 2015 COS Submission	Pg 16-17
<ul style="list-style-type: none"> <u>Wind</u> Assign Wind to export class 	Wind allocated to domestic and dependable exports	Dec 4, 2015 COS Submission	Pg 16-17
<ul style="list-style-type: none"> <u>Natural Gas and Coal</u> Assign 50% of fixed thermal plant costs and 100% of variable thermal cost to the export class 	Natural Gas and Coal generation allocated to domestic and dependable exports	Dec 4, 2015 COS Submission	Pg 16-17
Order 116/08	PCOSS14 (Amended)	Rationale	Page Ref
<ul style="list-style-type: none"> <u>DSM</u> Assign DSM cost to export class and add DSM energy savings to domestic loads for purposes of allocating Generation-related cost 	DSM cost and energy savings assigned based on forecast of each domestic class' participation	Appendix 4	Pg 6
<ul style="list-style-type: none"> <u>Trading Desk Costs</u> Directly assign Trading Desk costs to export class 	Trading Desk allocated to domestic and all export sales	Dec 4, 2015 COS Submission	Pg 16-17
<ul style="list-style-type: none"> <u>MAPP and MISO Costs</u> Directly assign MAPP and MISO costs to export class 	MISO allocated to domestic and all export sales	Dec 4, 2015 COS Submission	Pg 16-17
<u>URA and AEF</u>			
Assign URA and AEF to export class	Consistent with 116/08	Appendix 4	Pg 5
Use most recent actual export prices to establish export revenue in COSS	Export revenue as reflected in Revenue Requirement (IFF Year 2) based on median flows. It is incorrect to apply average actual export prices to median flows. Will also incorrectly result in a revenue requirement for COS different than in IFF.	Dec 4, 2015 COS Submission	Pg 7

Net export revenue is to be allocated to the domestic customer classes, including diesel, based on each class' share of Total Allocated Cost	Consistent with 116/08	Dec 4, 2015 COS Submission	Pg 17-19
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