REPORT TO

THE PUBLIC UTILITIES BOARD

SMALL AND MEDIUM

CLASS CONSOLIDATION

JULY 2009

Manitoba Hydro

SMALL AND MEDIUM
CLASS CONSOLIDATION

BACKGROUND:

Directive 25 in Order 150/08 directed as follows:

"MH to continue with the consolidation of process of the GSS and GSM customer class consolidation, and provide the Board with a proposal by June 30, 2009 for a stepped-up program and a timeframe for completion;"

The following tables depict the rates approved by the Public Utilities Board for the General Service Small and Medium rate classes for the last three rate changes:

GS SMALL RATES	March 2007	July 2008	April 2009
Basic Charge (3 ph)	$21.75	$22.99	$23.74
Energy Charge:			
First 11,000 kW.h	6.18¢	6.48¢	6.66¢
Next 8,500 kW.h	4.00¢	4.30¢	4.48¢
Balance of kW.h	2.55¢	2.73¢	2.86¢
Demand Charge:			
1st 50 kV.A	$0.00	$0.00	$0.00
Balance of kV.A	$8.34	$8.34	$8.34

GS MEDIUM RATES	March 2007	July 2008	April 2009
Basic Charge	$27.60	$27.60	$27.60
Energy Charge:			
First 11,000 kW.h	All kW.h	6.13¢	6.42¢
Next 8,500 kW.h	2.55¢	4.30¢	4.48¢
Balance of kW.h		2.73¢	2.86¢
Demand Charge:			
1st 50 kV.A	All kV.A	$0.00	$0.00
Balance of kV.A	$8.34	$8.34	$8.34

As shown in the above rates, a gap still exists between the Small and Medium rate classes with respect to the Basic Charge and 1st block Energy Charge.

The progress made towards class consolidation is perhaps better illustrated in the following sample bill calculations which compare usage at the GS Small Rate versus the same usage at the GS Medium rate for the last three rate changes:

	Monthly Bill: 100 kVA and 36,500 kW.h		
	Bill Amount @ GS Small Rate	Bill Amount @ GS Medium Rate	Difference in Bill Amounts
March 2007 Rates	$1,892	$1,792	$100
July 2008 Rates	$1,982	$1,949	$34
April 2009 Rates	$2,040	$2,018	$22

	Monthly Bill: 300 kVA and 109,500 kW.h		
	Bill Amount @ GS Small Rate	Bill Amount @ GS Medium Rate	Difference in Bill Amounts
March 2007 Rates	$5,422	$5,322	$100
July 2008 Rates	$5,643	$5,609	$34
April 2009 Rates	$5,796	$5,774	$22

The gap between the two rate classes has definitely narrowed with each rate change. Although only a $22 difference exists today, future rate increases and sensitivity to Small Non-Demand customers still need to be considered going forward. Another issue to be dealt with is the application of the winter ratchet, which currently only applies to the Medium class.

FORECAST RATES:

Even if a slightly higher increase is applied to Small Non-Demand customers, the increase to the Small Demand and Medium Demand customer classes must be lower in order to move towards class consolidation, as shown in the following table.

Proposed Class Average Rate Increases				
	2010/11	**2011/12**	**2012/13**	**2013/14**
Small Non-Demand	3.0%	3.0%	3.1%	3.0%
Small Demand	2.6%	2.6%	2.7%	2.7%
Medium Demand	2.3%	2.3%	2.4%	2.4%

If only the Basic Charge and Energy Charges are increased, it is estimated that it will take another four rate changes to achieve total class consolidation, based on the 2008 System Load Forecast projections. (This however does not factor in the elimination of the winter ratchet for the Medium Demand customers). The timeframe could be reduced if larger than average increases than those shown above are applied to the Small Non-Demand customer class.

The following table provides a rough estimate of the rates for the next 4 years, based on the 2008 System Load Forecast and incorporating the class percentage increases proposed above.

GS SMALL RATES	April 2010	April 2011	April 2012	April 2013
Basic Charge (3 ph)	$24.65	$25.60	$26.59	$27.60
Energy Charge:				
First 11,000 kW.h	6.85¢	7.05¢	7.26¢	7.47¢
Next 8,500 kW.h	4.61¢	4.74¢	4.88¢	5.03¢
Balance of kW.h	2.97¢	3.08¢	3.20¢	3.32¢
Demand Charge:				
1st 50 kV.A	$0.00	$0.00	$0.00	$0.00
Balance of kV.A	$8.34	$8.34	$8.34	$8.34

GS MEDIUM RATES	April 2010	April 2011	April 2012	April 2013
Basic Charge	$27.60	$27.60	$27.60	$27.60
Energy Charge:				
First 11,000 kW.h	6.67¢	6.93¢	7.20¢	7.47¢
Next 8,500 kW.h	4.61¢	4.74¢	4.88¢	5.03¢
Balance of kW.h	2.97¢	3.08¢	3.20¢	3.32¢
Demand Charge:				
1st 50 kV.A	$0.00	$0.00	$0.00	$0.00
Balance of kV.A	$8.34	$8.34	$8.34	$8.34

WINTER RATCHET:

Application of the 70% winter ratchet to the Medium class results in approximately $2.2 million in additional revenue to the Corporation, based on 2007/08 data. Of the total number of Medium customers, 38% were impacted by the winter ratchet. Of the total number of bills however, only 15% were based on a winter ratchet.

CONCLUSION:

Manitoba Hydro intends to continue with the move towards class consolidation of the GS Small and Medium Demand rate classes. Another review of the impact of the winter ratchet will be undertaken this summer based on current 2008/09 fiscal year data and recommendations on how to proceed with the winter ratchet, including a review of seasonal rate design alternatives will be presented for internal review. Manitoba Hydro intends to file a further update with respect to class consolidation and rate design during the fall / winter of 2009.