
NEEDS FOR AND ALTERNATIVES TO (NFAT)

Manitoba Hydro's Responses to PUB Additional Questions of May 31, 2014

- 1) **Please identify which new MH contracts (including Exhibits MH #99 and #100) put MH exports to MISO on a lower priority than MH's Manitoba customers in terms of deliverability of capacity and energy?**

All of MH's signed export contracts are on a lower priority than Manitoba retail customers. However, as agreed to between Manitoba Hydro and its interruptible customers, Manitoba Hydro may curtail those customers prior to curtailing export contracts.

- 2) **Please explain the interruption provisions of each contract and the (i) winter and (ii) summer circumstances under which interruptions of MH's MISO export contracts are permitted before any interruptions by MH to Manitoba load.**

Energy deliveries required to be made pursuant to MH's export contracts may be interrupted either as a result of a transmission provider curtailment or what may be generally described as "MH's Energy Curtailments".

Transmission Provider Curtailments: Transmission provider curtailments occur when either contracting party's transmission provider reduces or curtails the transmission service required for the delivery of the energy. In the event that either party's transmission provider curtails the transmission service, the energy that is to be supplied by MH is curtailed or reduced in accordance with the provisions of that transmission provider's Open Access Transmission Tariff.

MH's Energy Curtailments: MH has the right to curtail or reduce the supply of the energy product described as must offer energy: (a) as a result of a force majeure event; or (b) to the extent necessary to avoid curtailing or reducing service to MH's end use load in a manner consistent with and to the extent authorized by Requirement 6.3 of NERC Standard EOP-002.

MH has the right to curtail or reduce the supply of all other energy to be supplied under a contract: (a) in certain circumstances where MH is unable to purchase power or a portion of MH's generation capacity is unavailable; (b) during a force majeure event; and (c) to the extent necessary to avoid curtailing, restricting or reducing service to MH's end use load in a manner consistent with and to the extent authorized by Requirement 6.3 of NERC Standard EOP-002. In the event that MH exercises its right to curtail or reduce the supply of other energy due to an energy curtailment, MH is obliged to follow a priority criteria to determine the amount of the energy that is subject to the curtailment. This priority criteria provides that MH's end use load shall have priority over all other power and energy sales.

There are no circumstances pursuant to the export contracts whereby interruptions by MH to Manitoba load are permitted before interruptions to MH's export customers. All of MH's signed export contracts allow for curtailment of the export contract before curtailing Manitoba retail customers. However, as agreed to between Manitoba Hydro and its interruptible customers, Manitoba Hydro may curtail those customers prior to curtailing export contracts.

3) Do any of the MH export contracts require the curtailment or interruption of Manitoba load before curtailment or interruption of export load?

None of MH's signed export contracts require the curtailment of Manitoba retail customers before the export contract. However, as agreed to between Manitoba Hydro and its interruptible customers, Manitoba Hydro may curtail those customers prior to curtailing export contracts.

4) Do any of the MH export contracts provide for the 'pro - rata' curtailment or interruption of Manitoba load together with any of MH's export load?

None of MH's signed export contracts require the curtailment of Manitoba retail customers pro rata with the export contract. However, as agreed to between Manitoba Hydro and its interruptible customers, Manitoba Hydro may curtail those customers prior to curtailing export contracts.

5) Please identify which MH export contracts are considered by the MISO Counterparty to be 'External Planning Resources'.

All the signed export contracts that specify planning capacity are identified by the MISO counterparty as "External Planning Resources"; this includes all those listed in Exhibits MH#99 and #100.

6) Please confirm that 'External Planning Resources' is a MISO term for a capacity resource located outside MISO.

Confirmed. Under Module E-1 of the MISO Tariff, External Resources, including those specified in diversity contracts and PPAs may qualify as "Capacity Resources" for planning purposes. On occasion, MISO does refer to "External Planning Resource" and to "External Planning Resource Credit" or "External PRC" but it is more typical to refer to "External Resources" and whether or not they qualify as "Capacity Resources" for planning purposes than to use the term 'External Planning Resources'.

7) Please confirm that MISO has recently determined that contracts that (for example) put MH exports into MISO on a lower priority than MH's own

Manitoba end-use load [such that exports to MISO would be curtailed before Manitoba customer load would be curtailed], would preclude such MH export contracts from qualifying as ‘External Planning Resources’.

Not confirmed. MISO has made no decisions that would disqualify MH capacity resources in MISO. To the extent that Tariff changes are proposed, MISO has informed its stakeholders that it is committed to grandfathering all existing capacity contracts, including those of MH signed prior to April 2014 and the effects (if any) of a Tariff change would only apply to new contracts. MISO intends to bring its proposals for Tariff changes to its stakeholder process in July and expects to file the resultant changes to its Tariff language by the end of the summer of 2014.

- 8) a) **If MISO changes the ‘External Planning Resources’ definition (as assumed in #7 above) which current and future MH export contracts (including those listed in Exhibits MH #99 and #100) will allow MH to give priority to Manitoba Domestic Load over MISO Export Load when considering curtailments and interruptions in (i) summer and in (ii) winter (e.g. Adverse Water Clauses)?**

All of MH’s signed export contracts, including those listed in Exhibits MH#99 and #100, are on a lower priority than Manitoba retail customers. However, as agreed to between Manitoba Hydro and its interruptible customers, Manitoba Hydro may curtail those customers prior to curtailing export contracts. As indicated in the response to question 7, MISO is committed to grandfathering all existing capacity contracts signed prior to April 2014.

Until MISO files Tariff revisions with FERC including those associated with grandfathering existing contracts and those revisions are accepted, without modification by FERC, the impact to current and future MH export contracts can’t be determined.

- b) **Please detail and quantify (by existing Export Contract and possible future export contracts) the financial implications to Manitoba Hydro if current and future MISO export contracts (including those in MH #99 and #100 and MH CSI #37) no longer qualify as ‘External Planning Resources’.**

No financial impact to MH is expected on any existing signed export contracts as MISO intends to grandfather existing contracts. In addition MISO and MH are actively working to resolve any potential issues associated with future contracts. Until MISO files its Tariff revisions with FERC and those revisions are accepted without modification by FERC, the financial implications to Manitoba Hydro regarding future export contracts cannot be determined.

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- 9) **Please detail and quantify the financial impact of scenarios that preclude capacity revenues due to the new MISO deliverability requirements.**

No financial impact to MH is expected on any signed export contract.

Until MISO files Tariff revisions with FERC outlining potential new MISO deliverability requirements and these are accepted, without modification by FERC, the financial impact to Manitoba Hydro regarding future export contracts cannot be determined.

- 10) **Please detail MH's contingency plans, for both existing new export contracts (i.e. MH Exhibit #99 and #100) and future export contracts, to address the changes in MISO's deliverability requirements.**

MH staff and MISO staff are engaged in active discussions on proposed MISO Tariff changes that may impact future MH export contracts. MH is also working with its US customers to influence MISO on potential Tariff changes.

Manitoba Hydro has not undertaken the development of contingency plans until such time as MISO files Tariff revisions with FERC outlining potential new MISO deliverability requirements and these are accepted, without modification by FERC.