

Manitoba Hydro 2015/16 & 2016/17 General Rate Application

#

Issues

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Reasons for Application & Financial Strength

1	Financial outlook & drivers of increased revenue requirement (Section 2.2.1, 2.3.1, 2.3.2, 2.3.5, 2.5.1, 3.3, 4.2, 4.5, Appendix 3.3 & 3.4) for short-term and long-term	Examine financial outlook for 2015-2017	Review 20-year financial outlook (2015-2034)		<p>a) As proposed rate increase rationalized based on Long Term rate stability, LT outlook clearly in scope for examination</p> <p>b) The Coalition will focus on the identification of long LT drivers and assessment of changes from last GRA (MH-12)</p>
2	Maintenance of 2015/16 & 2016/17 Net Income at Acceptable Levels (Section 2.3.6, 5.1)	Examine financial forecast for 2015-2017			<p>a) No Comments</p> <p>b) Coalition will focus on assessment of what represents “acceptable net income levels” – Lead Role relying on Dr. Booth if evidence required.</p>
3	Interim rates effective April 1, 2015 (Section 10.2.1)	Interim rates effective April 1,			N/A - PUB has already denied interim rates.

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		2015			
4	Maintenance of financial strength (adequacy of financial reserves), self-sufficiency and risk to customers of rate instability & rate shock (Section 2.3.3, 2.3.4, 2.4.1, 2.4.4, 2.5.5, 3.4, 3.5, 3.6, 10.2.5)	Examine the risk to customers of rate decisions made (2015-2017) on future rate requirements	Review levels of reserves and future rate requirements for the 20-year outlook (2015-2034)		<p>a) Scope should include appropriateness of MH's financial targets (including required reserves)</p> <p>b) Coalition will focus on assessment of appropriate financial targets for MH - Lead with assistance of Dr. Booth's evidence if required.</p>
5	Financial impact of drought (Section 9.7)		Review financial impact of prolonged drought		<p>a) Needs to be part of assessment of financial targets</p> <p>b) Coalition to address as part of #4</p>
5A	Added: Cashflow	Examine			a) Agree with addition by MIPUG

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	requirements	reasonability of cash flow as it relates to requested rate increases			b) To be addressed by Coalition as part of #4 recognizing collaboration with MIPUG on this key element.
Capital Expenditures					
6	Capital Expenditure Forecast (Section 4.1, Appendix 4.1)	Examine capital expenditures 2015-2017	<ul style="list-style-type: none"> - Review overall CEF14 and changes from CEF13 - Review capital expenditures for the 20-year outlook 	Justification for projects	<ul style="list-style-type: none"> a) Any assessment of CEF14 should be done with respect to CEF12 (not CEF13), as this was the CEF underpinning the last GRA. b) Recognizing MIPUG top down approach, Coalition will collaborate with other intervenors in: <ul style="list-style-type: none"> - reviewing drivers and changes in CEF 14 (#6).

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			(2015-2034)		
7	Bipole III Reliability Project Cost Update (Section 4.3.1)	Examine Cost Update		Justification for project & route	<ul style="list-style-type: none"> - examining cost changes for individual major projects and the prudence and reasonableness of any approach (e.g. #7-#9) - assessing new capital planning and prioritization as it fits into 20 year outlook. <p>Coalition proposes to take a lead role in examining the adequacy of MH's Asset Condition Report (#11) and the planning processes used in developing the associated sustaining capital expenditures #10). (La Capra)</p>
8	Keeyask Generating Station Cost Update (Section 4.3.2)	Examine Cost Update		Justification for project	
9	Conawapa Generating Station - treatment in IFF14 (Section 4.3.4)	Treatment of Conawapa in IFF14, including expenditures in 2015-2017		Need for, business case and alternatives	
10	Sustaining capital expenditures (Section 4.4)	Examine levels of sustaining capital (2015-2017) in CEF14	Review 20-year outlook levels of sustaining capital in CEF14	Justification of levels of sustaining capital	

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11	Asset condition assessments & reliability impacts and risk to customer of decrease in service & reliability (Section 2.4.2, 2.6, 4.6, Appendix 4.2)		Review asset condition assessments and potential impacts on system reliability		
11-a	Service Standards (Section 2.1.3, 2.1.4, 4.6.1 and Appendix 2.1) - added	Examine service standards used by Manitoba Hydro's for planning purposes			<p>a) Service standards (both measures used and targets) are a key factor in both O&M and Capital planning</p> <p>b) General review of basis for service standards used (i.e. the measures) and their target values.</p>
Net Extraprovincial Revenue					
12	Extraprovincial Revenue Forecast (Section 5.3)	Examine forecast for 2015-2017	- Review overall		a) Focus needs to be on changes from IFF12 - as this was the basis for the

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			changes from IFF13 to IFF14		<p>last GRA</p> <p>b) Collaborate in review of forecast and reasons for changes. Focus will be primarily on extra-provincial revenues.</p>
			- Review outlook for 2015-2034		
13	Water Rentals & Assessments Forecast (Section 5.8)	Examine forecast for 2015-2017	- Review overall changes from IFF13 to IFF14		
			- Review outlook for 2015-2034		
14	Fuel & Power Purchased Forecast (Section 5.9)	Examine forecast for 2015-2017	- Review overall		

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			changes from IFF13 to IFF14 - Review outlook for 2015-2034		
15	Export markets & export sales update (Section 9.5)		Review of export markets and sales		
16	Water conditions update (Section 9.6)		Review of current water conditions		
17	All materials filed in confidence at the NFAT hearing or provided in accordance with a non-			Terms of Reference- use was restricted for purpose of NFAT	

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	disclosure agreement			Review	
18	Any materials filed during the course of the NFAT proceeding which considers alternative sources of generation or supply			Terms of Reference- use was restricted for purpose of NFAT Review	
19	Integrated Resource Planning		Review of Supply and Demand Summary (2015-2024)	NFAT recommendation #16 currently being reviewed by Manitoba Hydro	a) No comment b) Coalition will collaborate in review as part of overall review of IFF14 and changes form IFF12-
OM&A Expense					

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20	OM&A Expense Forecast (Section 5.5)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		a) No comment b) Support MIPUG's review of Hydro's approach to budgeting & cost control methods and its review of allocation of costs between operating and capital for ratemaking purposes. c) Coalition will collaborate with other intervenors on lead review of O&M forecast, both near term and longer term from a top-down perspective taking into account IFRS effects.
21	EFT's & staffing requirements (Appendix 5.5)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		
22	Allocation of costs between operating & capital (Appendix 5.5)		Review of cost allocation between operating and capital		
23	Effective control of OM&A costs (Section 5.14, Appendix 5.5)	Examine forecast for 2015-2017	Review of cost saving initiatives		

Depreciation & Amortization Expense

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24	Depreciation & Amortization Expense forecast (Section 5.7)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		a) No Comment b) Coalition will collaborate with or support- MIPUG regarding: - review of depreciation study - appropriateness of Hydro's approach to depreciation for ratemaking (ELG vs. ASL).
25	2014 Depreciation Study & Asset Lives (Appendix 5.6)	Asset lives for rate-setting purposes (2015-2017)	Review 20-year outlook (2015-2034)	Asset lives for financial reporting purposes	
26	Depreciation methodology changes (ELG & Negative Salvage Value) (Appendix 5.6)	Use of ELG and removal of negative salvage value for rate-setting purposes (2015-2017)	Review 20-year outlook (2015-2034)	Use of ELG and removal of negative salvage value for financial reporting purposes	

Accounting Policy & Estimate Change

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27	Overall impact of accounting policy and estimate changes (Appendix 5.7)	Examine impacts on 2015-2017 forecast	Accounting policy selection for rate-setting purposes	Accounting policy selection for financial reporting purposes	a) No Comment b) Coalition will collaborate with or support- MIPUG regarding: - IFRS-based changes - need for similar accounting for financial and ratemaking
28	Use of IFRS for rate-setting (Section 10.2.2, Appendix 5.4)	Examine impacts of IFRS on 2015-2017 forecast	Use of IFRS for rate-setting purposes	Use of IFRS for financial reporting purposes	See #27
Finance Expense, Debt Management & Credit Ratings					
29	Finance Expense Forecast (Section 5.6)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		a) No comment b) Review as part of overall IFF review (see #1)

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30	Capitalization of Interest on capital projects (Section 5.6)		Review of interest capitalization policies		See #27
31	Interest rate forecast (Section 3.1, Appendix 3.1 & 3.2)	Examine interest rate forecast for 2015-2017	<ul style="list-style-type: none"> - Review 20-year interest rate outlook (2015-2034) - Review of interest rate forecasting methodology for rate-setting purposes 	Manitoba Hydro's interest rate forecasting methodology	<ul style="list-style-type: none"> a) Interest Rate forecast and methodology for ratesetting purposes are clearly relevant, material and within scope. b) Coalition lead on review of interest rate forecast (Mr. McCormick)

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32	Managing levels of debt (Section 2.2.2, 2.4.3, 3.5, Appendix 3.7)		Review of debt management strategies for rate setting purposes	Manitoba Hydro's Debt Management policies	<p>a) Given rising debt is major driver for future revenue requirement, debt management is a key risk and opportunity. Debt management strategy is relevant, material and in scope for rate setting purposes.</p> <p>b) Coalition Lead on review of MH's debt management strategy and related interest rate and exchange rate risk management (with Mr. McCormick)</p>
33	Potential negative implications to Provincial Credit Rating & MH's borrowing costs (Section 2.4.4, 3.6, Appendix 3.8)		Review implications on Manitoba Hydro's borrowing costs		- See item #4

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General Consumers Revenue & Load Forecast

34	General Consumers Revenue Forecast (Section 5.2)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		a) No comment b) Consider as part of overall IFF review (see #1)
35	Electric Load Forecast (Section 7.1)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)	Customer specific forecasts (concerns over confidentiality of information)	a) No Comment b) Coalition will collaborate with others in General Review, with attention to treatment of price elasticity and other matters going to the reliability of short term and long term forecasts.
35.A	Economic Outlook (added)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		a) No comment b) Review with lead focus on interest and exchange rate forecasts

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Demand Side Management

36	Current DSM Plan (Section 8.1, 8.2, & 8.3)		Review of Manitoba Hydro's DSM Plan (2014-2029)	NFAT Recommendations #6-#11 are under review by the Province of Manitoba	<p>a) Scope should include a detailed review of 2015-2017 program plans as well as costs - as the two are linked.</p> <p>b) Collaborate and support possible MKO initiative re energy efficiency directed at substandard housing (Chris Neme may assist)</p>
37	DSM Cost Estimate (Section 4.3.4)	Examine forecast for 2015-2017	Review of Manitoba Hydro's DSM Plan (2014-2029)		
38	DSM Deferral Account (Section 10.2.7)	Disposition of DSM Deferral Account			<p>a) No comment</p> <p>b) Review MH proposal from perspective of the- original intent of the account.</p>

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Proposed Rates & Customer Impacts					
39	Customer Impacts by Class (Section 6.2)	Examine bill impacts of proposed rate increases			<p>a) No comment</p> <p>b) Collaborate with MMF and MKO re residential ratepayer impacts (panel presentation)</p>
40	Time of Use Rates for GS Large effective April 1, 2016 (Section 6.3)	Examine Manitoba Hydro's proposal and associated customer bill impacts			<p>a) Could be reviewed as part of future COS review.</p> <p>b) If included in current proceeding, it is understood that MIPUG and GAC may wish to review from their particular interest. The Coalition interests may conflict and if so, it may lead on review from non-industrial perspective.</p>

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41	Surplus Energy Program (SEP) changes (Section 6.4.1)	Rates flowing from changes to SEP Terms & Conditions			<p>a) Could be reviewed as part of future COS review.</p> <p>b) If included in current proceeding, Coalition may lead on review from non-industrial perspective.</p>
42	Curtable Rate Program (CRP) changes (Section 6.4.2)	Rates flowing from changes to CRP Terms & Conditions			<p>a) Potentially best reviewed as part of future COS review.</p> <p>b) If included in current proceeding, Coalition may lead on review from non-industrial perspective.</p>
43	Cost of Service Study & Stakeholder Engagement (Section 6.5)		Understanding of status of MH's COSS Review	Separate Cost of Service process to commence following GRA process	Separate review
44	Competitive and affordable		Understanding		See #39

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	rates (Section 6.6)		of Manitoba's position compared to other jurisdictions		Coalition will support GAC initiative re options to address energy poverty. Coalition will consider other perspectives including potential separate class for all electric (potentially MMF) and on reserve (potentially MMF) whether canvassed in this or future proceedings.
Confirmation of Interim Orders & Other Matters					
45	Finalization of May 1, 2014 Interim Rate Increase (Section 10.1)	Finalization of May 1, 2014 Interim Rate increase			Addressed as part of #1 - #39
45-1	Final Approval of LED rates for Area and Roadway Lighting approve on interim basis in Order 79/14 - added				a) Part of approvals requested by MH b) Review will consider appropriateness re - other consumer groups

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46	Confirmation of SEP & CRP Interim Orders	Confirmation of SEP and CRP Interim Rate Orders			
47	Confirmation of Diesel Interim Orders (Section 10.3.1)	Confirmation of Diesel Interim Orders (dependent on receipt of true copies of the Settlement Agreement)			<p>a) Settlement also deals with matters of COS (i.e. allocation of export revenues). Could be considered as part of future COS review</p> <p>b) Recognizing interests of MKO and MMF, the Coalition will focus on impact on other consumers' interests/rates</p>
48	Impact of WPLP Agreements-in-principle (Section 10.2.6)		Review financial impact of Agreement-in-	Terms of Agreement-in-principle	<p>a) Difficult to assess financial impact without getting into/understanding terms of agreement</p> <p>b) Address in context of #1</p>

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			Principle on MH14		
49	Other Revenues and Expenses	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		a) No comment b) See #1
OTHER					
	Added: Update on NFAT Recommendations	Hydro's actions to date and planned next steps regarding PUB NFAT Recommendations			a) Agree with addition by MIPUG. b) Review impact of next steps on IFF and short term rate outlook