

**Manitoba Hydro 2015/16 & 2016/17 General Rate Application  
Preliminary Issues List**

**MIPUG Draft:  
February 2, 2015**

#	Issues	Detailed examination for the fiscal years under consideration (2014/15 to 2016/17)	Review of contextual information to support rate determinations in fiscal years under consideration	Out-of-Scope	MIPUG Interests, by tentative estimate of priority (Priority 1 – critical importance; Priority 2 – lesser importance to MIPUG, or consider support to other lead intervenors)
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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)		1- MIPUG to address challenge of defining “revenue requirement” re: long term forecasts in absence of up-to-date financial target information.
2	Maintenance of 2015/16 & 2016/17 Net Income at Acceptable Levels (Section 2.3.6, 5.1)	Examine financial forecast for 2015-2017			
3	Interim rates effective April 1, 2015 (Section 10.2.1)	Interim rates effective April 1, 2015			N/A - PUB has already denied interim rates.
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)		1- MIPUG to address absence of financial targets, and practical approaches for setting near-term rates for 2015 in the absence of any long-term guidance.
5	Financial impact of drought (Section 9.7)		Review financial impact of prolonged drought		1- MIPUG to address as part of near-term rate requirement review
5A	<b>Added: Cashflow requirements</b>	Examine reasonability of cash flow as it relates to requested rate increases			1- MIPUG has significant concerns that Hydro has substantially and

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					<p>inappropriately re-weighted their prioritization of the existing financial targets in favour of cash flow targets. This concern drives numerous apparent decisions by Hydro on such varied matters as depreciation, accounting policy changes, and rate increase proposals. MIPUG to examine the appropriateness of using cash flow targets as a metric for setting rates.</p> <p>MIPUG to cooperate with CAC re: legislative guidance and constraints on use of cash flow targets.</p>
<b>Capital Expenditures</b>					
6	Capital Expenditure Forecast (Section 4.1, Appendix 4.1)	Examine capital expenditures 2015-2017	<ul style="list-style-type: none"><li>- Review overall CEF14 and changes from CEF13</li><li>- Review capital</li></ul>	Justification for projects	2- MIPUG plans to focus on completing “top down” review of justification of

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			expenditures for the 20-year outlook (2015-2034)		capital spending levels per year (e.g., what has changed since last review; why has spending increased so much; is it consistent with long-term capital plans; what are the implications for ratepayers?). MIPUG does not expect to address “bottom up” capital spending issues associated with any individual project (other than Major Projects) or condition assessments, etc.
7	Bipole III Reliability Project Cost Update (Section 4.3.1)	Examine Cost Update		Justification for project & route	
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	
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		
<b>Net Extraprovincial Revenue</b>					
12	Extraprovincial Revenue Forecast (Section 5.3)	Examine forecast for 2015-2017	<ul style="list-style-type: none"> <li>- Review overall changes from IFF13 to IFF14</li> <li>- Review outlook for 2015-2034</li> </ul>		2- MIPUG may review the estimates and implications of changes in major areas of net extra-provincial revenue at a general level.
13	Water Rentals & Assessments Forecast (Section 5.8)	Examine forecast for 2015-2017	<ul style="list-style-type: none"> <li>- Review overall changes from IFF13 to IFF14</li> <li>- Review outlook for 2015-2034</li> </ul>		

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14	Fuel & Power Purchased Forecast (Section 5.9)	Examine forecast for 2015-2017	<ul style="list-style-type: none"> <li>- Review overall changes from IFF13 to IFF14</li> <li>- Review outlook for 2015-2034</li> </ul>		
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-disclosure agreement			Terms of Reference- use was restricted for purpose of NFAT 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	2- MIPUG to review supply and demand summary generally for issues that may merit more detailed review.
<b><u>OM&amp;A Expense</u></b>					
20	OM&A Expense Forecast (Section 5.5)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		1- MIPUG to review Hydro's Approach to Budgeting and

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21	EFT’s & staffing requirements (Appendix 5.5)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		cost control methods. Review of allocation of costs between operating and capital for ratemaking purposes.  MIPUG intends to track the work of CAC (with CAC as lead) on major “top down” review of O&M
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		
<b><u>Depreciation &amp; Amortization Expense</u></b>					
24	Depreciation & Amortization Expense forecast (Section 5.7)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		1- MIPUG to lead or develop joint role with CAC regarding appropriateness of Hydro’s approach to depreciation for ratemaking. Review depreciation for financial reporting purposes and requirement/preference of consistency between the two approaches (and/or implications of maintaining
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	

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					differences).
<b><u>Accounting Policy &amp; Estimate Change</u></b>					
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	1- See #20
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	2- See #20
<b><u>Finance Expense, Debt Management &amp; Credit Ratings</u></b>					
29	Finance Expense Forecast (Section 5.6)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		2- MIPUG to review generally
30	Capitalization of Interest on capital projects (Section 5.6)		Review of interest capitalization policies		
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"> <li>- Review 20-year interest rate outlook (2015-2034)</li> <li>- Review of interest rate forecasting methodology for rate-setting purposes</li> </ul>	Manitoba Hydro's interest rate forecasting methodology	
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	Manitoba Hydro's Debt Management policies	

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			purposes		
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		1- MIPUG to review as it relates to review of financial targets
General Consumers Revenue & Load Forecast					
34	General Consumers Revenue Forecast (Section 5.2)	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		2- MIPUG to review generally
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)	
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	2- MIPUG to review generally MIPUG re: impact on large ratepayers.
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			
Proposed Rates & Customer Impacts					

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39	Customer Impacts by Class (Section 6.2)	Examine bill impacts of proposed rate increases			1- MIPUG to review Industrial rate impacts and relationship to other classes
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			1- MIPUG to consider and provide a position at the Pre-Hearing Conference as to whether Time of Use is best reviewed as part of Hydro's GRA or as part of the Cost of Service review. If this remains as a GRA item, MIPUG to complete thorough testing of Hydro's proposals.
41	Surplus Energy Program (SEP) changes (Section 6.4.1)	Rates flowing from changes to SEP Terms & Conditions			
42	Curtailable Rate Program (CRP) changes (Section 6.4.2)	Rates flowing from changes to CRP Terms & Conditions			1- MIPUG to complete a thorough testing of Hydro's proposals
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	Per separate review
44	Competitive and affordable rates (Section 6.6)		Understanding of Manitoba's position compared to other		See #39



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			jurisdictions		
<b>Confirmation of Interim Orders &amp; Other Matters</b>					
45	Finalization of May 1, 2014 Interim Rate Increase (Section 10.1)	Finalization of May 1, 2014 Interim Rate increase			See #1, #5 #5A
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)			
48	Impact of WPLP Agreements-in-principle (Section 10.2.6)		Review financial impact of Agreement-in-Principle on MH14	Terms of Agreement-in-principle	
49	Other Revenues and Expenses	Examine forecast for 2015-2017	Review 20-year outlook (2015-2034)		
<b>OTHER</b>					
	<b>Added: Update on NFAT Recommendations</b>	Hydro's actions to date and planned next steps regarding PUB NFAT Recommendations			2- MIPUG to review generally re: impact on large ratepayers.