

Manitoba Hydro 2021/22 Interim Rate Application

Consumers Coalition - Proposed Minimum Filing Requirements

Set out below are the Proposed Minimum Filing Requirement of the Consumers Coalition for any proposed interim rate application by Manitoba Hydro.

Consistent with the criteria for evaluating just and reasonable rates set out in *PUB Order 5/12* and *Order 59/18*, these MFRS are intended to:

- (1) assess forecasts of projected revenues & expenses and key financial metrics before any rate increase is considered (pre-rate increase evaluation);
- (2) assess if Manitoba Hydro (MH) is appropriately managing revenues, costs, cash flow and debt in order to mitigate the need for rate increases from customers to the extent practical (management actions evaluation);
- (3) consider the balancing of the financial integrity and risks of the utility with the rate impacts on customers (need for regulatory action evaluation); and,
- (4) assess whether MH has been responsive to the PUB findings in *Order 59/18* regarding financial targets, droughts and rate setting.

The Consumers Coalition has reviewed and amended its proposed MFRs after receiving the PUB letter of October 12, 2021.

PUB Corporate MFRs

1. Details of all material changes in the Corporation's operations since the last GRA hearing.
2. Current Corporate Risk Analysis Report.

Additional Consumers Coalition Proposed MFRs:

- Please provide a detailed explanation of how MH plans to revise its strategic actions for 2021/22 and 2022/23 to reduce the deleterious impacts of drought (ie - preserving cash flow, minimizing additional debt, maximizing revenues and minimizing expenses, etc) including:
 - Potential deferrals or repriorizations of capital expenditures in the event of financial distress due to drought (i.e., regardless of the existing plan, what is the contingency plan to minimize capex to what is critically necessary);
 - Potential O, M and A and other cost reductions that could be implemented in the event of financial distress (see above); and
 - Potential adjustments to corporate strategies such as alternate debt management strategies and strategies to maximize domestic and net export revenues before asking for rate increases.

PUB Financial Results and Forecasts MFRs

3. Actual, budgeted, outlook, or forecast operating statements, balance sheets, and cash flow statements (both direct and indirect methods) for 2020/21, 2021/22, 2022/23, and all additional forward years for which these documents exist. [2019 GRA Appendix 1, 2].
4. Quarterly Financial Statements for the current fiscal year.
5. MHEB 70th Annual Report for year ended March 31, 2021
6. Details of the determination of each of the financial ratios (debt-to-equity, interest coverage, and capital coverage) for each of the years 2019/20 to 2022/23 and any future years as available. [2019/20 GRA PUB/MH 1-8]
7. Detail of the Net Movement in Regulatory Deferral Accounts including Opening and Closing Balances, Additions, and Amortizations. [2019 GRA - PUB/MH 10 a-c]
8. A table that shows the incremental and cumulative impacts to retained earnings of a 5- and 7-year drought, beginning in 2021/22. [2017/18 GRA PUB/MH II-40].
9. Revenue requirements including cost components (Finance/Depreciation/Operating/Water Rentals/F&PP/Taxes) for the years 2019/20, to 2023/24 for each of the following:
 - Keeyask generating station
 - Manitoba-Minnesota Transmission Project
 - Great Northern Transmission Line
 - Bipole III and Riel station
 - Birtle Transmission Project
 - Business Operations Capital[2019/20 GRA PUB/MH I-9]
10. Continuity schedules showing the deferrals and amortization (or proposed amortization) of the Bipole III Deferral Account and the Major Capital Deferral Account. [2019/20 GRA PUB/MH I-11]
11. Incremental revenues and unit revenues from Keeyask by year, broken down by firm and opportunity sales. [2017/18 GRA PUB MFR 82]
12. Details of the impacts of COVID-19 pandemic on O&A expenditures in 2020/21 and 2021/22 to date.

Additional Consumers Coalition Proposed MFRs:

Please provide:

- Manitoba Hydro's assessment of how the interim application responds to the PUB findings from *Order 59/18* that drought risk should be managed through a combination of retained earnings and regulatory action;

- An explanation of the financial metric(s) Hydro used to determine the level of proposed interim rate increase and how the assessment of this financial metric resulted in the rate relief sought in the interim rate application;
- A detailed description of how MH attempted to balance the financial integrity of the corporation with the impacts on customers, in making its interim rate request;
- Quarterly budgets for the current year (2021/22) and for 2022/23 (to provide insight on any potential cash pressures) based on the potential range of currently forecast water scenarios for P10, P20, P40, P60, P80, P100);
- Further to PUB MFR #3, a breakdown of domestic revenues between revenues at existing rates and additional revenues from approved and projected rate increases;
- Further to PUB MFR #3, summary commentary with respect to the income statement line items for 2020/21 to 2022/23 [see Sections 6.1 and 6.2 from Tab 6 of the MH 2018/19 GRA];
- Further to PUB MFR #3, an analysis of the net income impact of the 2.9% electric rate increase effective December 1, 2020 for 2020/21, 2021/22 and 2022/23 and any future years as available;
- Further to PUB MFR #3, a differential comparison between the updated outlooks and forecasts and MH Exhibit #93 from the 2018/19 MH GRA;
- MH's Annual Business Plan for 2021/22 (if available);
- MH's OM&A Quarterly Reports to the PUB since the MH 2019/20 Rate Application;
- A detailed description and quantification of O&A cost containment strategies and actions for 2021/22 and 2022/23 to reduce the deleterious impacts of drought;
- MH OM&A Target Setting Analysis for 2020/21, 2021/22 and 2022/23 [see MH Exhibit #78 from the MH 2018/19 GRA and IR Coalition/MH I-13 (b)(c) from the MH 2019/20 Rate Application]; and,
- Details of the contracted wage settlements in place for 2020/21, 2021/22 and 2022/23 [see IR Coalition/MH I-14 (j) from the MH 2019/20 Rate Application];

PUB Finance Expense and Debt MFRs

13. Current Economic and Financial Indicators (including interest rates) Forecast. [2019/20 GRA Additional Information Attachment 5]

14. Most recent credit rating reports from DBRS, Moody's, and S&P.

15. Manitoba Hydro's most recent presentation(s) made to each credit rating agency.

Additional Consumers Coalition Proposed MFRs:

Please provide:

- Credit rating reports for the Province of Manitoba from the listed agencies (since the province guarantees the utility debt and if the utility is alleged to be in dire straights due to drought, it is important to understand the financial position of the province)
- Comparison table (if available from any of the credit agencies) of the Province of Manitoba finances with those of other provinces that also guarantee the debt of their monopoly electricity utility (i.e., BC, Sask, Quebec, NB, NL);

- A detailed description and quantification of how MH is adjusting its debt management strategy and activities in 2021/22 and 2022/23 to reduce the deleterious impacts of drought, including use of the expanded short-term borrowing authority; and,
- Hydro's current interest rate policy and guidelines [see Section 3.5 of the Centra Gas 2019/20 GRA);

PUB Export and Domestic Revenues MFRs

16. Current approved Electric Load Forecast and tables that show updates to both the load forecast and the actual loads resulting from the COVID-19 pandemic.

17. Updates to graphs of Annual System Inflows, Energy in Storage, Daily Hydraulic Energy from Inflow, and Total Hydraulic Generation.

18. Graphs and tables of net export revenues and net income for 2021/22 and 2022/23 for each of the possible water flow conditions (P1 to P100). [2019/20 GRA PUB/MH I-29(c)]

Additional Consumers Coalition Proposed MFRs:

Please provide:

- A description and quantification of MH's strategies and actions in 2021/22 and 2022/23 to increase domestic revenues and maximize net export revenues in order to reduce the deleterious impacts of drought;
- The Resource Planning Electric supply and demand tables for 2020/21, 2021/22 and 2022/23 [see Attachment #4, additional information, MH 2019/20 Rate Application]; and,
- The schedule of export volumes, revenues/costs and average unit revenues for 2020/21, 2021/22 and 2022/23 [see Attachment #3, additional information, MH 2019/20 Rate Application] including:
 - Actual export prices or average unit revenues achieved in 2019/20, 2020/21, and quarterly so far this year (2021/22);
 - Forecast range for export prices for the current year, as well as the next three. (i.e., the expected price, but also the probable range of prices, with both 1 and 2 standard deviations);

PUB Capital Expenditures MFRs

19. Capital Expenditure Forecast. If there have been updates since the approved CEF provide a table that shows the updates.

Additional Consumers Coalition Proposed MFRs:

- Provide a description and quantification of MH's strategies and actions in 2021/22 and 2022/23 to defer/prioritize capital expenditures in order to reduce the deleterious impacts of drought;
- Further to PUB MFR #19, Demand Side Management expenditure forecasts for the same period as the Capital Expenditure Forecast; and,

- MH's Major Capital Projects Quarterly Reports to the PUB since the MH 2019/20 Rate Application;

PUB COSS and Rate Design MFRs

20. PCOSS21 and allocation tables; and PCOSS22 (if available).

21. Proofs of Revenue for 2021/22 and 2022/23.