

Proposed Minimum Filing Requirements Manitoba Hydro 2021/22 Interim Rate Application (Including MIPUG Additions)

In its Decision Letter of September 9, 2021, the Manitoba Public Utilities Board (PUB) provided a proposed list of Minimum Filing Requirements (MFRs) in an effort to avoid duplication among Interveners. The Manitoba Industrial Power Users Group (MIPUG) supports the Board's effort to focus on the type of information being sought, while noting that the proposed MFRs were specified in relation to the Manitoba Hydro Status Update arising from the Coalition Application rather than a Manitoba Hydro 2021/22 Interim Rate Application.

Considering the Government Directive instructing Manitoba Hydro to file an interim rate application with the PUB for 2021/22 and the Board's subsequent direction in its letter of October 12, 2021, MIPUG has reviewed the proposed list of MFRs and determined that this information (as noted below) continues to be applicable for the anticipated 2021/22 Interim Rate Application to be filed by Manitoba Hydro.

MIPUG notes that the Government Directive was quite broad and provides:

Manitoba Hydro is directed to take all steps necessary to proceed with submission of an interim rate application to The Public Utilities Board **(or other application as determined by The Public Utilities Board)**; (emphasis added)

We view the bolded portion of the directive as providing options to the PUB, and Interveners, as to the type of rate application to be filed and the extent of information to be filed in that application.

The proposed MFRs are particularly relevant given the lack of a full and independent review of Manitoba Hydro's rates for nearly half a decade. During this time, Manitoba Hydro has failed to produce an Integrated Financial Forecast and avoided independent testing of its operational and administrative costs, capital plans and forecasts. The substantive lack of independent review, coupled with the Board's finding that Manitoba Hydro has experienced a significant change in circumstances per Board Order 89/21, further supports the need for a comprehensive list of MFRs to support an independent review of Manitoba Hydro's anticipated 2020/21 Interim Rate Application. It is MIPUG's view that the questions and issues raised by the Coalition Application should not be set aside and be substituted by yet another interim rate request by Manitoba Hydro.

Approving a 2021/22 and further potential 2022/23 interim rate increase based on limited information may further exacerbate the continued failure to consider the issues arising from the Coalition Application. Providing Manitoba Hydro with higher rates and therefore lesser financial pressure to seek a more thorough and comprehensive

review via the PUB process may further delay the process for determining whether rates are in fact just and reasonable.

MIPUG would appreciate having an opportunity to provide comments on the course of action to be taken with respect to the Coalition's Application and the broad directive from Government to Manitoba Hydro in respect to filing such other application as determined by The Public Utilities Board.

PUB Proposed MFRs (September 9, 2021)

Note: References in brackets indicate similar requests previously made. These references indicate how the information may be presented.

Corporate

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

Financial Results and Forecasts

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 [2019/20 GRA PUB/MH I-9]:
 - Keeyask generating station
 - Manitoba-Minnesota Transmission Project
 - Great Northern Transmission Line
 - Bipole III and Riel station
 - Birtle Transmission Project
 - Business Operations Capital
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

Finance Expense and Debt

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

Export and Domestic Revenues

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)]

Capital Expenditures

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

COSS and Rate Design

20. PCOSS21 and allocation tables; and PCOSS22 (if available)
21. Proofs of Revenue for 2021/22 and 2022/23

MIPUG Proposed Supplemental MFRs (October 13, 2021)

In its consideration of whether additional MFRs were needed to support the Board's review of an Interim Rate Application, MIPUG considered the anticipated nature of the interim rate request and the basis on which Manitoba Hydro may rely to support another interim application.

MIPUG notes comments provided with its Application for Status filed on September 16, 2021. In these comments, MIPUG suggested that "*the PUB consider the following supplements to the Proposed Minimum Filing Requirements, which constitute basic information requirements for assessing current rates and whether they remain just and*

reasonable. These additions assume that existing rates charged by Manitoba Hydro remain. If changes to rates (whether interim or finalized) are proposed or anticipated by Manitoba Hydro over the next 12 months, a full IFF scenario with all major MFR items (as finalized in the 2017 GRA, March 31, 2017) will be required.”

The intent of the Coalition Application was to establish whether Manitoba Hydro’s current rates remain just and reasonable. That process has not yet been undertaken, indicating that Manitoba Hydro’s current rates have not been proven to be just and reasonable. Since Manitoba Hydro is now proposing a change in rates through the filing of an Interim Application for 2021/22, it appears prudent, given the finding of the Board that Manitoba Hydro has experienced a substantial change in circumstances, that Manitoba Hydro should provide a full IFF scenario inclusive of all major MFR items (as finalized in the 2017 GRA, March 31, 2017).

The proposed MFRs are consistent with the criteria for evaluating just and reasonable rates set out in PUB Order 5/12 and Order 59/18, which was intended to:

- 1) Assess Manitoba Hydro forecasts of projected revenues, expenses, and key financial metrics before a further rate increase is considered (intent of the Coalition Application).
- 2) Assess if Manitoba Hydro is appropriately managing revenues, costs, cash flow and debt costs to mitigate the need for rate increases to the extent practical (management of drought risk).
- 3) Consider the balancing of financial integrity and risks to the utility with the short, medium and long-term rate impacts to customers (rates that are cost-based, stable and predictable).
- 4) Assess whether Manitoba Hydro has been responsive to the PUB findings in Order 59/18 regarding financial targets, droughts and rate setting.

With these criteria in mind, MIPUG provides the following Supplemental Minimum Filing Requirements for the Board’s consideration in reviewing the 2021/22 Interim Rate Application filing by Manitoba Hydro:

- 1) Corporate Strategic Plan (Strategy 2040) or status updates regarding the plan detailing the impact of major items that remain outstanding before Manitoba Hydro can finalize the Plan.
- 2) Current staffing levels and forecasts (Positions and EFTs by department) including detail on staffing level changes arising from external directives to reduce costs.
- 3) Updates to the quantitative analysis and detailed risk/uncertainty analysis (e.g. KPMG Report - 2015, MH Internal Report on Financial Target Review - 2015).
- 4) Financial statement presentations including an “electric only” version with appropriate regulatory accounting for deferred assets/liabilities/OCI.
- 5) Long-term Electric Load Forecast (20+ year)

- 6) Full Long-Term Capital Expenditure Forecast (20 year)
- 7) Updates to cost projects for a 5 plus year extreme drought, considering updated export contracts, energy pricing forecasts, fuel prices, and imports.
- 8) Debt Management Strategy, including borrowing and repayment amounts (by year) for next 20+ years showing exposure to interest rate changes from forecast.
- 9) Interest Rate Forecast, including specific reference to the vintage of the forecast and the sources relied upon in developing the forecast.
- 10) Major Capital Projects Quarterly Reports to the PUB since the MH 2019/20 Rate Application
- 11) Operating, Maintenance & Administration Quarterly Reports to the PUB since the MH 2019/20 Rate Application.

Manitoba Hydro's letter of September 29, 2021, specifically references the need for an interim rate increase to "*address the deleterious financial impacts due to the current drought condition.*" The letter goes on to state that Manitoba Hydro may "*also seek a conditional interim rate increase for 2022/23 to safeguard the financial health of the Utility including in the event that drought conditions persist into 2022.*"

Considering these comments, MIPUG requests that the Board consider the following additional supplemental MFRs, which specifically address the conditions of drought and their related financial impact to Manitoba Hydro:

- 12) Incremental impacts of severe droughts, akin to MIPUG/MH-1-18 from the 2017/18 GRA, along with a comparison to the drought impacts on the current and projected fiscal years 2021/22 and 2022/23.
- 13) Risk scenarios indicating drought in comparison to other risks faced at this point in time (update to PUB/MH-II-39 from the 2017/18 GRA).
- 14) With specific reference to the response to PUB/MH-II-40 of the 2017/18 GRA, comparisons and basis for all variations between the scenario in that response (Figure 1) for a five(5) and seven(7) year drought starting in 2022/23, as compared to the base case updated forecasts for those scenarios.
- 15) Per Coalition/MH-I-10a-c from the 2017/18 GRA, provide updates to Figure 4.10 (Tab 4) for current forecasts and provide an updated response to part (b) of this IR. Provide the same for Figure 4.17 (per Coalition/MH-I-11a-c), Figure 4.19 (per Coalition/MH-I-12a-c), and 4.20 (per Coalition/MH-I-131-c). In each case, the 7.9% rate increase scenarios do not need to be updated, only the actuals and projected long-term rate increase scenarios.