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November 18, 2015

Mr. D. Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

RE: Manitoba Hydro 2015/16 & 2016/17 General Rate Application – Interim Rate Increase for April 1, 2016

On January 16, 2015, Manitoba Hydro applied to the Public Utilities Board of Manitoba (“PUB”) for an Order pursuant to Section 26(1) of *The Crown Corporations Public Review and Accountability Act* and pursuant to Section 47(2) of *The Public Utilities Board Act* for approval of a 3.95% general rate increase effective April 1, 2016.

Manitoba Hydro filed a comprehensive 2015/16 & 2016/17 General Rate Application (“GRA”) on January 23, 2015 which outlined in detail the capital investment drivers and borrowing requirements as well as the compelling need for steady and regular rate increases over the next decade. The information filed was extensively reviewed and tested by the parties to the GRA over the course of five months. In Order 73/15, the PUB indicated it would consider options regarding a process to review rates for April 1, 2016.

In recognition of the financial need to implement a rate increase in 2016/17 on a timely basis, the Manitoba Hydro-Electric Board (“MHEB”) authorized the Audit Committee of the MHEB to approve the Integrated Financial Forecast (IFF15) to facilitate the filing of an interim rate submission with the PUB, subject to subsequent ratification by the MHEB. On November 12, 2015, the Audit Committee approved IFF15 and related documents for this purpose.

Manitoba Hydro is attaching hereto, a Supplemental Filing to the 2015/16 & 2016/17 GRA wherein Manitoba Hydro is requesting that the 2016/17 rate increase of 3.95% contained in the GRA be approved on an interim basis effective April 1, 2016. This increase, applied on an across-the-board basis for all customer classes, will generate additional revenues of \$61 million in 2016/17. Including the proposed interim rate increase of 3.95% on April 1, 2016, Manitoba Hydro forecasts a net income of \$29 million for electric operations for 2016/17. Absent the proposed interim rate increase, the Corporation forecasts a loss of \$33 million for electric operations in 2016/17.

In addition to the extensive materials filed in support of the 2015/16 & 2016/17 GRA, this Supplemental Filing provides the following information in support of the Corporation's request for an interim rate increase:

- Integrated Financial Forecast ("IFF15")
- Capital Expenditure Forecast ("CEF15");
- The MHEB Quarterly Reports for the Three Months Ended June 30, 2015 and for the Six Months Ended September 30, 2015;
- Manitoba Hydro's Report on the 2015 Financial Target Review and the Financial Target Report prepared by KPMG. Manitoba Hydro is providing these materials for the PUB's preliminary information and notes that a full public review of Manitoba Hydro's analysis and the KPMG Report is expected to occur at the next General Rate Application anticipated to occur later in 2016;
- Updated Rate Schedules, Proof of Revenue and Bill Comparisons reflecting a 3.95% rate increase effective April 1, 2016; and
- Information on monthly hydraulic generation, water conditions and extra-provincial energy exchange data in accordance with Directive 5 of Order 43/13.

In Order 73/15, the PUB issued a clear policy decision to mitigate potential rate shock to consumers by phasing in annual rate increases over time. Manitoba Hydro strongly believes that approval of its interim rate request is consistent with and works towards fulfilling that policy decision while still affording the PUB and parties the full opportunity to rigorously review the information provided herein in a full public review process anticipated to occur later in 2016.

Manitoba Hydro will contact the PUB to discuss the appropriate procedural approach to review this Supplemental Filing in order to facilitate the PUB's determination on this interim rate request in a timely manner. Manitoba Hydro also notes that it expects to file its Cost of Service Study submission by the end of November 2015.

Should you have any questions with respect to the forgoing, please do not hesitate to contact the writer at 204-360-3633 or Brent Czarnecki at 204-360-3257.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:



ODETTE FERNANDES
Barrister & Solicitor

Att.