

RESPONSE TO DIRECTIVE #14 – BOARD ORDER 73/15

14. *Manitoba Hydro shall file quarterly updates regarding its Operation, Maintenance & Administration (OM&A) expenditures and the actual OM&A expenditures compared to Manitoba Hydro's target.*

MANITOBA HYDRO – ELECTRIC OPERATIONS
OPERATING & ADMINISTRATIVE COSTS

Manitoba Hydro is tracking to achieve the annual Operating & Administrative (O&A) target of \$541.7 million as projected in IFF14 for the 2015/16 fiscal year. To the end of September 2015, total O&A expenditures are \$261.4 million which is \$5.5 million lower than the forecast of \$266.9 million. The under expenditure reflects ongoing cost saving measures including reductions in operational positions and lower maintenance requirements which are partially offset by higher employee benefit costs as a result of a lower discount rate. Other minor variances are primarily due to timing differences.

The following table provides a summary of Manitoba Hydro's actual and forecast O&A expenditures by cost element.

ELECTRIC OPERATIONS
OPERATING & ADMINISTRATIVE COSTS BY COST ELEMENT
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2015
(In Thousands of Dollars)

	Annual Forecast*	YTD Actual	YTD Forecast*	Favorable (Unfavorable) Variance
Wages & Salaries	\$525 103	\$253 013	\$261 381	\$8 368
Overtime	71,099	31,924	34,910	2,986
Employee Benefits	155,892	80,089	77,811	(2,278)
Employee Safety & Training	5,197	2,723	2,585	(138)
Travel Expenses	31,652	14,249	15,889	1,640
Motor Vehicle	29,700	13,839	14,804	965
Materials & Tools	26,100	13,149	13,239	90
Consulting & Professional Fees	15,216	7,134	7,808	674
Construction & Maintenance Services	18,580	8,916	9,948	1,032
Building & Property Services	27,835	12,644	13,283	639
Equipment Maintenance & Rentals	16,210	8,796	8,132	(664)
Consumer Services	5,323	2,493	2,559	66
Collection Costs	4,078	2,125	2,039	(86)
Customer & Public Relations	5,308	2,176	2,727	551
Sponsored Memberships	1,581	737	786	49
Office & Administration	15,709	6,787	7,567	780
Computer Services	1,069	544	503	(41)
Communication Systems	1,928	822	964	142
Research & Development Costs	2,747	838	1,220	382
Miscellaneous Expense	900	712	455	(257)
Contingency Planning	1,686	-	458	458
Operating Expense Recovery	(13,705)	(7,208)	(6,826)	382
	949 208	456 502	472 242	15 740
Less: Capital Order Activities	(316 243)	(151 006)	(160 902)	(9,896)
Capitalized Overhead	(24 541)	(12 411)	(12 181)	230
O&A Charged to Gas Operations	(66 691)	(31 711)	(32 258)	(547)
	\$541 733	\$261 374	\$266 901	\$5 527

*Forecast is based on IFF14