

Section:	28 – Financial Information MFR	Page No.:	5-10
Topic:	Financial Forecast		
Subtopic:			
Issue:	Changes in Level of Capital Spending		

PREAMBLE TO IR (IF ANY):

QUESTION:

- a) Please provide MH15 financial projections as in Scenario 1, as provided in Financial Information MFR 1 (Attachment 28) with the following adjustment:
 - i. Removal of expensed interest costs of financial borrowings that have not yet been spent but are intended to be spent on capital costs.

- b) Please provide an updated response for MFR-1 Alternate Scenario request for IFF15 (provided as Manitoba Hydro Attachment 46) to show the equal annual rate increases that result in a 75:25 debt-to-equity ratio at the end of fiscal year 2033/34 for Scenario 1 with the adjustment requested in part (a) above.

RATIONALE FOR QUESTION:

To assess Hydro’s financial position based on past practices and PUB directives.

RESPONSE:

Please see Manitoba Hydro’s response to COALITION/MH-I-21 b) and c) for scenarios that estimate the financial impact of returning year-end cash balances similar to those in MH14 for each year of the IFF period.

Section:	1 – IFF15	Page No.:	43
Topic:	Financial Forecast		
Subtopic:			
Issue:	Current and Other Assets		

PREAMBLE TO IR (IF ANY):**QUESTION:**

Please provide:

- a) a breakdown of Electric Operations Current and Other Assets for the forecast years 2016 – 2020 in MH15;
- b) a breakdown of Electric Operations Current and Other Assets for the forecast years 2016 - 2020 in MH14; and
- c) An explanation for any variances or changes in assumptions and estimates between the two forecasts.

RATIONALE FOR QUESTION:

To understand Hydro's financial forecast.

RESPONSE:

a) The following table provides a breakdown of Current and Other Assets from MH15:

	MH15				
	<i>in millions</i>				
	2016	2017	2018	2019	2020
Current Assets					
Cash and cash equivalents	573	617	521	659	550
Accounts receivable and accrued revenue	633	652	671	690	709
Inventory	82	82	82	82	82
	1 288	1 351	1 274	1 431	1 341
Other Assets					
Sinking fund investments	133	247	490	454	496
Other long-term assets	970	1 056	1 150	1 201	1 256
	1 104	1 303	1 640	1 655	1 752
Current and Other Assets	2 392	2 654	2 914	3 086	3 093

b) The following table provides a breakdown of Current and Other Assets from MH14:

	MH14				
	<i>in millions</i>				
	2016	2017	2018	2019	2020
Current Assets					
Cash and cash equivalents	-	-	-	-	-
Accounts receivable and accrued revenue	491	510	530	549	568
Inventory	81	81	81	81	81
	573	592	611	630	650
Other Assets					
Sinking fund investments	308	475	711	504	538
Other long-term assets	689	755	946	1 161	1 411
	997	1 230	1 657	1 665	1 948
Current and Other Assets	1 570	1 822	2 268	2 295	2 598

c) The following table shows the changes in Current and Other Assets from MH14 to MH15. The variance explanations are noted below the table.

	Change					
	<i>in millions</i>					
	2016	2017	2018	2019	2020	
Current Assets						
Cash and cash equivalents	573	617	521	659	550	Note 1
Accounts receivable and accrued revenue	142	142	141	141	141	
Inventory	0	0	0	0	0	
	715	759	663	801	691	
Other Assets						
Sinking fund investments	(174)	(229)	(221)	(49)	(41)	Note 2
Other long-term assets	281	301	203	39	(155)	Note 3
	107	73	(17)	(10)	(196)	
Current and Other Assets	822	831	646	791	495	

Note 1

The change in forecasted cash balances between MH14 and MH15 forecasts Manitoba Hydro's intention to be funded approximately three months in advance of the Corporation's finance requirements during this period of intensive capital expenditures.

Note 2

In the next few years, in order to optimize the Corporation's liquidity practices and to reduce finance expense, Manitoba Hydro will seek to minimize its sinking fund balances where feasible. The MH15 forecasted sinking fund balances are lower than in MH14 due to the repatriation of the principal for US debt series EE. On November 25, 2014, Manitoba Hydro executed a currency swap to convert USD \$200 million of principal for debt series EE to CAD \$228.4 million. The fixed coupon rate on EE remains at 9.500% on USD \$200 million. Prior to the repatriation, Manitoba Hydro had planned to make sinking fund contributions totaling \$200 million during the period from November 2014 to October 2015. With debt series EE's principal in Canadian dollars, the US sinking fund contributions, which would have remained in the sinking fund until debt series EE's maturity in September 2018, were no longer required. In lieu, the minimum legislated sinking fund contribution was made in Canadian dollars in March 2015 and withdrawn for Canadian debt maturities throughout the 2015/16 fiscal year. The actual sinking fund balance at December 31, 2015 is zero.

Note 3

The significant changes in other long-term assets from MH14 to MH15 are as follows:

- (i) Other long-term assets increased in MH15 due to a change in the presentation of the net pension liability. In MH14, the net pension liability was shown as a negative asset on the projected balance sheet subsequent to the projected reclassification to accumulated other comprehensive income in 2015/16 upon transition to IFRS. In MH15, the net pension liability was shown as a liability on the projected balance sheet.
- (ii) Other long-term assets increased in MH15 due to a higher loan receivable balance with Centra Gas. Centra's long term debt balances are higher in CGM15 due to a routine term rebalancing of its debt portfolio that converted short term debt (which had been temporarily funding long term capital expenditures) to long term debt.
- (iii) Other long-term assets decreased in MH15 due to reclassifications to other asset categories in an ongoing effort to be consistent with current financial reporting standards. Specifically, the projected balance of the Great Northern Transmission Line was transferred out of deferred assets in MH14 to intangible assets in MH15. Similarly, the interest accrued on MH's investment in the Keeyask project was reclassified from a deferred asset to plant in service.
- (iv) Other long-term assets decreased in MH15 due to the elimination of the St. Joseph Wind Farm note receivable by 2015/16 due to early repayment of the loan.

Section:	1 – IFF15	Page No.:	27
Topic:	Financial Forecast		
Subtopic:			
Issue:	Changes in Canadian/US Dollar Exchange		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please explain how the Canadian Dollar weakening compared to the US Dollar by \$0.10 (i.e. up \$0.10) to 2017/18 would cause an incremental decrease in retained earnings of \$19 million.

RATIONALE FOR QUESTION:

To understand the sensitivity of Hydro's short-term financial forecast.

RESPONSE:

Manitoba Hydro has conducted sensitivity analysis in IFF15 with respect to +/- \$0.10 change in the USD/CAD exchange rate with the results shown on page 27 of the IFF (Attachment 1 from the 2016/17 Supplementary Filing). The following schedule, shows the financial impact of the IFF15 sensitivity comparing the base case to a \$0.10 weakening of the Canadian dollar.

The incremental decrease in retained earnings of \$19 million to the end of 2017/18 is a sum of the forecasted loss of \$6 million for 2016/17 and the forecasted loss of \$13 million for 2017/18, is primarily due to lower export revenues as a result of the reduction in forecast export prices. As the cumulative change in retained earnings over the five year period to the end of 2020/21 is only \$3 million, the Corporation's net exposure to USD/CAD currency fluctuations during this timeframe is largely eliminated. For a further explanation of how the

variability in the foreign exchange rate impacts net income and thus retained earnings, please see the response to PUB/MH-I-8.

Appendix 1

ELECTRIC OPERATIONS (MH15)
PROJECTED OPERATING STATEMENT
SCENARIO LESS BASE CASE
C\$/US\$ Up 0.10 (C\$ Weakening)
(in Millions of Dollars)

For the year ended March 31

REVENUES

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Consumers at approved rates	-	-	-	-	-	-	-	-	-	-
additional*	-	-	-	-	-	-	-	-	-	-
BP/III Reserve Account	-	-	-	-	-	-	-	-	-	-
Extraprovincial	-	29	33	36	43	65	76	78	78	78
Other	-	-	-	-	-	-	-	-	-	-
	-	29	33	36	43	65	76	78	78	78

EXPENSES

Operating and Administrative	-	4	4	4	4	4	4	4	4	4
Finance Expense	-	25	35	29	28	33	34	19	0	(5)
Depreciation and Amortization	-	-	-	-	-	1	2	2	2	2
Water Rentals and Assessments	-	1	1	1	1	1	1	1	1	1
Fuel and Power Purchased	-	6	7	7	7	10	11	11	11	12
Capital and Other Taxes	-	(0)	(0)	0	0	0	(0)	1	0	0
Other Expenses	-	-	-	-	-	-	-	-	-	-
Corporate Allocation	-	-	-	-	-	-	-	-	-	-
	-	35	46	40	39	48	51	37	18	14

Non-controlling Interest

	-	-	-	-	-	-	-	-	-	-
Net Income	-	(6)	(13)	(4)	3	17	25	41	60	65

Section:	1 – IFF15	Page No.:	iii & 41
Topic:	Financial Forecast		
Subtopic:			
Issue:	Finance Expense		

PREAMBLE TO IR (IF ANY):**QUESTION:**

Please provide:

- a) a breakdown of the components of finance expense for forecast years 2015/16 – 2017/18 in MH15;
- b) a breakdown of the components of finance expense for forecast years 2015/16 – 2017/18 in MH14; and
- c) An explanation for any variances and/or changes in assumptions and estimates between the two sets of forecasts.

RATIONALE FOR QUESTION:

To understand the sensitivity of Hydro's short-term financial forecast.

RESPONSE:

Please see Manitoba Hydro's response to PUB/MH-I-31a.

Section:	1 – IFF15	Page No.:	iii & 41
Topic:	Financial Forecast		
Subtopic:			
Issue:	Finance Expense		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) What is the total capital cost forecast for the US Interconnection (or Great Northern Transmission Line) and what proportion of total capital costs is Manitoba Hydro responsible for?

RATIONALE FOR QUESTION:

To understand Hydro's financial forecast.

RESPONSE:

The current capital cost estimate for the Great Northern Transmission Line (GNTL) is U.S. \$677M (2013\$).

Pursuant to the Facilities Construction Agreement between 6690271 Manitoba Ltd., Minnesota Power and the Midcontinent Independent System Operator (MISO), Minnesota Power will fund 46% (U.S. \$311 M) of the capital cost of the project while 6690271 Manitoba Ltd., a wholly owned subsidiary of Manitoba Hydro, will fund 54% (U.S. \$366 M).

The estimated cost when interest during construction, escalation, foreign exchange and internal Manitoba Hydro costs are included results in a total of \$558 M in nominal dollars.

In addition, approximately 18% (U.S. \$120 M) of the capital cost of the GNTL will be funded by Minnesota Power but will be recovered through an annual fee payable by Manitoba Hydro over 20 years once the line is placed in service.

In exchange for paying the annual fee, Manitoba Hydro will have the exclusive right to export or import up to 133 MW of power on that portion of the line owned by Minnesota Power.

The above arrangements will result in Manitoba Hydro and its subsidiary directly and indirectly paying for 72% of the capital costs. In exchange Manitoba Hydro will control 76% of the firm transmission rights on the line.

Section:	1 – IFF15	Page No.:	iii & 41
Topic:	Financial Forecast		
Subtopic:			
Issue:	Finance Expense		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- b) Please indicate the impact of the US Interconnection project in each year on each category of the MH15 statements (projected operating statement, projected balances sheet and projected cash flow statement).

RATIONALE FOR QUESTION:

To understand Hydro's financial forecast.

RESPONSE:

The following schedule provides the projected financial statement impacts of the Great Northern Transmission Line.

MH15 - GNTL Impacts on Projected Financial Statements
(in Millions CAD)

Fiscal Year Ending	PROJECTED BALANCE SHEET & CASHFLOW STATEMENT				PROJECTED INCOME STATEMENT				
	Capital Expenditures (Intangible Asset)	PV of Scheduling Fee (Liability & Intangible Asset)	Scheduling Fee Liability Balance (Current & Other Liabilities)	Scheduling Fee (Cash Payment)	Accretion on the Liability (Finance Expense)	Amortization of Intangible Assets (Depreciatio n Expense)	49% Funding Transmission Charges (Fuel & Power Purchase Expense)	Finance Expense on Projected Borrowing Requirement	Capital Tax Expense on Incremental Debt
OB	13								
2016	21	-	-	-	-	-	-	-	0
2017	64	-	-	-	-	-	-	-	0
2018	125	-	-	-	-	-	-	-	1
2019	186	-	-	-	-	-	-	-	2
2020	129	-	-	-	-	-	-	-	3
2021	19	290	273	35	18	16	17	14	3
2022	-	-	256	34	17	21	16	28	3
2023	-	-	240	32	16	21	16	26	3
2024	-	-	225	31	15	21	16	25	3
2025	-	-	210	29	14	21	15	24	2

Section:	1 – IFF15	Page No.:	iii & 41
Topic:	Financial Forecast		
Subtopic:			
Issue:	Finance Expense		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- c) Please provide the forecast annual capital expenditures for the US Interconnection expenditures assumed in MH15.

RATIONALE FOR QUESTION:

To understand Hydro's financial forecast.

RESPONSE:

Please see the response to MIPUG/MH I-5b.

Section:	1 – IFF15	Page No.:	41-46
Topic:	Financial Forecast		
Subtopic:			
Issue:	Accounting Changes		

PREAMBLE TO IR (IF ANY):**QUESTION:**

Please update PUB/MH I-73a from the 2015/16 General Rate Application, which asked for the impact on revenue requirement from accounting changes, for MH15 for all forecast years.

RATIONALE FOR QUESTION:

To understand Hydro's financial forecast.

RESPONSE:

Please see the updated schedules (A & B) for accounting policy and estimate changes through to 2024/25. The accounting policy and estimate changes for O&A are consistent with those reported in PUB/MH-I-73a from the 2015/16 & 2016/17 GRA as O&A targets were held constant with MH14. However, schedule C provides the projected accounting estimate changes to O&A for 2015/16 and 2016/17 due to changes in the discount rate and the impacts of cost saving measures on overhead costs no longer eligible for capitalization.

SCHEDULE A - ACCOUNTING POLICY & ESTIMATE CHANGES

	Estimated Impact on Actual Results -->							Forecast -->											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Electric only (in millions of \$'s)																			
<u>O&A*</u>																			
CGAAP Changes																			
Intangible Assets	5	4	4	4	4	4	5	5	5	5	5	5	5	5	5	5	5		
Overhead Capitalized	5	9	29	29	60	61	62	63	63	64	65	65	66	66	68	69	71		
Pension & Other Benefits Changes (e.g. Discount Rate)	-	-	-	3	14	25	30	27	27	27	27	27	27	27	27	27	27		
Subtotal CGAAP Changes	10	13	33	37	78	91	96	95	95	96	97	97	98	99	100	102	103		
IFRS Changes*																			
Administrative Overhead								55	55	56	56	57	57	58	59	60	60		
Meter Compliance, Exchange and Sampling								(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)		
Pension								0	3	3	3	3	3	3	4	4	4		
Employee Benefits								(3)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)		
Subtotal IFRS Changes								51	56	57	58	58	59	60	61	62	62		
Total O&A Changes	10	13	33	37	78	91	96	146	151	153	154	156	157	158	161	164	165		
<u>DEPRECIATION EXPENSE</u>																			
CGAAP Changes																			
Administrative Overhead								(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)		
Subtotal CGAAP Changes								(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)		
Depreciation Study Changes																			
Average Service Life Changes (2010 Depreciation Study)								(35)	(36)	(41)	(46)	(49)	(54)	(55)	(58)	(60)	(65)	(68)	
Average Service Life Changes (2014 Depreciation Study)								(27)	(31)	(34)	(34)	(36)	(37)	(40)	(42)	(43)	(44)	(44)	
Subtotal Depreciation Study Changes								(35)	(36)	(41)	(74)	(80)	(88)	(89)	(93)	(97)	(105)	(111)	
IFRS Changes																			
Administrative Overhead								(1)	(2)	(4)	(5)	(6)	(8)	(9)	(11)	(12)	(14)		
Meter Compliance, Exchange and Sampling								0	0	0	0	0	0	0	0	1	1		
Provision for Asset Removal								(55)	(58)	(61)	(78)	(89)	(98)	(104)	(106)	(109)	(112)		
Change to IFRS Compliant Depreciation								31	33	34	39	43	50	54	55	56	57		
Subtotal IFRS Changes								(25)	(27)	(30)	(43)	(52)	(56)	(59)	(62)	(65)	(68)		
Total Depreciation Changes								(35)	(36)	(42)	(75)	(105)	(117)	(123)	(143)	(156)	(170)	(181)	(187)
<u>FINANCE EXPENSE</u>																			
Total Finance Expense Accounting Changes								(0)	(0)	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(3)		
<u>CAPITAL TAX EXPENSE</u>																			
Total Capital Tax Expense Accounting Changes								(3)	(3)	(3)	(2)	(2)	(2)	(2)	(1)	(1)	(1)		
Total Increase (Decrease) in Revenue Requirement	10	13	33	1	43	49	21	38	31	26	9	(3)	(17)	(26)	(30)	(36)	(40)		

* The impacts to O&A were held constant with MH14

SCHEDULE B - ACCOUNTING POLICY & ESTIMATE CHANGES - IMPACT TO RETAINED EARNINGS & ACCUMULATED OTHER COMPREHENSIVE INCOME

	Estimated Impact on Actual Results -->							Forecast -->										Total
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Electric only (in millions of \$'s)																		
IMPACT TO RETAINED EARNINGS																		
Annual change to O&A*	(10)	(13)	(33)	(37)	(78)	(91)	(96)	(146)	(151)	(153)	(154)	(156)	(157)	(158)	(161)	(164)	(165)	(1,922)
Annual change to Depreciation & Amortization				35	36	42	75	105	117	123	143	156	170	181	187	195	200	1,764
Annual change to Finance & Capital Tax Changes								3	3	3	3	3	4	4	4	5	4	36
2014-15 IFRS Restatements**																		
Ineligible Administrative Overhead								(57)										(57)
Meter Compliance, Exchange and Sampling								1										1
Pension Expense								4										4
Employee Benefits Expense								(6)										(6)
Deferred Pension and Employee Benefit Costs								(73)										(73)
Provision for Asset Removal (negative salvage)								53										53
Change to IFRS Compliant Depreciation (ELG)								(29)										(29)
Asset Retirement Losses								(7)										(7)
Ineligible Overhead Recovered From Third Parties								2										2
Total (Decrease) Increase to Retained Earnings	(10)	(13)	(33)	(1)	(43)	(49)	(21)	(148)	(31)	(26)	(9)	3	17	26	30	36	40	(232)
IMPACT TO AOCI																		
IFRS Restatements**																		
Pension Adjustment to AOCI								(432)	-	-	-	-	-	-	-	-	-	(432)
2014-15 Experience Losses								(126)										(126)
Pension Adjustment for forecast discount rate changes								-		162	30	15	22	15	-	-	-	244
Total Annual Impact to AOCI								(558)	-	162	30	15	22	15	-	-	-	(314)

* The impacts to O&A were held constant with MH14

** IFRS restatements for fiscal 2014-15 are preliminary and unaudited

SCHEDULE C - PROJECTED ACCOUNTING ESTIMATE CHANGES TO O&A UNDER IFRS

Electric only (in millions of \$'s) O&A	Forecast --->		Explanation
	2016	2017	
Administrative Overhead	53	53	The estimated change as compared to schedule A is due to cost saving measures resulting in a reduction in overhead costs no longer eligible for capitalization.
Pension	4	9	The estimated change as compared to schedule A is due to a reduction in the discount rate from 4.5% to 3.7% (effective April 1, 2015).
Benefits	(6)	(4)	The estimated change as compared to schedule A is due to the reduction in the discount rate from 4.5% to 3.7%.
Total Estimated O&A Changes	50	58	

Section:	4 – CEF15	Page No.:	3 & 16
Topic:	Capital Expenditure Forecast		
Subtopic:			
Issue:	Manitoba-Saskatchewan Transmission Project		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please provide the impact of the Manitoba-Saskatchewan Transmission Project on operating and administrative expense, finance expense and depreciation and amortization for each forecast year in the MH15 projected operating statement.

RATIONALE FOR QUESTION:

To understand Hydro's financial forecast and capital expenditure forecast.

RESPONSE:

Please see Manitoba Hydro's response to COALITION-MH I-31c.

Section:	1 – IFF15	Page No.:	29-30
Topic:	Financial Forecast		
Subtopic:			
Issue:	Drought/Water Flow Sensitivity		

PREAMBLE TO IR (IF ANY):

QUESTION:

- a) Please update MIPUG/MH-I-9 from the 2015/16 GRA to provide hydraulic energy and net revenue variation with flow year.

RATIONALE FOR QUESTION:

To understand the sensitivity in Hydro’s financial forecast.

RESPONSE:

Table 1 below provides the hydraulic energy and net revenue associated with each of the 102 historical flow years (representing historic flow years 1912/13 to 2013/14, inclusive) for the 2017/18 load year. The variation of net revenue for a specific flow year with respect to the average net revenue from all flow cases is also provided. The values in the table are based on the 2015 Load Forecast, and the 2015 forecast of export and import prices, as well as all other updates for IFF15.

The net revenue represents the revenues minus costs. Revenues are inclusive of firm and opportunity export sales and transmission inter-connection revenues. Costs are inclusive of water rentals for Manitoba Hydro hydraulic energy generation, costs of Manitoba Hydro thermal generation, import and wind energy purchases, and transmission inter-connection costs.

The revenues and costs are reflected in Manitoba Hydro's Integrated Financial Forecast Statement of Income. Revenues are reflected in the Extra-provincial Revenue, while the costs are reflected in the Water Rentals & Assessments and the Fuel & Power Purchased.

Table 2 below lists the historic annual hydraulic generation for fiscal years 1992/93 through 2014/15, inclusive.

**Table 1 Hydraulic Energy and Net Revenue Variation with Flow
Fiscal Year 2016/17**

Flow Year Begin	Annual System Inflow (Kcfs)	MH Hydraulic Energy (TWh/yr)	Net Revenue (M \$Cdn)	Variation of Net Revenue from Average (M \$Cdn)	Flow Year Begin	Annual System Inflow (Kcfs)	MH Hydraulic Energy (TWh/yr)	Net Revenue (M \$Cdn)	Variation of Net Revenue from Average (M \$Cdn)
1912	112	32.8	239	78	1963	111	31.0	183	23
1913	119	32.8	233	73	1964	113	31.6	205	44
1914	98	28.1	73	-87	1965	156	37.7	373	213
1915	105	30.5	167	6	1966	151	36.6	332	171
1916	136	36.4	347	186	1967	115	32.8	230	69
1917	119	34.3	283	122	1968	133	34.2	279	119
1918	105	29.7	135	-25	1969	148	37.9	374	214
1919	98	27.5	54	-107	1970	145	37.1	352	191
1920	103	29.2	117	-44	1971	139	35.8	327	166
1921	114	31.6	199	39	1972	126	35.1	288	127
1922	106	29.8	137	-23	1973	115	31.9	200	39
1923	112	31.2	182	22	1974	163	37.2	346	185
1924	99	26.9	28	-133	1975	139	36.5	330	170
1925	120	32.8	237	77	1976	92	25.7	-39	-199
1926	111	31.1	187	27	1977	99	26.7	23	-137
1927	155	38.1	371	211	1978	122	33.3	257	96
1928	114	33.9	272	111	1979	135	34.1	256	95
1929	87	24.8	-62	-222	1980	93	25.4	-28	-189
1930	89	24.5	-74	-234	1981	85	23.8	-122	-283
1931	87	24.1	-102	-262	1982	115	31.8	196	35
1932	95	26.6	18	-142	1983	110	29.9	143	-18
1933	101	28.0	73	-88	1984	101	28.1	74	-87
1934	119	33.0	245	84	1985	136	34.7	295	134
1935	118	32.6	226	66	1986	124	34.4	271	110
1936	96	26.4	13	-147	1987	82	22.5	-225	-385
1937	99	27.9	66	-95	1988	72	20.8	-346	-506
1938	89	25.7	-16	-177	1989	91	25.4	-29	-190
1939	79	22.4	-228	-389	1990	85	25.1	-56	-217
1940	55	20.7	-352	-512	1991	91	26.3	11	-150
1941	92	21.2	-326	-487	1992	114	31.5	187	27
1942	101	29.1	115	-45	1993	106	30.1	143	-18
1943	108	30.8	173	12	1994	101	28.8	99	-62
1944	107	30.6	156	-4	1995	103	29.5	126	-35
1945	119	32.6	227	67	1996	141	35.6	304	143
1946	113	32.3	216	55	1997	151	36.9	348	187
1947	126	34.1	278	118	1998	106	29.8	125	-35
1948	113	32.6	226	65	1999	110	31.1	171	10
1949	116	31.1	183	22	2000	126	33.3	253	93
1950	144	35.9	320	160	2001	126	33.3	224	63
1951	132	36.5	345	185	2002	104	28.7	98	-63
1952	107	32.0	208	47	2003	72	20.9	-342	-503
1953	124	33.6	267	107	2004	141	34.9	306	145
1954	143	37.1	369	209	2005	175	39.0	409	248
1955	133	35.9	311	151	2006	113	31.9	181	20
1956	119	33.2	246	86	2007	150	36.9	348	187
1957	111	31.3	186	25	2008	141	36.6	343	182
1958	96	26.8	25	-135	2009	151	36.7	331	170
1959	137	35.1	306	146	2010	162	39.0	404	244
1960	102	29.4	124	-37	2011	153	36.2	311	150
1961	75	21.5	-308	-469	2012	121	33.7	264	104
1962	119	32.3	216	55	2013	134	35.9	319	158
Average	115	31.19	161	0					

Table 2
Historic MH Hydraulic Generation

Fiscal Year	Annual Hydraulic Generation (TWh)
1992 / 93	27.61
1993 / 94	27.20
1994 / 95	27.91
1995 / 96	29.12
1996 / 97	31.68
1997 / 98	33.76
1998 / 99	29.11
1999 / 00	29.47
2000 / 01	31.83
2001 / 02	32.15
2002 / 03	28.57
2003 / 04	18.48
2004 / 05	31.13
2005 / 06	37.22
2006 / 07	31.61
2007 / 08	34.90
2008 / 09	34.19
2009 / 10	33.82
2010 / 11	34.04
2011 / 12	33.16
2012 / 13	33.15
2013 / 14	35.26
2014 / 15	34.97
Average	31.32

Section:	9 – Rate Schedules	Page No.:	13
Topic:	Rate Schedules		
Subtopic:	Rate Design		
Issue:	Application of Proposed Increases to Rate Structure		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please confirm that the requested 3.95% rate increase has been applied equally to all components of the rate structure for all customer classes (e.g., customer charge, demand charge, energy charge). If the requested confirmation cannot be provided, please provide an explanation.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of Manitoba Hydro's proposed rate design.

RESPONSE:

Confirmed. Manitoba Hydro has applied the 3.95% rate increase to all components of the rate structure; however, due to rounding, the percentage increase may not always equal 3.95% exactly.

Section:	32 – Operating Expenses	Page No.:	1-4
Topic:	Operating Expenses		
Subtopic:	Capitalized Overheads		
Issue:	Comparison of IFF-14 and IFF-15		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) For each year from 2016 through 2024, please provide the dollar values of capitalized overheads forecast in IFF-14 and IFF-15.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of assumptions in capitalized overheads between IFF-14 and IFF-15.

RESPONSE:

A detailed forecast of O&A, including capitalized overhead, was prepared for fiscal years 2014/15 to 2016/17 only in IFF14 and held constant for IFF15. A detailed breakdown of O&A for 2017/18 and beyond is not available. In IFF14 & IFF15 O&A increases were limited at 1% through to 2021/22 (excluding the impacts of accounting changes and the addition of new generation and transmission plants upon in-service). For 2022/23 and thereafter, O&A is forecasted to increase at the rate of inflation.

Section:	4 – CEF15	Page No.:	3-8
Topic:	Capital Expenditure Forecast		
Subtopic:			
Issue:	Sustaining Capital Forecast		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please update COALITION/MH-I-32b from the 2015/16 GRA that includes actuals to 2014/15 and individual values out to 2034/35 and compares to values provided for MH14.

RATIONALE FOR QUESTION:

To understand the sensitivity in Hydro's sustaining capital forecast.

RESPONSE:

Please see the following Electric CEF15, CEF14 and CEF15 vs. CEF14 tables.

CEF15 ELECTRIC CAPITAL EXPENDITURE FORECAST - Actuals from 2012 to 2015
(in millions of dollars)

	Sustaining Capital (Major & Base)								Sustaining Capital Total	CEF15 Electric Total
	Major New Generation & Transmission	Generation Operations	Transmission	Customer Service & Distribution	Customer Care & Energy Conservation	Human Resources & Corporate Services	Finance & Regulatory	Target Adjustment		
2012	568	123	116	172	3	51	-	-	465	1,033
2013	600	104	104	175	3	46	0	-	433	1,033
2014	984	116	103	186	3	63	0	-	470	1,454
2015	1,375	118	151	217	3	70	0	-	559	1,934
2016	2,013	120	137	241	4	75	0	-	577	2,590
2017	2,746	122	150	268	4	65	0	-	610	3,356
2018	2,376	132	125	231	4	55	0	-	547	2,923
2019	1,461	132	125	206	4	55	0	25	547	2,008
2020	895	132	125	206	4	55	0	25	548	1,443
2021	461	132	150	206	4	55	0	25	573	1,033
2022	325	135	150	210	4	56	0	-	555	880
2023	152	137	150	214	4	57	0	-	563	714
2024	109	140	150	219	4	58	0	-	571	680
2025	109	143	153	262	4	60	0	-	621	730
2026	115	146	156	258	4	61	0	-	624	739
2027	130	149	159	263	4	62	0	-	637	767
2028	122	152	162	267	4	63	0	-	649	771
2029	117	155	166	286	4	64	0	-	675	792
2030	108	158	169	268	4	66	0	-	665	773
2031	115	161	172	299	4	67	0	-	703	818
2032	120	164	176	298	4	68	0	-	711	831
2033	134	167	179	303	4	70	0	-	724	858
2034	187	171	183	305	5	71	0	-	735	922
2035	279	174	187	371	5	73	0	-	810	1,089

CEF14 ELECTRIC CAPITAL EXPENDITURE FORECAST - Actuals from 2012 to 2014
(in millions of dollars)

	Sustaining Capital (Major & Base)								Sustaining Capital Total	CEF14 Electric Total
	Major New Generation & Transmission	Generation Operations	Transmission	Customer Service & Distribution	Customer Care & Energy Conservation	Human Resources & Corporate Services	Finance & Regulatory	Target Adjustment		
2012	568	123	116	172	3	51	-	-	465	1,033
2013	600	104	104	175	3	46	0	-	433	1,033
2014	984	116	103	186	3	63	0	-	470	1,454
2015	1,452	132	125	236	3	75	0	-	571	2,023
2016	1,914	132	125	241	4	75	0	-	577	2,491
2017	2,463	132	125	268	4	55	0	25	610	3,073
2018	2,578	132	125	206	4	55	0	25	547	3,125
2019	1,531	132	125	206	4	55	0	25	547	2,078
2020	884	132	125	206	4	55	0	25	548	1,432
2021	426	132	150	206	4	55	0	25	573	999
2022	196	135	150	210	4	56	0	-	555	751
2023	117	137	150	214	4	57	0	-	563	679
2024	110	140	150	219	4	58	0	-	571	681
2025	108	143	153	262	4	60	0	-	621	729
2026	111	146	156	258	4	61	0	-	624	735
2027	98	149	159	263	4	62	0	-	637	735
2028	81	152	162	267	4	63	0	-	649	730
2029	71	155	166	286	4	64	0	-	675	745
2030	61	158	169	268	4	66	0	-	665	726
2031	67	161	172	299	4	67	0	-	703	770
2032	72	164	176	298	4	68	0	-	711	782
2033	98	167	179	303	4	70	0	-	724	822
2034	175	171	183	305	5	71	0	-	735	910
2035	220	174	187	371	5	73	0	-	810	1,030

CEF15 LESS CEF14 ELECTRIC CAPITAL EXPENDITURE
(in millions of dollars)

	Sustaining Capital (Major & Base)									CEF15 LESS CEF14 Electric Total	
	Major New Generation & Transmission	Generation Operations	Transmission	Customer Service & Distribution	Customer Care & Energy Conservation	Human Resources & Corporate Services	Finance & Regulatory	Target Adjustment	Sustaining Capital Total		
2012	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-	-
2015	(77)	(14)	26	(19)	(0)	(5)	(0)	-	(12)	(89)	(89)
2016	99	(12)	12	(0)	-	-	(0)	-	(0)	99	99
2017	283	(10)	25	-	-	10	(0)	(25)	(0)	283	283
2018	(202)	-	-	25	-	-	(0)	(25)	(0)	(202)	(202)
2019	(70)	-	-	-	-	-	(0)	-	(0)	(70)	(70)
2020	11	-	-	-	-	-	(0)	-	(0)	11	11
2021	35	-	-	-	-	-	(0)	-	(0)	35	35
2022	129	-	-	-	-	-	(0)	-	(0)	129	129
2023	35	-	-	-	-	-	(0)	-	(0)	35	35
2024	(1)	-	-	-	-	-	(0)	-	(0)	(1)	(1)
2025	1	-	-	-	-	-	(0)	-	(0)	1	1
2026	4	-	-	-	-	-	(0)	-	(0)	4	4
2027	32	-	-	-	-	-	(0)	-	(0)	32	32
2028	41	-	-	-	-	-	(0)	-	(0)	41	41
2029	47	-	-	-	-	-	(0)	-	(0)	47	47
2030	47	-	-	-	-	-	(0)	-	(0)	47	47
2031	48	-	-	-	-	-	(0)	-	(0)	48	48
2032	48	-	-	-	-	-	(0)	-	(0)	48	48
2033	35	-	-	-	-	-	(0)	-	(0)	35	35
2034	12	-	-	-	-	-	(0)	-	(0)	12	12
2035	59	-	-	-	-	-	(0)	-	(0)	59	59

Section:	1 – IFF15	Page No.:	29-30
Topic:	Financial Forecast		
Subtopic:			
Issue:	Drought/Water Flow Sensitivity		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please update MIPUG/MH-I-8 from the 2015/16 GRA that provided schedules regarding the five year and seven year drought impacts.

RATIONALE FOR QUESTION:

To understand the sensitivity in Hydro's financial forecast.

RESPONSE:

Manitoba Hydro's methodology for the calculation of the drought impact is based on the difference in net revenues over the flow years of a representative drought with respect to the net revenues based on the average of all flow cases. The flow years, 1987/88 to 1991/92, inclusive, constitutes the representative 5-year drought. Flow years, 1936/37 to 1942/43, inclusive, make up the representative 7-year drought.

The attached table provides the revenue and cost impacts (excluding financing costs) for these two representative droughts with onset of the drought in 2017/18.

	2017/18	2018/19	2019/20	2020/21	2021/22	Total		
Impact of 5-Year Drought on Revenues (millions of \$ CDN)								
Revenue								
Extra-Provincial Sales	-167	-188	-173	-153	-181	-862		
Expense								
Water Rental	-29	-35	-19	-23	-19	-125		
Fuel & Power Purchase	248	382	57	138	68	893		
Net Revenue (Excluding Finance Expense)	-385	-534	-210	-269	-230	-1629		
Impact of 5-Year Drought on Energy (GWh/yr)								
Extra-Provincial Sales	-3650	-3836	-3408	-2877	-3227	-16998		
Hydro Generation	-8693	-10609	-5635	-6778	-5808	-37522		
Fuel & Power Purchase	4370	5935	1803	3441	2149	17698		
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Impact of 7-Year Drought on Revenues (millions of \$ CDN)								
Revenue								
Extra-Provincial Sales	-136	-127	-173	-207	-222	-227	-135	-1226
Expense								
Water Rental	-16	-11	-19	-32	-40	-37	-9	-164
Fuel & Power Purchase	27	-11	53	251	466	443	-18	1210
Net Revenue (Excluding Finance Expense)	-147	-104	-207	-425	-648	-632	-108	-2272
Impact of 7-Year Drought on Energy (GWh/yr)								
Extra-Provincial Sales	-3161	-2855	-3408	-3555	-3711	-3657	-2456	-22803
Hydro Generation	-4770	-3361	-5558	-9560	-12011	-11165	-2773	-49197
Fuel & Power Purchase	1240	218	1730	5351	7433	6690	68	22729

Section:	1 – IFF15	Page No.:	41-46
Topic:	Financial Forecast		
Subtopic:			
Issue:	Alternative Scenario		

PREAMBLE TO IR (IF ANY):

QUESTION:

- a) Please provide MH15 financial statements for the scenario of 2% rate increases in each year from 2015/16 until 2018/19 (when Bipole III come in-service) and 3.95% thereafter.

RATIONALE FOR QUESTION:

To understand the sensitivity in Hydro’s financial forecast.

RESPONSE:

Please see the following electric operations projected financial statements with 2% rate increases in 2015/16 to 2018/19, and 3.95% rate increases in 2019/20 to 2034/35.

Reducing the MH15 3.95% rate increases to 2% for three years to 2018/19 results in increased projected borrowing requirements of \$200 million by the 2018/19 Bipole III in-service. Over the remaining forecast, the cumulative lost revenue and incremental financing charges associated with the higher debt results in higher net debt of \$1 billion by 2024/25 and \$2.3 billion by 2034/35 even with 3.95% rate increases extended six years to 2034/35.

The equity ratio deteriorates to 9% by 2022/23 and a low of 8% in 2025/26, well below Manitoba Hydro’s minimum acceptable 10% equity ratio. The equity ratio gradually recovers to the 25% equity ratio target by 2034/35, but 3.95% annual rate increases for an

additional six years are necessary to achieve this target. Overall, cumulative rate increases are 10.89% higher in this rate scenario compared to MH15.

ELECTRIC OPERATIONS (MH15)
PROJECTED OPERATING STATEMENT
MIPUG/MH-1-13a
(In Millions of Dollars)

For the year ended March 31

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUES										
General Consumers										
at approved rates	1 517	1 556	1 553	1 552	1 542	1 566	1 570	1 583	1 596	1 610
additional*	0	31	63	95	159	230	301	378	460	546
BPIII Reserve Account	(54)	(66)	(67)	(20)	0	0	0	0	0	0
Extraprovincial	395	406	449	474	548	825	966	979	983	986
Other	29	28	28	29	115	116	117	32	32	33
	<u>1 887</u>	<u>1 956</u>	<u>2 026</u>	<u>2 130</u>	<u>2 363</u>	<u>2 738</u>	<u>2 955</u>	<u>2 972</u>	<u>3 070</u>	<u>3 175</u>
EXPENSES										
Operating and Administrative	542	552	557	571	585	601	607	619	631	644
Finance Expense	566	589	582	721	835	1 097	1 211	1 211	1 220	1 222
Depreciation and Amortization	410	426	450	535	589	690	742	762	781	800
Water Rentals and Assessments	126	116	113	113	115	124	127	132	132	132
Fuel and Power Purchased	120	151	182	180	174	206	228	227	230	242
Capital and Other Taxes	107	122	136	145	145	148	155	155	163	165
Other Expenses	2	2	2	2	2	2	2	3	3	3
Corporate Allocation	8	8	8	8	8	8	8	8	8	8
	<u>1 882</u>	<u>1 966</u>	<u>2 031</u>	<u>2 275</u>	<u>2 454</u>	<u>2 877</u>	<u>3 080</u>	<u>3 116</u>	<u>3 168</u>	<u>3 215</u>
Non-controlling Interest	10	9	4	3	0	2	(1)	(3)	(5)	(3)
Net Income	<u>15</u>	<u>(1)</u>	<u>(1)</u>	<u>(142)</u>	<u>(90)</u>	<u>(137)</u>	<u>(127)</u>	<u>(147)</u>	<u>(103)</u>	<u>(43)</u>
* Additional General Consumers Revenue										
Percent Increase	0.00%	2.00%	2.00%	2.00%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Cumulative Percent Increase	0.00%	2.00%	4.04%	6.12%	10.31%	14.67%	19.20%	23.91%	28.80%	33.89%
Financial Ratios										
Equity	15%	14%	14%	13%	12%	11%	10%	9%	9%	9%
Interest Coverage	1.02	1.00	1.00	0.87	0.92	0.89	0.90	0.88	0.92	0.97
EBITDA Interest Coverage	1.57	1.48	1.45	1.37	1.44	1.46	1.50	1.50	1.55	1.61
Capital Coverage	0.98	0.93	1.09	0.86	0.86	0.91	1.09	1.23	1.32	1.33

**ELECTRIC OPERATIONS (MH15)
PROJECTED OPERATING STATEMENT
MIPUG/MH-1-13a
(In Millions of Dollars)**

For the year ended March 31

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
REVENUES										
General Consumers										
at approved rates	1 626	1 641	1 655	1 669	1 683	1 706	1 734	1 763	1 795	1 831
additional*	637	733	834	940	1 052	1 176	1 311	1 455	1 611	1 781
BPIII Reserve Account	0	0	0	0	0	0	0	0	0	0
Extraprovincial	884	903	875	886	894	863	835	807	781	787
Other	34	35	35	36	37	38	38	39	40	40
	<u>3 181</u>	<u>3 311</u>	<u>3 399</u>	<u>3 531</u>	<u>3 667</u>	<u>3 782</u>	<u>3 919</u>	<u>4 065</u>	<u>4 228</u>	<u>4 439</u>
EXPENSES										
Operating and Administrative	657	669	683	697	706	719	733	748	763	778
Finance Expense	1 224	1 223	1 212	1 201	1 184	1 159	1 100	1 072	1 038	1 000
Depreciation and Amortization	820	838	854	867	880	893	906	921	941	963
Water Rentals and Assessments	132	133	133	134	134	135	135	135	136	136
Fuel and Power Purchased	231	241	239	249	257	255	263	271	281	318
Capital and Other Taxes	166	167	168	169	170	172	173	174	176	179
Other Expenses	3	3	3	3	3	3	3	3	3	3
Corporate Allocation	8	8	8	8	5	3	3	3	3	3
	<u>3 240</u>	<u>3 281</u>	<u>3 301</u>	<u>3 327</u>	<u>3 340</u>	<u>3 338</u>	<u>3 318</u>	<u>3 328</u>	<u>3 342</u>	<u>3 380</u>
Non-controlling Interest	(1)	(2)	(4)	(5)	(8)	(11)	(14)	(16)	(19)	(20)
Net Income	<u>(61)</u>	<u>27</u>	<u>95</u>	<u>198</u>	<u>318</u>	<u>434</u>	<u>587</u>	<u>721</u>	<u>867</u>	<u>1 039</u>
* Additional General Consumers Revenue										
Percent Increase	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Cumulative Percent Increase	39.18%	44.68%	50.39%	56.33%	62.51%	68.93%	75.60%	82.53%	89.74%	97.24%
Financial Ratios										
Equity	8%	9%	9%	10%	11%	13%	16%	18%	22%	26%
Interest Coverage	0.95	1.02	1.08	1.16	1.27	1.37	1.53	1.67	1.83	2.03
EBITDA Interest Coverage	1.62	1.70	1.78	1.88	2.00	2.14	2.35	2.52	2.73	2.98
Capital Coverage	1.31	1.46	1.57	1.67	1.92	1.98	2.20	2.38	2.56	2.57

ELECTRIC OPERATIONS (MH15)
PROJECTED BALANCE SHEET
MIPUG/MH-1-13a
(In Millions of Dollars)

For the year ended March 31

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ASSETS										
Plant in Service	12 702	13 384	14 151	19 119	22 740	27 521	28 289	28 981	29 672	30 356
Accumulated Depreciation	(697)	(1 056)	(1 428)	(1 871)	(2 352)	(2 926)	(3 543)	(4 171)	(4 818)	(5 470)
Net Plant in Service	12 005	12 328	12 723	17 248	20 388	24 595	24 746	24 810	24 855	24 886
Construction in Progress	4 880	7 548	9 242	6 227	4 001	192	242	223	179	181
Current and Other Assets	2 392	2 623	3 018	3 086	3 183	2 788	2 053	2 282	2 588	2 604
Goodwill and Intangible Assets	237	287	396	563	675	952	916	881	846	813
Regulated Assets	277	298	753	787	811	831	850	839	817	796
	19 791	23 085	26 132	27 911	29 058	29 358	28 807	29 035	29 286	29 280
LIABILITIES AND EQUITY										
Long-Term Debt	14 487	17 586	19 699	22 129	22 829	23 203	23 358	23 852	24 032	23 720
Current and Other Liabilities	2 889	3 006	3 587	2 964	3 501	3 549	3 023	2 889	3 048	3 382
Provisions	53	52	52	52	53	53	53	54	54	54
Deferred Revenue	418	440	460	480	513	526	538	551	565	578
BPIII Reserve Account	103	169	235	255	170	85	-	-	-	-
Retained Earnings	2 612	2 611	2 610	2 468	2 378	2 241	2 114	1 967	1 864	1 821
Accumulated Other Comprehensive Income	(771)	(780)	(512)	(438)	(388)	(300)	(280)	(277)	(276)	(276)
	19 791	23 085	26 132	27 911	29 058	29 358	28 807	29 035	29 286	29 280

**ELECTRIC OPERATIONS (MH15)
PROJECTED BALANCE SHEET
MIPUG/MH-1-13a
(In Millions of Dollars)**

For the year ended March 31

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ASSETS										
Plant in Service	31 081	31 760	32 474	33 199	33 909	34 645	35 389	36 152	36 984	37 813
Accumulated Depreciation	(6 141)	(6 818)	(7 513)	(8 216)	(8 936)	(9 677)	(10 405)	(11 151)	(11 930)	(12 671)
Net Plant in Service	24 941	24 942	24 961	24 983	24 973	24 968	24 984	25 001	25 054	25 142
Construction in Progress	146	172	162	152	140	153	141	138	143	259
Current and Other Assets	2 670	2 973	3 567	3 788	4 321	4 140	4 803	5 561	6 458	7 371
Goodwill and Intangible Assets	781	749	717	686	655	624	593	563	532	501
Regulated Assets	778	761	750	747	745	748	755	763	774	786
	29 315	29 597	30 157	30 357	30 834	30 633	31 277	32 026	32 961	34 059
LIABILITIES AND EQUITY										
Long-Term Debt	24 488	24 690	25 032	24 955	24 427	24 417	24 420	24 414	24 417	22 736
Current and Other Liabilities	2 695	2 733	2 844	2 909	3 583	2 945	2 984	3 005	3 056	4 781
Provisions	54	54	54	54	54	54	54	54	54	54
Deferred Revenue	592	607	619	632	646	659	673	687	702	717
BPIII Reserve Account	-	-	-	-	-	-	-	-	-	-
Retained Earnings	1 760	1 788	1 883	2 081	2 399	2 833	3 420	4 141	5 008	6 046
Accumulated Other Comprehensive Income	(275)	(275)	(275)	(275)	(275)	(275)	(275)	(275)	(275)	(275)
	29 315	29 597	30 157	30 357	30 834	30 633	31 277	32 026	32 961	34 059

ELECTRIC OPERATIONS (MH15)
PROJECTED CASH FLOW STATEMENT
MIPUG/MH-1-13a
(In Millions of Dollars)

For the year ended March 31

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
OPERATING ACTIVITIES										
Cash Receipts from Customers	1 974	2 011	2 082	2 139	2 267	2 640	2 857	2 959	3 058	3 162
Cash Paid to Suppliers and Employees	(855)	(898)	(944)	(963)	(974)	(1 033)	(1 064)	(1 086)	(1 109)	(1 134)
Interest Paid	(561)	(547)	(554)	(724)	(842)	(1 103)	(1 206)	(1 185)	(1 199)	(1 209)
Interest Received	9	3	11	19	22	19	17	2	2	5
	567	568	596	471	474	523	605	690	752	825
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	2 457	3 370	3 170	2 800	1 590	1 190	600	780	580	390
Sinking Fund Withdrawals	114	62	-	244	196	298	754	174	20	300
Retirement of Long-Term Debt	(361)	(320)	(330)	(984)	(329)	(865)	(757)	(450)	(290)	(412)
Other	82	(34)	(35)	(46)	(35)	(116)	(40)	(58)	(49)	(50)
	2 292	3 078	2 805	2 014	1 422	507	556	446	260	228
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(2 614)	(3 437)	(3 085)	(2 211)	(1 645)	(1 149)	(829)	(730)	(694)	(745)
Sinking Fund Payment	(133)	(174)	(256)	(222)	(249)	(271)	(328)	(206)	(253)	(267)
Other	(21)	(21)	(21)	(21)	(21)	(32)	(31)	(32)	(32)	(32)
	(2 768)	(3 632)	(3 362)	(2 454)	(1 914)	(1 452)	(1 188)	(968)	(978)	(1 044)
Net Increase (Decrease) in Cash	91	14	39	31	(19)	(422)	(28)	169	34	9
Cash at Beginning of Year	482	573	587	626	657	638	216	188	357	391
Cash at End of Year	573	587	626	657	638	216	188	357	391	400

ELECTRIC OPERATIONS (MH15)
PROJECTED CASH FLOW STATEMENT
MIPUG/MH-1-13a
(In Millions of Dollars)

For the year ended March 31

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
OPERATING ACTIVITIES										
Cash Receipts from Customers	3 168	3 298	3 386	3 517	3 652	3 768	3 904	4 050	4 213	4 424
Cash Paid to Suppliers and Employees	(1 136)	(1 159)	(1 171)	(1 195)	(1 214)	(1 225)	(1 248)	(1 272)	(1 298)	(1 351)
Interest Paid	(1 218)	(1 221)	(1 225)	(1 237)	(1 224)	(1 217)	(1 138)	(1 123)	(1 103)	(1 080)
Interest Received	6	14	31	44	53	64	47	59	72	87
	<u>820</u>	<u>932</u>	<u>1 021</u>	<u>1 130</u>	<u>1 267</u>	<u>1 390</u>	<u>1 564</u>	<u>1 714</u>	<u>1 884</u>	<u>2 079</u>
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	750	190	390	(10)	170	(10)	(10)	(30)	(30)	(50)
Sinking Fund Withdrawals	106	-	-	60	110	700	13	30	-	10
Retirement of Long-Term Debt	(715)	-	-	(60)	(80)	(700)	(13)	-	20	20
Other	(47)	(46)	(45)	(44)	(42)	(42)	(41)	(39)	(36)	(37)
	<u>95</u>	<u>144</u>	<u>345</u>	<u>(54)</u>	<u>158</u>	<u>(52)</u>	<u>(51)</u>	<u>(39)</u>	<u>(46)</u>	<u>(57)</u>
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(756)	(782)	(787)	(810)	(788)	(836)	(849)	(874)	(941)	(1 108)
Sinking Fund Payment	(265)	(273)	(286)	(301)	(310)	(319)	(296)	(308)	(318)	(331)
Other	(32)	(33)	(28)	(28)	(29)	(29)	(29)	(29)	(30)	(30)
	<u>(1 054)</u>	<u>(1 087)</u>	<u>(1 102)</u>	<u>(1 139)</u>	<u>(1 127)</u>	<u>(1 183)</u>	<u>(1 174)</u>	<u>(1 211)</u>	<u>(1 289)</u>	<u>(1 469)</u>
Net Increase (Decrease) in Cash	(139)	(11)	264	(63)	299	155	339	464	549	554
Cash at Beginning of Year	400	261	249	514	451	750	905	1 244	1 707	2 257
Cash at End of Year	261	249	514	451	750	905	1 244	1 707	2 257	2 810

Section:	33 – Operating Expenses	Page No.:	1-3
Topic:	Operational Cost Containment		
Subtopic:	Updates on ongoing initiatives		
Issue:	Impact on IFF-15		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please confirm that the operating and administrative expenses in the electric operations financial forecast are the same for every year from 2016 through 2034 in both IFF-14 (Appendix 3.3 of the 2015/16 & 2016/17 General Rate Application) and IFF-15. If the requested confirmation cannot be provided, please provide a detailed explanation.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of how Hydro's cost containment efforts are reflected in IFF-15.

RESPONSE:

Confirmed.

Section:	33 – Operating Expenses	Page No.:	1-3
Topic:	Operational Cost Containment		
Subtopic:	Updates on ongoing initiatives		
Issue:	Impact on IFF-15		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- b) Please provide a detailed explanation of how the reductions in operational positions, asset management strategies, supply chain management initiatives and technology modernization are reflected in the electric operations forecasts for IFF-15 compared to IFF-14.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of how Hydro's cost containment efforts are reflected in IFF-15.

RESPONSE:

The O&A forecast in IFF15 was held constant as compared to IFF14 throughout the forecast period as achievement of the targets is dependent upon realizing savings through numerous initiatives. Attachment 33 of the Supplemental Filing provides an update with respect to some of the initiatives Manitoba Hydro has undertaken to effectively manage its costs. As many of these initiatives impact both capital and operating, total O&A cost savings cannot be differentiated from their impacts on capital spending.

PUB/MH I-21a provides the estimated annual savings from Manitoba Hydro's commitment to reduce operational positions.

Section:	33 – Operating Expenses	Page No.:	1-3
Topic:	Operational Cost Containment		
Subtopic:	Updates on ongoing initiatives		
Issue:	Impact on IFF-15		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- c) Please provide the average annual vacancy rate assumed for 2016 and 2017 in each of IFF-14 and IFF-15.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of how Hydro's cost containment efforts are reflected in IFF-15.

RESPONSE:

The average annual vacancy rate assumed for the forecast years 2014/15 to 2016/17 was 4.5% in IFF14, which is consistent with the assumptions in IFF15.

Section:	35 – Operating Expenses	Page No.:	1
Topic:	Labour Costs		
Subtopic:	Average Salary per EFT		
Issue:	Year over Year Increases		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please provide the average annual percentage increase in average salary per EFT for 2015/16 forecast compared to 2014/15 actuals and 2016/17 forecasts compared to 2015/16 forecast for each business unit and the weighted average across all business units.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of year over year percentage increases in average salaries per EFT.

RESPONSE:

Please see Manitoba Hydro's response to PUB/MH I-7.

Section:	33 – Operating Expenses	Page No.:	1-3
Topic:	Operational Cost Containment		
Subtopic:	Updates on ongoing initiatives		
Issue:	Impact on IFF-15		

PREAMBLE TO IR (IF ANY):**QUESTION:**

- a) Please confirm that the actual vacancy rate for 2014/15 was 5.5% as provided in MH Exhibit #123 in the 2015/16 GRA.

RATIONALE FOR QUESTION:

To confirm MIPUG's understanding of Hydro's cost containment efforts to date.

RESPONSE:

Manitoba Hydro confirms that the actual vacancy rate for 2014/15 was 5.5% as provided in MH Exhibit #123 in the 2015/16 & 2016/17 GRA.