Appendix 9.1

Financial Analysis

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1 Overview

This appendix presents the financial analysis for Manitoba Hydro's electric and natural gas segments, and covers the period from 2024/25 to 2044/2045. The financial analysis for the electric segment is an evaluation of the short list of five potential development plans described in Appendix 2 – 2025 IRP Development Process while the financial analysis for the natural gas segment evaluates the impacts of a lower natural gas volume forecast.

For the electric segment, there is more certainty regarding the need for significant system investments over the next decade compared to the needs in the second decade of the analysis. For example, the likelihood of a permanent Bipole failure has increased and work on the HVDC Reliability Project cannot be deferred. The need dates for energy and capacity resources are now only 4-6 years away and work must begin to ensure in-service dates can be met to avoid supply deficits. Beyond 2035, the investment needs become less certain due to the uncertainty related to load growth, technological advancements, policy (federal, provincial, regulatory, environmental etc.) and how the Province of Manitoba pursues a net-zero economy by 2050.

Therefore, caution must be exercised when interpreting the financial impacts in the later years of the 20-year planning horizon in the context of a net-zero economy future. As discussed in Appendix 5 – Load Projections, a net-zero economy by 2050 in Manitoba is not possible without negative GHG emissions, and for the 2025 IRP, direct-air carbon capture and sequestration (DACCS) has been assumed as the proxy for negative GHG emissions technology. In the 2025 IRP, Manitoba Hydro is assuming that the utility would not own, operate, or maintain any DACCS infrastructure needed to reach a net-zero economy in Manitoba. As such, the financial analysis has not included any costs for owning and operating DACCS (e.g., capital costs, operational costs) in its analysis, beyond the costs to serve the electricity load needed for DACCS. No revenue requirement impacts directly attributable to DACCS facilities have been included in either of the electric segment or the natural gas segment financial analysis.

2 Electric Segment Financial Analysis

Manitoba Hydro needs to make significant, concurrent capital investments over the next decade to sustain its aging assets, address the reliability of the HVDC system, and add resources to meet growing electricity demand. Figure 9.1.1 below describes the short list of five potential development plans and their respective resources to meet growing electricity demand, that have been included in the financial impact analysis.

Legend:

Lower Cost	Diversified Capacity	Maximized Alternatives	Total Customer Side Solutions

Feasible Resource Options	P3	P5A	P5	P5B	P7
Efficiency Plan Projection	456	456	456	456	456
Demand Response including Curtailable Rate Program	312	312	312	312	312
Additional Energy Efficiency Programs	0	95	200	200	200
Wind	124	120	120	120	120
Battery Storage	4	5	5	86	216
Enhancements to Existing Hydropower	0	26	26	26	103
Combustion Turbine fuelled by Natural Gas	840	744	744	592	344
Total	**1,736**	**1,758**	**1,863**	**1,792**	**1,751**

Figure 9.1.1 - Short List of Five Potential Development Plans – Accredited Winter Capacity (MW) by 2035

The financial analysis has been prepared using information from pro forma financial statements. The 20-Year Financial Forecast filed as part of Manitoba Hydro's Fiscal 2026 to 2028 General Rate Application ("GRA") on March 28, 2025 is the starting point for each set of pro forma financial statements.

2.1. Key Forecast Projections

The following key forecast projections differ among the short list of five potential development plans and are described below.

2.1.1. Electricity Sales Projections

The financial analysis has been prepared using two load projections, the 2024 Electric Load Forecast (2024 ELF) used in the 20-Year Forecast filed as part of the Fiscal 2026 to 2028 GRA and the 2-Medium load projection described in Appendix 5 – Load Projections.

Domestic revenue forecasts were derived for all five shortlisted potential development plans under both load projections net of all planned energy efficiency programs which includes Efficiency Plan Projection plus any additional energy efficiency programming identified within each shortlisted potential development plan. Figure 2 below depicts the projected energy sales for Manitobans under the 2024 Electric Load Forecast using electricity rates effective April 1, 2024. All five shortlisted potential development plans include additional investments in energy efficiency programs over the 20-year planning horizon. The domestic revenue projections for P5, P5B and P7 are lower than the other shortlisted potential development plans since they include larger investments in additional energy efficiency programing. These additional investments result in higher energy savings for program participants and lower domestic revenues for the utility. The difference in domestic revenues between P3 and P7 is roughly $1.0 billion cumulatively over the 20-year planning horizon.

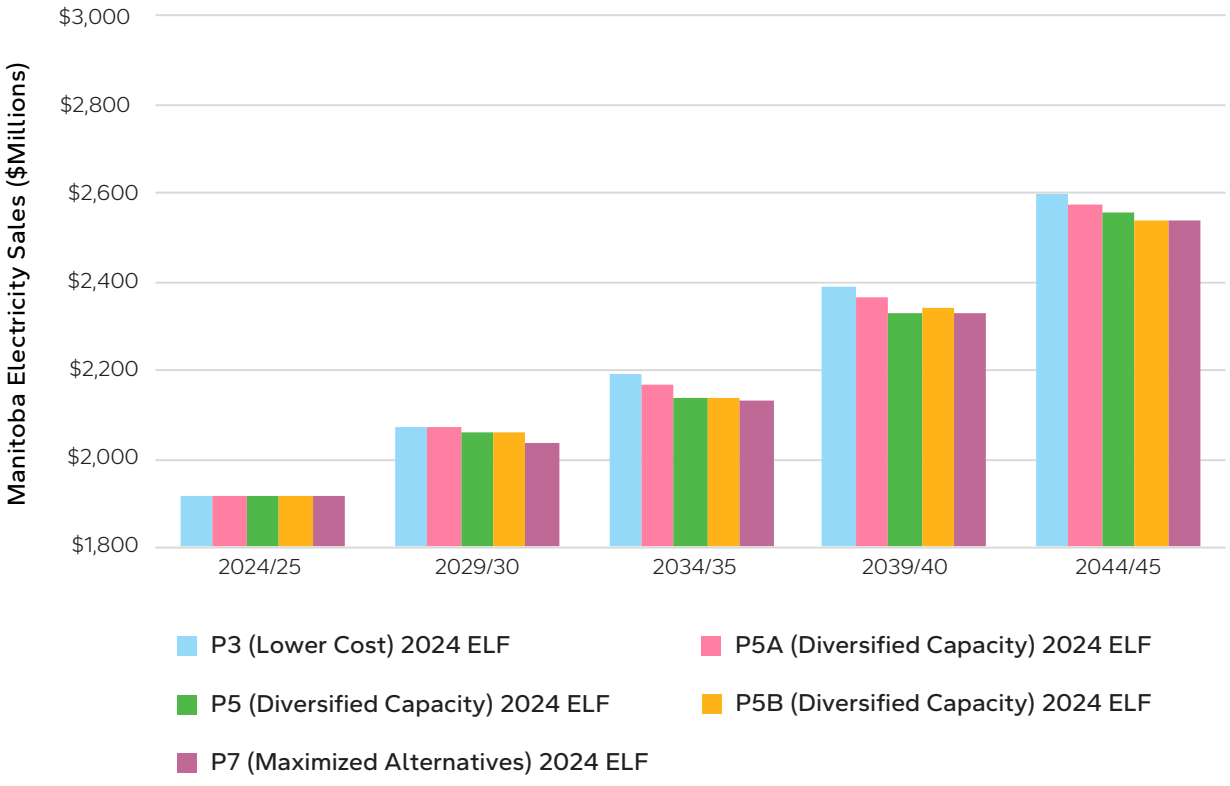

Figure 9.1.2 - Manitoba Electricity Sales with rates effective April 1, 2024 under the 2024 ELF

Figure 3 below depicts the projected energy sales for Manitobans under the 2-Medium load projection for all five shortlisted potential development plans using electricity rates effective April 1, 2024. Similarly, the domestic revenue projections for P5, P5B and P7 are lower than the other shortlisted potential development plans since they include larger investments in additional energy efficiency programing. The relative rank order of the shortlisted potential development plans remains the same and the difference in revenues between P3 and P7 is roughly $0.9 billion cumulatively over the 20-year planning horizon.

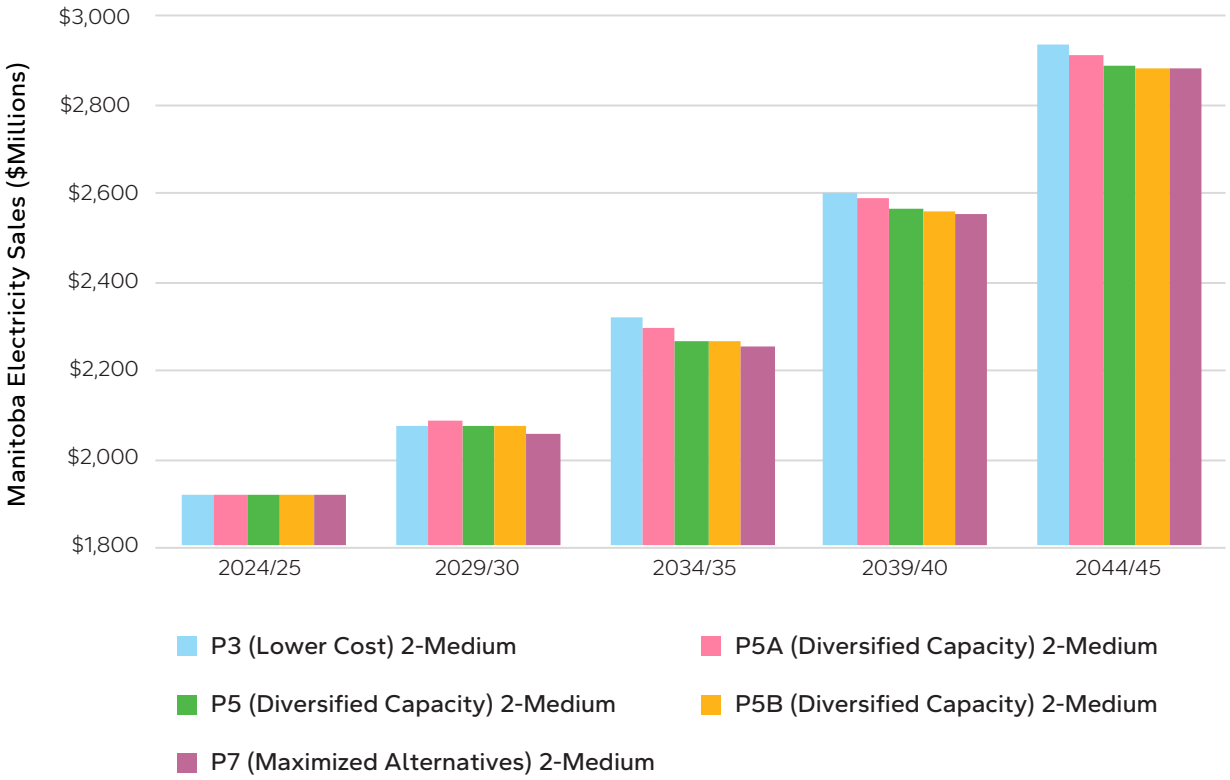

Figure 9.1.3 - Manitoba Electricity Sales with rates effective April 1, 2024 under the 2-Medium load projection

2.1.2. Net Export Revenue

Net export revenue (extraprovincial revenue net of fuel and power purchased and water rentals and assessments), assuming average water flow conditions and Manitoba Hydro's 2024 reference case electricity price forecast, decreases over the forecast period as a result of higher value dependable export sales expiring and the addition of 600 MW installed capacity (120 MW accredited capacity) of Indigenous majority owned wind generation that increase fuel and power purchased in all shortlisted potential development plans. Figure 4 below shows the projected net export revenue over the 20-year forecast period for all five shortlisted potential development plans under the 2024 Electric Load Forecast. The difference in net export revenue between P7 and P3 is roughly $0.7 billion cumulatively over the 20-year planning horizon.

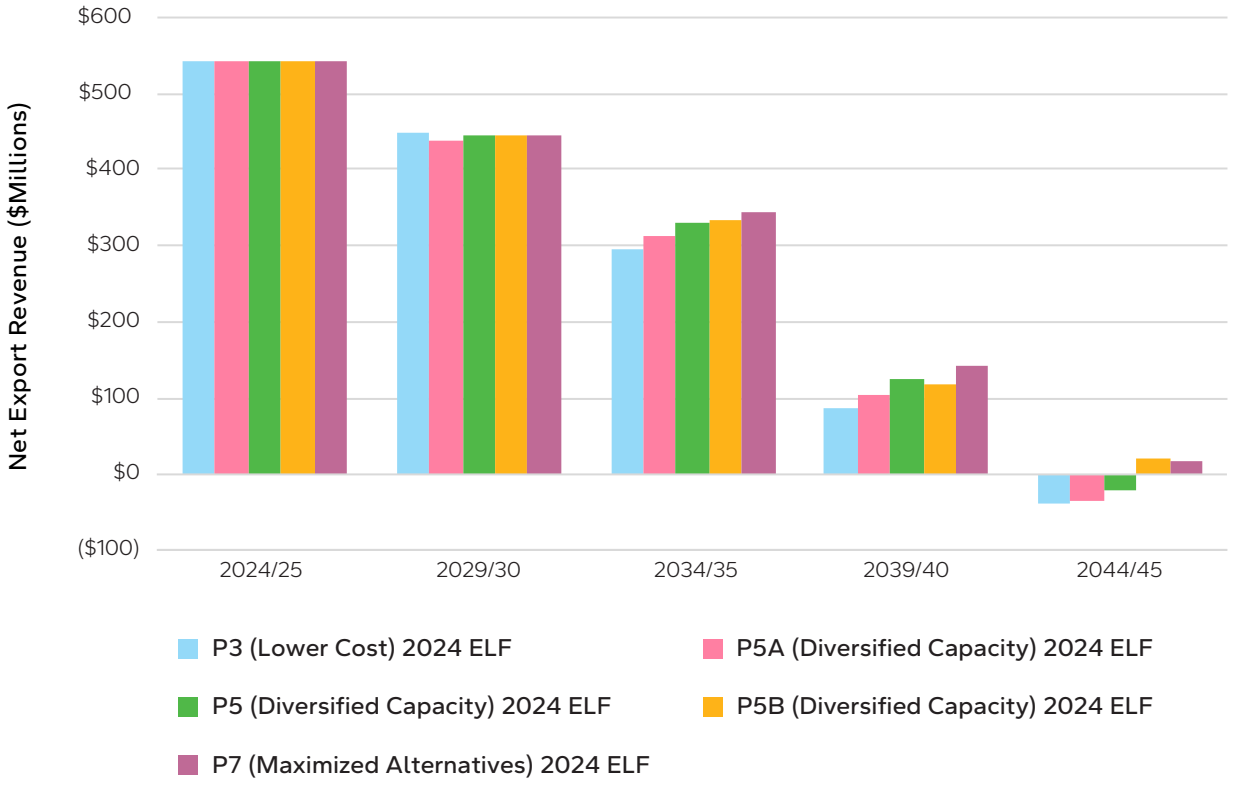

Figure 9.1.4 - Net Export Revenue under the 2024 ELF

Figure 5 below shows the projected net export revenue over the 20-year forecast period for all five shortlisted potential development plans under the 2-Medium load projection. The higher domestic load under 2-Medium load projection results in lower energy available for export under all shortlisted potential development plans. The difference in net export revenue between P7 and P3 is roughly $0.3 billion cumulatively over the 20-year planning horizon.

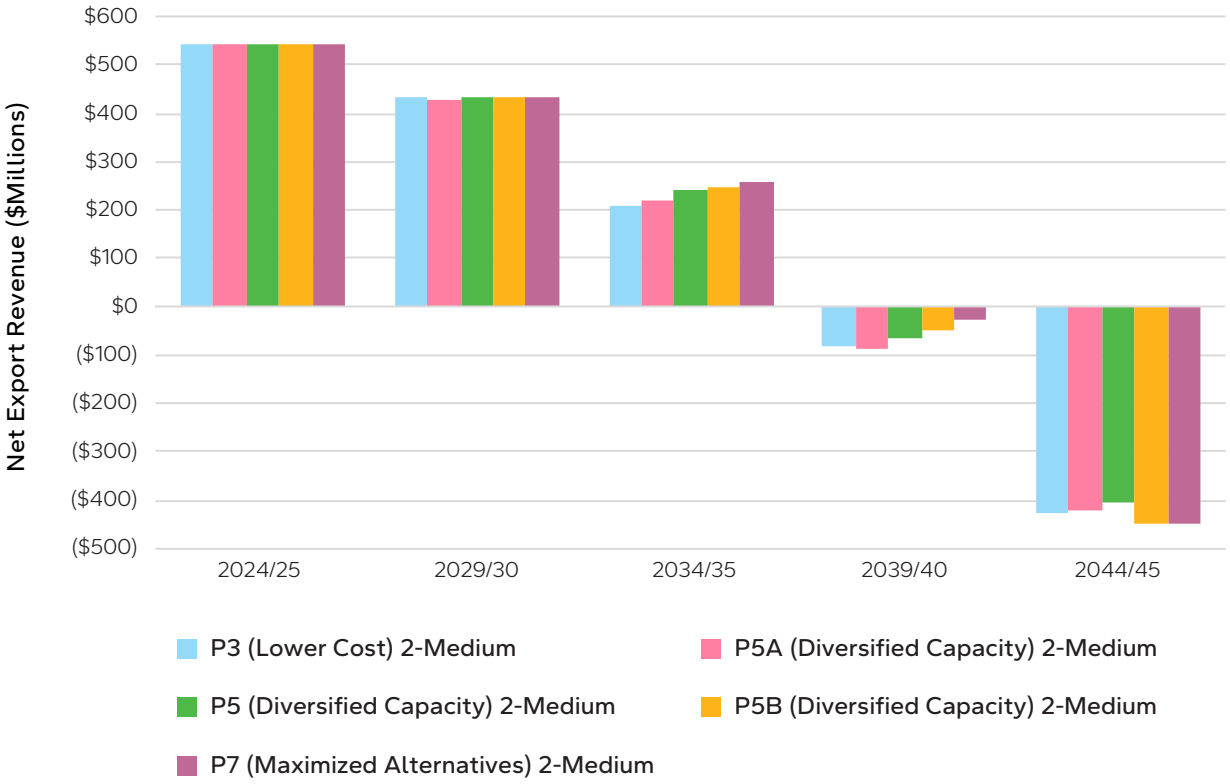

Figure 9.1.5 - Net Export Revenue under the 2-Medium load projection

2.1.3. Capital Expenditures

Figure 6 below provides a summary of Manitoba Hydro's investments required as a result of each of the five shortlisted potential development plans under both load projections.

In Billions of Nominal $s	2024 ELF To Mar 31/35	2024 ELF Post Fiscal 2035	2024 ELF 20-Year Total	2-Medium To Mar 31/35	2-Medium Post Fiscal 2035	2-Medium 20-Year Total
P3 (Lower Cost)	$3.0	$3.3	$6.3	$3.3	$9.0	$12.3
P5A (Diversified Capacity)	$3.4	$3.3	$6.7	$3.6	$10.6	$14.2
P5 (Diversified Capacity)	$3.9	$3.1	$7.0	$4.1	$9.1	$13.2
P5B (Diversified Capacity)	$3.9	$4.2	$8.0	$4.1	$8.5	$12.6
P7 (Maximized Alternatives)	$4.0	$4.8	$8.6	$4.1	$10.9	$15.1

Figure 9.1.6 - Capitalized Expenditures

2.2. Financial Analysis

Twenty-year financial projections were prepared for all five shortlisted potential development plans under both load projections using the 3.5% proposed rate path filed as part of the Fiscal 2026 to 2028 GRA. The results for a selection of key financial metrics are summarized below.

2.2.1. Net Income/(Loss) & Retained Earnings

Under the 2024 Electric Load Forecast, the 3.5% rate path generates average annual earnings/(losses) over the first ten years (2025/26 – 2034/35) ranging between $112 million under P3 and ($14) million under P7, and average annual earnings/(losses) ranging between $139 million under P3 and ($123) million under P7 over the second decade (2035/36 – 2044/45). Average annual earnings/(losses) are very similar under the 2-Medium load projection over the first ten years but much weaker in the second decade. The incremental revenue requirements related to the additional investments needed to meet the higher electricity demand under 2-Medium load projection exceed the additional revenue associated with the higher load, holding the 3.5% rate path constant. Figure 7 below shows the projected annual average earnings/(losses) and retained earnings balance by shortlisted potential development plan under both load projections.

Development Plan	Average Annual Net Income / (Loss) (25/26-34/35)	Retained Earnings at March 31, 2035	Average Annual Net Income / (Loss) (35/36-44/45)	Retained Earnings at March 31, 2045
P3 (Lower Cost) 2024 ELF	$112 M	$4.3 B	$139 M	$5.7 B
P3 (Lower Cost) 2-Medium	$116 M	$4.3 B	$35 M	$4.7 B
P5A (Diversified Capacity) 2024 ELF	$71 M	$3.9 B	$38 M	$4.3 B
P5A (Diversified Capacity) 2-Medium	$78 M	$4.0 B	($71) M	$3.2 B
P5 (Diversified Capacity) 2024 ELF	$35 M	$3.5 B	($93) M	$2.6 B
P5 (Diversified Capacity) 2-Medium	$44 M	$3.6 B	($163) M	$2.0 B
P5B (Diversified Capacity) 2024 ELF	$56 M	$3.7 B	($66) M	$3.1 B
P5B (Diversified Capacity) 2-Medium	$70 M	$3.9 B	($187) M	$2.0 B
P7 (Maximized Alternatives) 2024 ELF	($14) M	$3.0 B	($123) M	$1.8 B
P7 (Maximized Alternatives) 2-Medium	($22) M	$3.0 B	($235) M	$0.6 B

Figure 9.1.7 - Projected Annual Average Net Income/(Loss) under the 2024 ELF and the 2-Medium load projection

2.2.2. Net Debt & Debt Ratio

Consistent with the projected net income/(loss) results above, the projected net debt balance and debt ratio under each of the short list of five potential development plans are very similar under both the 2024 Electric Load Forecast and the 2-Medium load projection over the first decade to March 31, 2035 but diverge in the second decade under the 2-Medium load projection. By March 31, 2035, the projected net debt balance ranges between $32 billion under P3 and $34 billion under P7 and the debt ratio ranges between 86% under P3 and 89% under P7 under both load projections. By March 31, 2045, the projected net debt balance and projected debt ratio under the 2-Medium load projection are much higher than under the 2024 Electric Load Forecast. Figure 8 below shows the projected debt balance and debt ratio by shortlisted potential development plan under both load projections.

Development Plan	Net Debt at March 31, 2035	Debt Ratio at March 31, 2035	Net Debt at March 31, 2045	Debt Ratio March 31, 2045
P3 (Lower Cost) 2024 ELF	$31.9 B	86%	$33.2 B	83%
P3 (Lower Cost) 2-Medium	$32.2 B	86%	$40.3 B	87%
P5A (Diversified Capacity) 2024 ELF	$32.5 B	87%	$34.2 B	86%
P5A (Diversified Capacity) 2-Medium	$32.8 B	87%	$42.8 B	91%
P5 (Diversified Capacity) 2024 ELF	$33.1 B	88%	$35.3 B	90%
P5 (Diversified Capacity) 2-Medium	$33.4 B	88%	$42.5 B	93%
P5B (Diversified Capacity) 2024 ELF	$32.9 B	87%	$36.0 B	89%
P5B (Diversified Capacity) 2-Medium	$33.2 B	87%	$41.7 B	93%
P7 (Maximized Alternatives) 2024 ELF	$33.4 B	89%	$37.1 B	92%
P7 (Maximized Alternatives) 2-Medium	$33.8 B	89%	$45.1 B	96%

Figure 9.1.8 - Projected Net Debt Balance and Debt Ratio

3 Natural Gas Segment Financial Analysis

The natural gas segment analysis focuses on the potential financial impacts of lower natural gas consumption in Manitoba over the 20-year planning horizon.

The financial analysis has been prepared using information from pro forma financial statements and the 20-year natural gas segment financial forecast incorporating the 2024 natural gas volume forecast (2024 GVF) and general planning assumptions of the same vintage as those included in Manitoba Hydro's Fiscal 2026 to 2028 General Rate Application (GRA) is the starting point for each set of pro forma financial statements. The general revenue increases assumed in the 2024 GVF gas segment financial forecast target annual earnings of $12 million beginning 2029/30 which results in a gradual improvement of the debt ratio from a high of 88% in 2028/29 to 79% by the end of the planning horizon.

3.1. Key Inputs and Assumptions

The financial analysis has been prepared using two load projections, the 2024 Natural Gas Volume Forecast (2024 GVF) and the 2-Medium load projection described in Appendix 5 – Load Projections.

3.1.1. Natural Gas Volume Forecast

Information on gas volumes has not been provided in this appendix. Public disclosure would result in the release of information considered to be confidential and commercially sensitive.

3.1.2. Natural Gas Customer Forecast

Information on customer forecasting has not been provided in this appendix. Public disclosure would result in the release of information considered to be confidential and commercially sensitive.

3.1.3. Natural Gas Gross Margin Forecast

Figure 9.1.9 below compares the natural gas gross margin forecast under both load projections. The cumulative natural gas gross margin forecast under 2-Medium load projection is roughly $220 million lower than the 2024 GVF over the 20-year planning horizon.

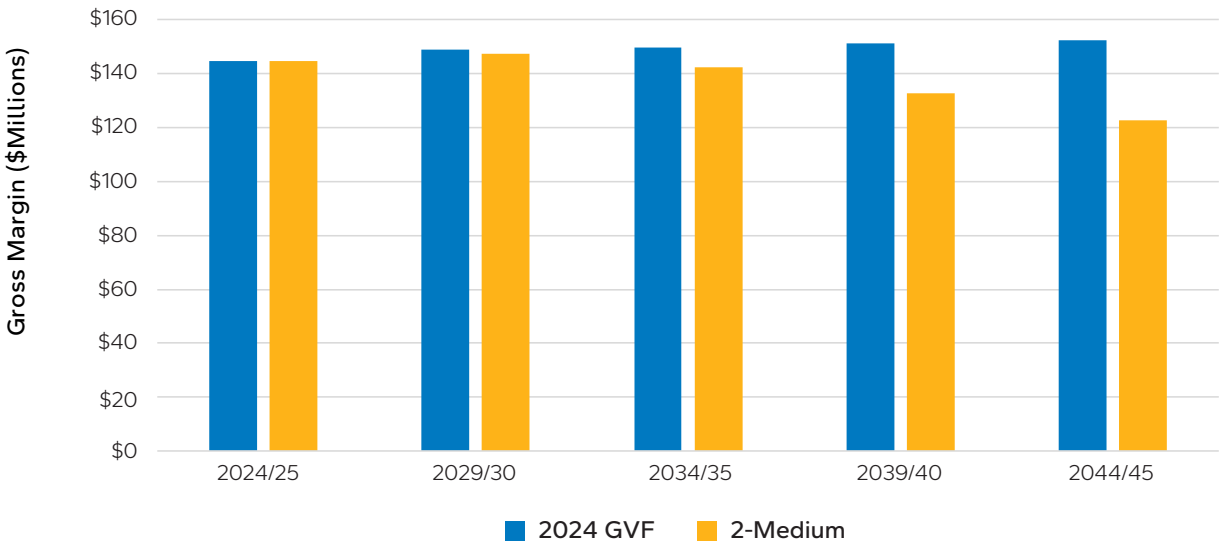

Figure 9.1.9 - Natural Gas Gross Margin Forecast Comparison

3.2. Financial Analysis

Figure 9.1.10 below compares a selection of key financial metrics from the twenty-year financial projections prepared using the 2024 GVF and the twenty-year financial projection prepared using the 2-Medium load projection keeping the general revenue increases unchanged from the 2024 GVF projection. Over the first decade, cumulative earnings under the 2-Medium load projection are roughly $50 million lower compared to the 2024 GVF and results in a net debt balance which is also $50 million higher and a debt ratio that is 4% higher. By the end of the 20-year planning horizon, cumulative earnings under the 2-Medium load projection are roughly $600 million lower compared to the 2024 GVF. The difference is due to lower gas gross margin ($220 million), lower additional revenues from general revenue increases ($260 million) and higher finance expense ($120 million) as a result of higher debt levels. Under the 2-Medium load projection, the cumulative deficit (negative retained earnings) exceeds Centra's $121 million share capital beginning at March 31, 2041 through the end of the planning horizon resulting in a debt ratio of 100%.

Development Plan	2034/35 - Average Net Income (25/26 - 34/35)	2034/35 - Retained Earnings at March 31/2035	2034/35 - Net Debt at March 31, 2035	2034/35 - Debt Ratio at March 31, 2035	2044/45 - Average Net Income (35/36-44/45)	2044/45 - Retained Earnings at March 31/2045	2044/45 - Net Debt at March 31, 2045	2044/45 - Debt Ratio at March 31, 2045
2024 GVF	$8 M	$82 M	$1 061 M	84%	$12 M	$202 M	$1 232 M	79%
2-Medium	$3 M	$30 M	$1 113 M	88%	($43) M	($403) M	$1 839 M	100%

Figure 9.1.10 - Comparison of Key Financial Metrics