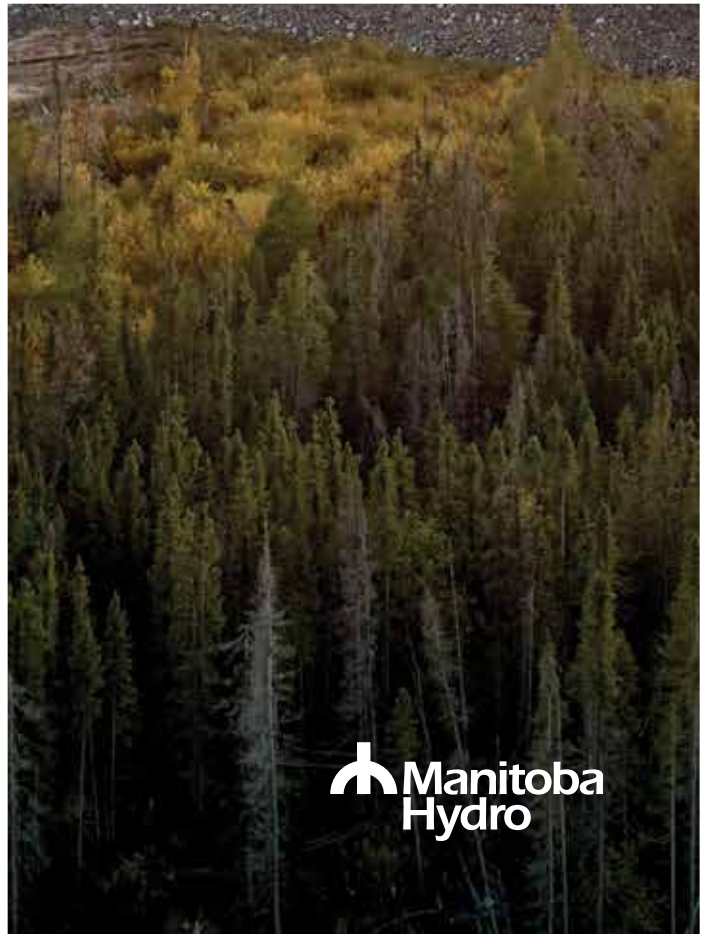
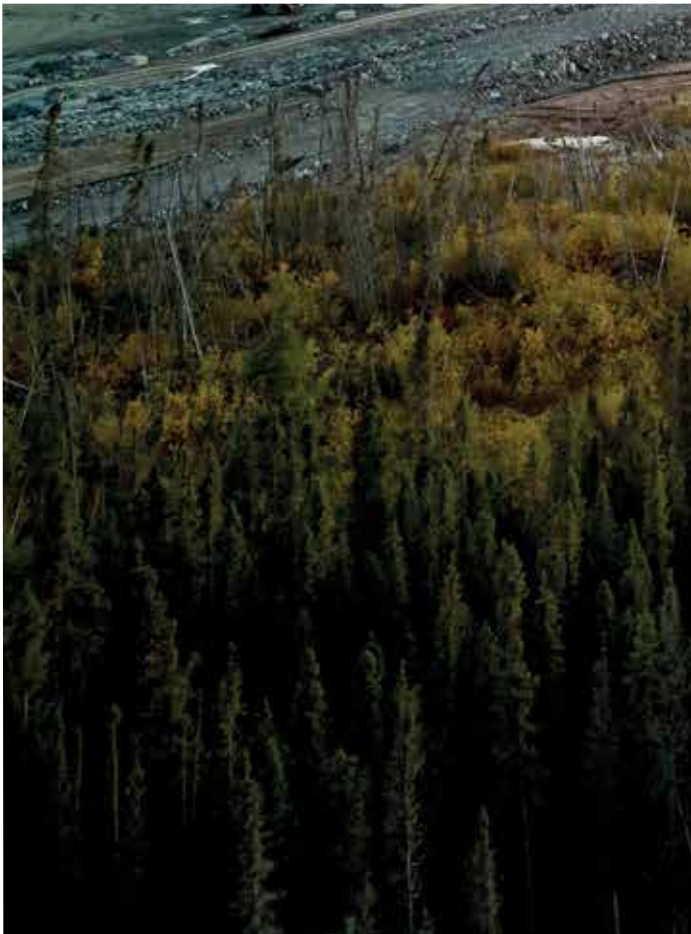


The Manitoba Hydro-Electric Board

QUARTERLY REPORT

for the six months ended September 30, 2020





REPORT FROM THE CHAIR OF THE BOARD AND BY THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Financial Overview

Manitoba Hydro's consolidated net loss was \$41 million for the first six months of 2020-21 compared to a net loss of \$47 million for the same period last year. The decrease in net loss was primarily attributable to an increase in extraprovincial sales as a result of new firm dependable sales contracts and higher U.S. opportunity sales volumes, partially offset by lower spot market prices, higher domestic consumption due to weather impacts and customer growth as well as lower operating and administrative expenses due to the impacts of COVID-19 and the associated government cost saving initiatives. These decreases in net loss were partially offset by an increase in net finance expense as a result of an increase in debt volumes to ensure liquidity in response to market disruptions caused by COVID-19 and higher foreign exchange losses partially mitigated by foreign exchange gains on U.S. export sales. In addition, fuel and power purchases increased as a result of the commencement of costs associated with the in-service of the Great Northern Transmission Line (GNL). The increase in the cost of natural gas is a flow through cost passed onto customers through rates approved by the Public Utilities Board (PUB) and therefore does not impact net income.

MANITOBA HYDRO'S CONSOLIDATED NET LOSS WAS \$41 MILLION FOR THE FIRST SIX MONTHS OF 2020-21

The consolidated net loss was comprised of a \$24 million net loss in the electric segment, a \$21 million loss in the natural gas segment and a \$4 million net profit in the other segment. The net income for the electric and natural gas segments is expected to improve over the winter heating season.

Manitoba Hydro's budgeted net income for 2020-21 is \$47 million; however, Manitoba Hydro is currently projecting net income to be approximately \$111 million. The increase is primarily due to the delay in the in-service of the Keeyask Project resulting in continued capitalization of interest and a delay in depreciation expense, partially offset by lower export revenues due to lower U.S. spot market prices as a result of the global economic slowdown. The reduction in domestic consumption by major industrial and commercial customers related to COVID-19 has been mainly offset by increased consumption in the residential sector due to favourable weather conditions and the impacts of COVID-19.

MANITOBA HYDRO IS CURRENTLY PROJECTING NET INCOME TO BE APPROXIMATELY \$111 MILLION.



Electric Segment

Revenues from electricity sales within Manitoba totaled \$738 million for the six-month period, which was \$14 million or 2% higher than the same period last year. The increase in domestic revenue was primarily attributable to favourable weather impacts, customer growth as well as the impact of the June 1, 2019 rate increase, partially offset by lower domestic usage caused in part by the impact of COVID-19 on commercial and major consumers. Extraprovincial revenues of \$323 million were \$59 million or 22% higher than the same period last year reflecting an increase in dependable sales volumes as a result of new firm export contracts coming into effect as well as higher U.S. opportunity sales volumes due to higher generation, partially offset by lower export prices. Prices have decreased as a result of the impact of COVID-19, a trend of lower natural gas prices and an abundance of wind generation in the market. Overall, energy sold in the export market was 7.3 billion kilowatt-hours compared to 5.4 billion kilowatt-hours sold in the same period last year. Other revenues of \$13 million were largely consistent with the prior year.

Expenses attributable to electric operations totaled \$1 139 million for the six-month period. This represented an increase of \$57 million or 5% as compared to the same period last year. Net finance expense increased \$33 million largely due to higher interest on debt as a result of higher debt volumes to ensure liquidity in response to market conditions due to the impacts of COVID-19, an increase in foreign exchange losses as well as lower finance income due to lower interest rates on temporary investments. There is a partial offset on foreign exchange losses as a result of gains on U.S. export sales. Fuel and power purchased increased \$28 million primarily as a result of an increase in transmission charges due to the in-service of the GNTL. These increases were partially offset by a decrease of \$12 million or 46% in other expenses as a result of lower spending on demand side management (DSM) programs as well as a decrease in operating and administrative expenses of \$4 million or 1% primarily due to the impacts of government cost saving initiatives as a result of COVID-19.

The net loss before net movement in regulatory balances was \$65 million. The net movement in regulatory balances captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the PUB for rate-setting purposes. After considering the net movement of \$39 million in the regulatory deferral balances, there was a net loss of \$26 million of which \$24 million is attributable to Manitoba Hydro and \$2 million is attributable to non-controlling interest. The non-controlling interest represents Taskiniga Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first six months of the 2020-21 fiscal year. The decrease of \$14 million in net movement in regulatory deferral balances was largely due to lower DSM spending, the six month impact of the PUB's decision to defer the June 1, 2019 rate increase compared to four months of deferral in the prior year as well as lower site restoration expenditures.

Expenditures for capital construction for the six-month period amounted to \$642 million compared to \$957 million for the same period last year. The decrease is primarily the result of lower spending on the Keeyask Project as a result of delays in construction activity due to COVID-19 partially offset by an increase in spending on Manitoba-Minnesota Transmission Project (MMTP) based on the timing of the construction schedule. Expenditures for the current period included \$319 million related to construction of the Keeyask Project and \$73 million for the MMTP. The remaining capital expenditures were predominantly incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province. The corporation also incurred \$16 million for electric DSM programs.

Natural Gas Segment

The net loss in the natural gas segment was \$21 million for the six-month period compared to a net loss of \$22 million for the same period last year. Revenue, net of cost of gas sold (gross margin), was \$36 million compared to \$49 million for the same period last year. Gross margin decreased \$13 million primarily due to higher purchased gas costs (compared to amounts charged to customers through rates) as well as a reduction in rates charged to customers per PUB Order 152/19 partially offset by the impacts of cooler weather in the spring and fall. The difference between the cost of gas embedded in customer rates and the actual cost of gas purchased is accumulated in the purchase gas variance accounts (PGVA) and adjusted in net movement thereby ensuring that only the actual cost of gas, no more or less, is ultimately passed on to customers. Delivered gas volumes were 604 million cubic metres compared to 628 million cubic metres for the same period last year.

Expenses attributable to natural gas operations excluding cost of gas sold amounted to \$72 million compared to \$74 million for the same period last year. The decrease in expenses is primarily attributable to lower other expenses as a result of a decrease in regulatory spending as well as lower operating and administrative expenses due to the impacts of COVID-19 and the related government cost saving initiatives, partially offset by higher depreciation and amortization due to new plant being placed into service.

The net loss before net movement in regulatory balances was \$35 million. After considering the net movement of \$14 million in the regulatory balances, there was a net loss of \$21 million. After removing the impact of PGVAs of \$14 million, net movement in regulatory balances was largely consistent with the same period last year.

Capital expenditures in the natural gas segment were \$16 million for the current six-month period compared to \$18 million in the prior year. Capital expenditures are related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province. The corporation also incurred \$4 million for gas DSM programs.

Other Segment

The other segment includes Manitoba Hydro International Ltd., Manitoba Hydro Utility Services, Minell Pipelines Ltd. and Teshmont Holdings Ltd. The net income was \$4 million in the other segment for the six-month period compared to \$3 million for the same period last year. Revenue was \$27 million compared to \$25 million for the same period last year. Expenses attributable to the other segment amounted to \$23 million compared to \$22 million in the prior year.



NEWS/CURRENT AFFAIRS

Two New Vice-Presidents Announced

Manitoba Hydro recently announced the hiring of two new Vice-Presidents: **Alex Chiang**, Vice-President of Customer Solutions & Experience; and **Ian Fish**, Vice-President of Digital and Transformation.

Chiang comes to Manitoba Hydro from TD Bank, where he served as the Associate Vice-President, Customer Confidence. Fish joins the utility from IBM Canada, where he was a Partner in the company's Canadian Health practice in Winnipeg.

Both Chiang and Fish have years of knowledge and experience in their respective fields and are recognized as agents of change. The corporation anticipates both will play key roles in changes arising from its long-term strategic plan, known as Strategy 2040.

Selkirk Generating Station to Close After Six Decades of Operation

Manitoba Hydro will be closing the Selkirk Generating Station which was originally built in 1960 as a 132 MW coal-fired generating station and was converted to burn natural gas in 2002. Initially, the plant was used to provide generation during periods of high demand, droughts or during a transmission system emergency.

More recently, Selkirk Generating Station's generators were run once a month to keep the station and its staff proficient in operations. However, it has been used infrequently to supply bulk power to Manitoba Hydro's system. The last time it provided significant energy to Manitoba Hydro's grid was in February 2017.

With Bipole III and the MMTP now in-service, and the Keeyask Generating Station coming online soon, Manitoba Hydro's electrical system no longer requires the extra capacity Selkirk Generating Station provided. The plant's closure will also save the corporation approximately \$5 million per year and will reduce its average greenhouse gas emissions by about five kilotonnes per year.

Full closure and decommissioning is expected to take several years.

New Online Customer Portal Launched

After several years of gathering feedback, analyzing customer touchpoints and planning, Manitoba Hydro launched its new mobile-friendly customer portal and account management system in August.

The new system offers the same features as the utility's previous MyBill system, along with many new features and personal options customers can use to manage their energy accounts. Among these features are personalized outage alerts for homes, businesses or cottages; real-time notifications and reminders about accounts and services via email, text, smartphone notification or automated phone call; and the ability to start, stop or transfer service.



Construction Begins on Birtle Transmission Project

Construction on the Birtle Transmission Project, a 230-kV transmission line connecting Birtle South Station to SaskPower's Tantallon Station, began in July 2020.

Being developed to deliver Manitoba's surplus hydroelectricity to SaskPower, the Birtle Transmission Project will offer benefits to customers on both sides of the provincial boundary. Export agreements with SaskPower will generate additional revenue for Manitoba Hydro, helping to keep rates affordable for Manitobans and helping Saskatchewan reduce its greenhouse gas emissions and reliance on coal-fired generation.

The project is being built by a joint venture partnership between the Indigenous community of Birdtail Sioux and Forbes Bros. Inc with a targeted in-service date of June 2021.



Marina R. James

Chair of the Board

A handwritten signature in black ink, appearing to be 'M. James'.



Jay Grewal

President and
Chief Executive Officer

November 14, 2020

A handwritten signature in black ink, appearing to be 'J. Grewal'.

FINANCIALS

Consolidated Statement of Income

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
REVENUE				
Domestic Electric	738	724	360	358
Gas	108	110	38	41
Extraprovincial	323	264	190	137
Other	37	33	21	17
	<u>1 206</u>	<u>1 131</u>	<u>609</u>	<u>553</u>
EXPENSES				
Cost of gas sold	72	61	27	22
Operating and administrative	291	296	147	147
Finance expense (net)	421	387	214	194
Depreciation and amortization	262	257	132	129
Water rentals and assessments	65	58	34	29
Fuel and power purchased	71	43	40	21
Capital and other taxes	84	83	42	41
Other expenses	36	49	17	25
	<u>1 302</u>	<u>1 234</u>	<u>653</u>	<u>608</u>
Net loss before net movement in regulatory balances	(96)	(103)	(44)	(55)
Net movement in regulatory balances	53	55	28	26
	<u>(43)</u>	<u>(48)</u>	<u>(16)</u>	<u>(29)</u>
Net loss attributable to:				
Manitoba Hydro	(41)	(47)	(15)	(28)
Non-controlling interest	(2)	(1)	(1)	(1)
	<u>(43)</u>	<u>(48)</u>	<u>(16)</u>	<u>(29)</u>

FINANCIALS

Consolidated Statement of Financial Position

In millions of dollars (unaudited)

	AS AT SEPT 30 2020	AS AT MAR 31 2020	AS AT SEPT 30 2019
ASSETS			
Current assets	1 785	1 509	1 385
Property, plant and equipment	25 636	25 190	24 391
Non-current assets	1 751	1 428	1 326
Total assets before regulatory deferral balance	29 172	28 127	27 102
Regulatory deferral balance	1 193	1 179	1 159
	<u>30 365</u>	<u>29 306</u>	<u>28 261</u>
LIABILITIES AND EQUITY			
Current liabilities	2 104	2 120	1 467
Long-term debt	22 664	21 950	21 657
Other non-current liabilities	1 963	1 624	1 688
Deferred revenue	568	549	548
Non-controlling interest	313	302	282
Retained earnings	3 099	3 141	2 994
Accumulated other comprehensive loss	(673)	(747)	(752)
Total liabilities and equity before regulatory deferral balance	30 038	28 939	27 884
Regulatory deferral balance	327	367	377
	<u>30 365</u>	<u>29 306</u>	<u>28 261</u>

FINANCIALS

Consolidated Cash Flow Statement

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
Operating Activities	(48)	13	75	40
Investing Activities	(598)	(1 014)	(319)	(513)
Financing Activities	912	940	149	397
Net increase (decrease) in cash	266	(61)	(95)	(76)
Cash at beginning of period	926	900	1 287	915
Cash at end of period	1 192	839	1 192	839

Consolidated Statement of Comprehensive Income

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
Net loss attributable to Manitoba Hydro	(41)	(47)	(15)	(28)
Other Comprehensive Income				
Items that will be reclassified to income				
<i>Unrealized foreign exchange gains/(losses) on debt in cash flow hedges</i>	50	11	14	(13)
Items that have been reclassified to income				
<i>Realized foreign exchange losses on debt in cash flow hedges</i>	24	17	11	9
	74	28	25	(4)
Comprehensive Income (Loss) Attributable to Manitoba Hydro	33	(19)	10	(32)

FINANCIALS

Segmented Information

In millions of dollars (unaudited)

	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
SIX MONTHS ENDED SEPTEMBER 30	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	1 074	1 001	109	110	27	25	(4)	(5)	1 206	1 131
Expenses	1 139	1 082	144	134	23	22	(4)	(4)	1 302	1 234
Net income (loss) before net movement in regulatory balances	(65)	(81)	(35)	(24)	4	3	-	(1)	(96)	(103)
Net movement in regulatory balances	39	53	14	2	-	-	-	-	53	55
Net Income (Loss)	(26)	(28)	(21)	(22)	4	3	-	(1)	(43)	(48)
Net income (loss) attribute to:										
Manitoba Hydro	(24)	(27)	(21)	(22)	4	3	-	1	(41)	(47)
Non-controlling interest	(2)	(1)	-	-	-	-	-	-	(2)	(1)
	(26)	(28)	(21)	(22)	4	3	-	(1)	(43)	(48)
THREE MONTHS ENDED SEPTEMBER 30	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	557	501	39	41	14	13	(1)	(2)	609	553
Expenses	579	541	63	58	12	11	(1)	(2)	653	608
Net income (loss) before net movement in regulatory balances	(22)	(40)	(24)	(17)	2	2	-	-	(44)	(55)
Net movement in regulatory balances	18	23	10	3	-	-	-	-	28	26
Net Income (Loss)	(4)	(17)	(14)	(14)	2	2	-	-	(16)	(29)
Net income (loss) attribute to:										
Manitoba Hydro	(3)	(16)	(14)	(14)	2	2	-	-	(15)	(28)
Non-controlling interest	(1)	(1)	-	-	-	-	-	-	(1)	(1)
	(22)	(17)	(14)	(14)	2	2	-	-	(16)	(29)
TOTAL ASSETS	29 737	27 612	785	765	116	105	(273)	(221)	30 365	28 261

FINANCIALS

Generation and Delivery Statistics

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
ELECTRICITY IN GIGAWATT-HOURS				
Hydraulic generation	18 028	16 059	9 456	8 207
Thermal generation	5	1	1	1
Scheduled energy imports	44	40	27	29
Wind purchases (Manitoba)	442	394	200	182
Total system supply	<u>18 519</u>	<u>16 494</u>	<u>9 684</u>	<u>8 419</u>
GAS IN MILLIONS OF CUBIC METRES				
Gas sales	315	303	94	95
Gas transportation	289	325	123	164
	<u>604</u>	<u>628</u>	<u>217</u>	<u>259</u>

