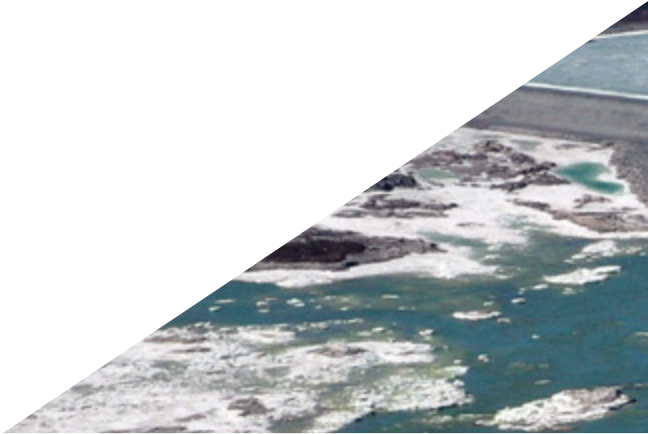


The Manitoba Hydro-Electric Board  
**QUARTERLY REPORT**

for the six months ended September 30, 2022



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

## Financial Overview

Consolidated net income attributable to Manitoba Hydro was \$141 million for the first six months of 2022-23 compared to a net loss of \$90 million for the same period last year. The change over the prior year was primarily attributable to the impacts of higher net export and domestic electric revenue, partially offset by higher finance expense, operating and administrative costs and depreciation.

### CONSOLIDATED NET INCOME ATTRIBUTABLE TO MANITOBA HYDRO WAS \$141 MILLION FOR THE FIRST SIX MONTHS OF 2022-23

The increase in net export revenue was primarily driven by higher market prices and more favourable water conditions in the current year which resulted in an increase in opportunity revenue and lower power purchases (imports) partially offset by higher water rentals and assessments due to higher generation. Dependable export revenue was also higher as a result of additional contract volumes and price escalations. In addition, domestic electricity revenue increased largely due to the January 1, 2022 interim electric rate increase, higher customer usage as well as customer growth.

These increases to net income were partially offset by higher operating and administrative expenses, partly due to higher wages and salaries as a result of both an increase to full-time equivalent employees and an increase in wages, a shift to more operating activities with the winddown of major capital projects, the impacts of accounting rule changes on cloud computing costs and higher motor vehicle costs as a result of increased fuel prices. With the in-service of the final unit of Keeyask in March of 2022, there was also higher finance and depreciation expense.

Consolidated net income was comprised of \$170 million net income in the electric segment, \$35 million net loss in the natural gas segment and \$6 million net income in the other segment.

Consolidated net income attributable to Manitoba Hydro was \$189 million higher than the budgeted net loss of \$48 million for the first six months of 2022-23. The favourable net income was driven by an increase in net export revenue related to higher market prices and more favourable water conditions as well as higher electric domestic revenues, partially offset by an increase in operating and administrative expenses primarily due to lower capital activities, higher motor vehicle costs as well as increased wages and salaries.

### CONSOLIDATED NET INCOME ATTRIBUTABLE TO MANITOBA HYDRO WAS \$189 MILLION HIGHER THAN THE BUDGETED NET LOSS OF \$48 MILLION

Manitoba Hydro's primary sources of liquidity and capital is cash generated from operations and debt financed through the Province of Manitoba. The consolidated cash balance at September 30, 2022 totaled \$600 million. Cash provided from operations of \$202 million during the six-month period ending September 30, 2022 primarily reflects the impacts of earnings as well as interest paid during the quarter. Manitoba Hydro's investing activities used \$352 million in the first six months of 2022-23 reflecting capital construction requirements for business operations capital as well as major capital expenditures. Cash used for financing activities totaled \$333 million as a result of the expected retirement of long-term debt as the corporation's major capital projects continue to winddown and the projected cash requirements to fund those projects decrease. After adjusting to exclude the impacts of major capital spending on core operations, the corporation recorded a shortfall of approximately \$71 million when operating cash flow is compared to cash for investing in core operations. The shortfall is consistent with expectations considering the seasonal nature of the corporation's operations as revenues are largely earned in the second half of the fiscal year. The shortfall will continue to be recovered throughout the remainder of the year, with an expectation of a cash surplus by the end of the fiscal year.

Manitoba Hydro is projecting net income of \$559 million for the current fiscal year, a \$26 million decrease from the projected net income outlined in the first quarter. The decrease is attributable to lower net export revenue primarily due to a decrease in spot market energy prices partially offset by higher electric domestic revenue and higher finance income.

The combination of above average water conditions and higher projected spot market energy prices in 2022-23 have the potential to provide a substantial positive impact on Manitoba Hydro's net export revenue and net income. While there is less uncertainty on hydro-electric generation for 2022-23, significant uncertainty remains around energy market prices. For the entire fiscal year, more than 50% of the increase to net export revenue (and therefore net income) is driven by higher projected energy market prices. Under a range of energy price forecasts for the remainder of the fiscal year, net income can vary by approximately +/- \$100 million from the forecast of \$559 million.

## MANITOBA HYDRO IS PROJECTING NET INCOME OF \$559 MILLION

### Electric Segment

Electricity sales within Manitoba were \$829 million, \$52 million or 7% higher than the same period last year primarily due to the impact of the January 1, 2022 interim electricity rate increase, higher customer usage as well as customer growth, partially offset by weather impacts.

Extraprovincial revenue of \$669 million was \$326 million or 95% higher than the same period last year which reflects an increase in opportunity revenues due to the impact of higher market prices and an increase in volumes attributable to favourable water conditions as well as higher contract volumes and price escalations on dependable revenue as a result of new firm export contracts compared to prior year. Overall, energy sold in the export market was 8.1 billion kilowatt-hours compared to 4.0 billion kilowatt-hours sold, more than double the amount compared to the same period last year.

## ENERGY SOLD IN THE EXPORT MARKET WAS 8.1 BILLION KILOWATT-HOURS COMPARED TO 4.0 BILLION KILOWATT-HOURS SOLD

Expenses attributable to electric operations totaled \$1 420 million for the six-month period, representing an increase of \$120 million or 9% as compared to the same period last year. Net finance expense increased \$48 million or 10% largely due to higher interest on debt as a result of lower capitalized interest due to the in-service of the final units of Keeyask in March 2022 as well as higher foreign exchange rates. Operating and administrative expenses increased by \$41 million or 15% partially related to higher wages and salaries due to an increase to both full-time equivalent employees and wages, a shift to operating activities with the winddown of major capital projects and the impacts of accounting rule changes on cloud computing costs as well as higher motor vehicle costs mainly due to an increase in fuel prices. Depreciation and amortization expense increased \$24 million or 8% as a result of new plant coming into service (including Keeyask).

Net income before net movement in regulatory balances was \$94 million. The net movement in regulatory balances of \$75 million captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the Public Utilities Board (PUB) for rate-setting purposes. The decrease of \$13 million in net movement in regulatory deferral balances was primarily due to the end of the Keeyask deferral which ceased in March 2022 with the final unit being placed into service, partially offset by the cessation of the major capital deferral in January 2022, an increase in site remediation work and higher levels of demand side management (DSM) spending by Efficiency Manitoba.





After considering the net movement in the regulatory deferral balances, net income was \$169 million. A loss of \$1 million was attributable to non-controlling interests, while net income of \$170 million was attributable to Manitoba Hydro.

Expenditures for capital construction for the six-month period amounted to \$323 million compared to \$429 million for the same period last year. The decrease was primarily the result of lower spending on the Keeyask project as the units were placed in-service in 2021-22. Expenditures for the current period included \$76 million related to construction of the Keeyask project compared to \$184 million in the previous year. The remaining capital expenditures of \$245 million were predominantly related to ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province. The corporation also incurred \$20 million for electric DSM programs which are primarily managed by Efficiency Manitoba.

## Natural Gas Segment

The net loss in the natural gas segment was \$35 million for the six-month period compared to a net loss of \$27 million for the same period last year. Revenue, net of cost of gas sold (gross margin), was \$14 million compared to \$33 million for the same period last year. Gross margin decreased by \$19 million primarily due to higher purchased gas costs (compared to amounts charged to customers through rates) partially offset by the impacts of colder weather, higher usage as well as customer growth. The difference between the cost of gas embedded in customer rates and the actual cost of gas purchased is accumulated in the purchased 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. The cost of natural gas is a flow through cost passed onto customers through rates approved by the PUB and therefore does not impact net income. Delivered gas volumes were 678 million cubic metres compared to 565 million cubic metres for the same period last year.

Expenses attributable to natural gas operations excluding cost of gas sold amounted to \$89 million compared to \$77 million for the same period last year. The increase in expenses was partially related to higher operating and administrative expenses due, in part, to costs associated with the UNIFOR strike, the change in accounting rules for cloud computing arrangements as well as the impacts of wage and salary increases. There was also an increase in DSM expenditures related to natural gas programs by Efficiency Manitoba.

Capital expenditures in the natural gas segment were \$18 million for the current six-month period compared to \$20 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 \$7 million for natural gas DSM program spending which are primarily managed by Efficiency Manitoba.

## 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 \$6 million in the other segment for the six-month period, a slight decrease from \$7 million in the prior year. Revenue was \$25 million, a decrease from \$28 million in the prior year; while expenses totaled \$19 million, down from \$21 million in the prior year.



## NEWS/CURRENT AFFAIRS

### Manitoba Hydro Brings Generators to Pukatawagan – Residents Return Home Earlier

Manitoba Hydro shipped two large industrial generators by rail to the northern community of Pukatawagan on July 28, 2022 to temporarily supply power and allow residents – evacuated in mid-July because of forest fires – to return home safely as work began to rebuild a fire-damaged power line.

Approximately 2 000 Pukatawagan residents were ordered to leave July 14 when a wildfire threatened the northern community. The same wildfire damaged approximately 65 wood poles on a power line serving the community, cutting the supply of electricity.

The two 1 500 kilowatt generators were shipped from Alberta. A third generator was added a month later. Fuel for the generators, plus replacement poles and other materials needed to rebuild the line, were also shipped by rail. There is no road access. Much of the rebuilding of the line was done with the aid of helicopters to transport materials and personnel to remote work sites. Manitoba Hydro provided regular updates to the leadership of Mathias Colomb Cree Nation throughout on the pace of rebuilding the line.

Power was fully restored to the community on October 8, 2022.

### Keeyask Ceremony Marks Significant Milestone

On September 8, 2022, the Waciye Water Ceremony and Blessings was held at the Keeyask site. The gathering was attended by leadership, elders, youth and advisors from the partner communities, and representatives of Manitoba Hydro.

The Keeyask Generation Project is a partnership between Manitoba Hydro and Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation – working together as the Keeyask Hydropower Limited Partnership.

The major milestone, having all Keeyask's seven generating units in operation (as of March 9, 2022), meant it was important for the partner communities and the project to hold a ceremony to acknowledge the effects and the changes made to the land.

While all seven units provide power to Manitobans, two units still need to go through complete testing and certification to allow them to enter commercial service and to include the generators' output for export or sales in commercial contracts. Work also continues in the powerhouse on mechanical and electrical infrastructure.

Demobilization – taking apart structures used for offices, water treatment and other project support – also continues.

Even though the generating station construction is nearing completion, environmental mitigation works and extensive environmental monitoring – including fish and wildlife – will continue for many years.

## Indigenous Employment Trending High on Transmission Projects

Manitoba Hydro's efforts to increase Indigenous opportunities on recent transmission projects ranges between 40-65% of total hires, according to statistics released in August 2022.

The growing employment numbers are the result of the steps Manitoba Hydro and its contractors are taking to encourage Indigenous employment, training and economic development opportunities, including tendering practices to increase Indigenous business participation. It also reflects the corporation's commitment to building meaningful relationships with Indigenous peoples.

For example, the construction of the De Salaberry East Station to Letellier Station in southern Manitoba neared 55% Indigenous employment as of July 2022. The line is being built by a joint venture partnership between the Indigenous community of Birdtail Sioux First Nation and Forbes Bros. Inc.

When completed in the fall of 2022, the new line will help meet the area's growing electricity needs and improve reliability.

## New City Active Transportation Corridor on Hydro Right-of-Way

Manitoba Hydro participated in a groundbreaking ceremony on July 22, 2022 for a new active transportation corridor in northwest Winnipeg.

Called the Northwest Hydro Corridor Multi-Use Path Project, the route has been planned for several years. Manitoba Hydro agreed to provide space along its transmission and distribution right-of-way west of McPhillips Street, between Leila Avenue and Church Avenue, for the route. Once finished, the pathway will make it easier for walkers, bikers, and other active transportation users to safely travel the north-west part of Winnipeg.

The first phase of the project consists of the construction of a 2.4 kilometre multi-use path located within the right-of-way. The path will be 4.5 metres wide and feature lighting, benches and new controlled crossings for pedestrians and cyclists at Leila, Inkster, and Jefferson. The second phase of the project is currently planned for 2024.



**Edward Kennedy**  
Chair of the Board

A handwritten signature in black ink that reads "Edward Kennedy".



**Jay Grewal**  
President and  
Chief Executive Officer  
November 14, 2022

A handwritten signature in black ink, appearing to be "Jay Grewal".

# FINANCIALS

## Consolidated Statement of Income

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
<b>REVENUES</b>				
Domestic Electric	829	777	399	381
Gas	157	117	51	42
Extraprovincial	669	343	400	169
Other	38	37	19	20
	<u>1 693</u>	<u>1 274</u>	<u>869</u>	<u>612</u>
<b>EXPENSES</b>				
Cost of gas sold	143	84	41	31
Operating and administrative	360	309	186	160
Finance expense	582	525	298	264
Depreciation and amortization	325	301	163	152
Water rentals and assessments	71	51	38	21
Fuel and power purchased	66	95	30	53
Capital and other taxes	90	86	45	43
Other expenses	53	39	30	18
Finance income	(22)	(13)	(12)	(5)
	<u>1 668</u>	<u>1 477</u>	<u>819</u>	<u>737</u>
Net income (loss) before net movement in regulatory balances	25	(203)	50	(125)
Net movement in regulatory balances	115	105	53	51
Net Income (Loss)	<u>140</u>	<u>(98)</u>	<u>103</u>	<u>(74)</u>
Net income (loss) attributable to:				
Manitoba Hydro	141	(90)	104	(71)
Non-controlling interest	(1)	(8)	(1)	(3)
	<u>140</u>	<u>(98)</u>	<u>103</u>	<u>(74)</u>

# FINANCIALS

## Consolidated Statement of Financial Position

In millions of dollars (unaudited)

	AS AT SEPTEMBER 30 2022	AS AT MARCH 31 2022	AS AT SEPTEMBER 30 2021
<b>ASSETS</b>			
Current assets	1 368	1 721	1 069
Property, plant and equipment	26 438	26 376	26 214
Non-current assets	1 669	1 673	1 687
Total assets before regulatory deferral balance	29 475	29 770	28 967
Regulatory deferral balance	1 407	1 368	1 319
	<u>30 882</u>	<u>31 138</u>	<u>30 286</u>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities	2 366	1 935	2 111
Long-term debt	22 934	23 617	22 473
Other non-current liabilities	1 814	1 774	1 886
Deferred revenue	631	607	605
Non-controlling interest	326	325	325
Retained earnings	3 153	3 012	3 169
Accumulated other comprehensive loss	(517)	(383)	(561)
Total liabilities and equity before regulatory deferral balance	30 707	30 887	30 008
Regulatory deferral balance	175	251	278
	<u>30 882</u>	<u>31 138</u>	<u>30 286</u>



## FINANCIALS

### Consolidated Cash Flow Statement

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
Operating Activities	202	33	194	34
Investing Activities	(352)	(466)	(177)	(255)
Financing Activities	(333)	(275)	(229)	(275)
Net decrease in cash	(483)	(708)	(212)	(496)
Cash at beginning of period	1 083	1 142	812	930
Cash at end of period	600	434	600	434

### Consolidated Statement of Comprehensive Income (Loss)

In millions of dollars (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
<b>Net Income (Loss)</b>	140	(98)	103	(74)
<b>Other Comprehensive Income (Loss)</b>				
<b>Items that will be reclassified to income</b>				
<i>Unrealized foreign exchange losses on debt in cash flow hedges</i>	(155)	(18)	(125)	(21)
<b>Items that have been reclassified to income</b>				
<i>Realized foreign exchange losses on debt in cash flow hedges</i>	21	17	15	9
	(134)	(1)	(110)	(12)
<b>Comprehensive Income (Loss)</b>	6	(99)	(7)	(86)
<b>Comprehensive Income (Loss) attributable to:</b>				
<b>Manitoba Hydro</b>	7	(91)	(6)	(83)
<b>Non-controlling interests</b>	(1)	(8)	(1)	(3)
	6	(99)	(7)	(86)

## FINANCIALS

### Generation and Delivery Statistics

	SIX MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2022	2021	2022	2021
<b>ELECTRICITY IN GIGAWATT-HOURS</b>				
Hydraulic generation	19 572	13 812	10 589	5 806
Thermal generation	-	2	-	-
Scheduled energy imports	173	943	33	871
Wind purchases (Manitoba)	428	428	177	197
Total system supply	<u>20 173</u>	<u>15 185</u>	<u>10 799</u>	<u>6 874</u>
<b>GAS IN MILLIONS OF CUBIC METRES</b>				
Gas sales	319	281	90	87
Gas transportation	359	284	173	112
	<u>678</u>	<u>565</u>	<u>263</u>	<u>199</u>

# FINANCIALS

## Segmented Information

In millions of dollars (unaudited)

	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
SIX MONTHS ENDED SEPTEMBER 30	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues	1 514	1 134	158	118	25	28	(4)	(6)	1 693	1 274
Expenses	1 420	1 300	233	162	19	21	(4)	(6)	1 668	1 477
Net income (loss) before net movement in regulatory balances	94	(166)	(75)	(44)	6	7	-	-	25	(203)
Net movement in regulatory balances	75	88	40	17	-	-	-	-	115	105
Net Income (Loss)	169	(78)	(35)	(27)	6	7	-	-	140	(98)
Net income (loss) attributable to:										
Manitoba Hydro	170	(70)	(35)	(27)	6	7	-	-	141	(90)
Non-controlling interest	(1)	(8)	-	-	-	-	-	-	(1)	(8)
	169	(78)	(35)	(27)	6	7	-	-	140	(98)
THREE MONTHS ENDED SEPTEMBER 30	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues	807	558	52	43	12	15	(2)	(4)	869	612
Expenses	724	660	89	71	8	10	(2)	(4)	819	737
Net income (loss) before net movement in regulatory balances	83	(102)	(37)	(28)	4	5	-	-	50	(125)
Net movement in regulatory balances	39	41	14	10	-	-	-	-	53	51
Net Income (Loss)	122	(61)	(23)	(18)	4	5	-	-	103	(74)
Net income (loss) attributable to:										
Manitoba Hydro	123	(58)	(23)	(18)	4	5	-	-	104	(71)
Non-controlling interest	(1)	(3)	-	-	-	-	-	-	(1)	(3)
	122	(61)	(23)	(18)	4	5	-	-	103	(74)
<b>TOTAL ASSETS</b>	<b>30 234</b>	<b>29 632</b>	<b>899</b>	<b>818</b>	<b>131</b>	<b>124</b>	<b>(382)</b>	<b>(288)</b>	<b>30 882</b>	<b>30 286</b>

