

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

for the three months ended June 30, 2023





## 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 \$40 million for the first three months of 2023-24 compared to \$82 million for the same period last year. The decrease in net income from the prior year was primarily attributable to the impacts of lower net exports, lower domestic electric revenue and an increase in operating and administrative costs.

#### CONSOLIDATED NET INCOME ATTRIBUTABLE TO MANITOBA HYDRO WAS \$40 MILLION FOR THE FIRST THREE MONTHS OF 2023-24

The decrease in net export revenue was primarily driven by a decrease in market prices as well as the impact of less favourable water conditions in the current year which resulted in a decrease in opportunity revenue. This decrease was partially offset by higher dependable export revenue as a result of additional contract volumes and price escalations. The decrease to net income was also impacted by lower domestic electric revenues largely due to lower usage partially offset by customer growth and weather impacts. Operating and administrative expenses were higher largely due to increased wages and salaries related both to an increase in staff and wage increases as well as operating costs for the Keeyask generating station.

Consolidated net income was comprised of \$52 million net income in the electric segment, \$16 million net loss in the natural gas segment and \$4 million net income in the other segment.

Consolidated net income attributable to Manitoba Hydro was \$59 million lower than budgeted net income of \$99 million for the first three months of 2023-24. The unfavourable net income was driven by a decrease in net export revenue related to the impact of less favourable water conditions and lower market prices. These unfavourable impacts were partially offset by higher domestic electric revenues driven by favourable weather impacts as well as higher usage and customer growth.

#### CONSOLIDATED NET INCOME ATTRIBUTABLE TO MANITOBA HYDRO WAS \$59 MILLION LOWER THAN BUDGETED NET INCOME OF \$99 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 June 30, 2023 totaled \$427 million. Cash provided from operations of \$233 million during the three-month period ending June 30, 2023 primarily reflects the impacts of earnings as well as interest paid during the quarter. Manitoba Hydro's investing activities used \$153 million in the first three months of 2023-24 reflecting capital construction requirements primarily for business operations capital. Cash used for financing activities totaled \$742 million, an increase in cash outflows of \$638 million over the same period last year, largely as a result of drawing down prefunded cash to repay maturing debt. After adjusting to exclude the impacts of major capital spending on core operations, the corporation recorded a surplus of approximately \$86 million when operating cash flow is compared to cash for investing in core operations. The surplus is the result of positive net income experienced through the first three months and is expected to remain positive based



on projected net income and cash flows. It is the corporation's intention to remain prefunded at levels that protect against liquidity risk with a cash balance of approximately \$500 million, which is a significant reduction from cash prefunding levels from the recent major capital expansion period.

## MANITOBA HYDRO'S BUDGETED NET INCOME FOR 2023-24 IS APPROXIMATELY \$450 MILLION

Manitoba Hydro's budgeted net income for 2023-24 is approximately \$450 million, however projected net income is expected to be about 50% lower than budget. The decrease in expected net income is largely due to the unfavourable water conditions experienced in the first quarter which have negatively impacted net export revenues. Precipitation amounts for the remainder of the year can have a material impact on water conditions as well as the impact of market prices. The Public Utilities Board's (PUB) pending decision on the recent electric general rate application, which is expected to be received in the next quarter, may also have a material impact on projected net income.

### Electric Segment

Electricity sales within Manitoba were \$418 million, \$12 million or 3% lower than the same period last year primarily due to lower usage in all customer classes partially offset by customer growth and weather impacts.

Extraprovincial revenue of \$251 million was \$18 million or 7% lower than the same period last year which reflects a decrease in opportunity revenues due to the impact of lower market prices and a decrease in volumes attributable to unfavourable water conditions partially offset by higher dependable revenues as a result of new firm export contracts as well as price escalations. Overall, energy sold in the export market was 3.3 billion kilowatt-hours which was consistent with the same period last year.

Expenses attributable to electric operations totaled \$661 million for the three-month period, representing an increase of \$9 million or 1% compared to the same period last year. Operating and administrative expenses increased due to a number of factors, including increased wages and salaries related both to an increase in staff and wage increases as well as operating costs for the Keeyask generating station. Depreciation and amortization expenses increased largely as a result of new plant coming into service.

## ENERGY SOLD IN THE EXPORT MARKET WAS 3.3 BILLION KILOWATT-HOURS WHICH WAS CONSISTENT WITH THE SAME PERIOD LAST YEAR

Net income before net movement in regulatory balances was \$16 million. The net movement in regulatory balances of \$36 million captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the PUB for rate-setting purposes. This was largely consistent with the net movement in regulatory balance in the prior year.

After considering the net movement in the regulatory deferral balances, net income was \$52 million. Net income of less than \$1 million was attributable to non-controlling interests, while \$52 million was attributable to Manitoba Hydro.

Expenditures for capital construction for the three-month period amounted to \$133 million compared to \$151 million for the same period last year, a decrease of \$18 million or 12%. The decrease was primarily the result of lower spending on the Keeyask project as trailing costs continue to be completed, partially offset by an increase in business operations capital. Expenditures for the current period included \$6 million related to trailing costs on the Keeyask project compared to \$40 million in the previous year. The remaining capital expenditures of \$127 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 \$9 million for electric demand-side management (DSM) programs which are primarily managed by Efficiency Manitoba.

## Natural Gas Segment

The net loss in the natural gas segment was \$16 million for the three-month period compared to a net loss of \$11 million for the same period last year. Revenue, net of cost of gas sold (gross margin), was \$41 million compared to \$4 million for the same period last year. Gross margin increased by \$37 million primarily due to lower purchased gas costs (compared to amounts charged to customers through rates). 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 over time. 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. After considering the impact of PGVAs, gross margin decreased \$1 million largely due to the impacts of warmer weather. Delivered gas volumes were 335 million cubic metres compared to 415 million cubic metres for the same period last year.

Expenses attributable to natural gas operations excluding cost of gas sold amounted to \$46 million compared to \$42 million for the same period last year, an increase of \$4 million, or 10%. The increase in expenses was partially related to higher operating and administrative expenses largely due to higher maintenance, training costs and increased line locate requests, as well as higher finance expenses largely due to higher rates on short and long-term debt.

Capital expenditures in the natural gas segment were \$8 million for the current three-month period, consistent with 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 \$3 million for natural gas DSM programs 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 \$4 million in the other segment for the three-month period, a \$2 million increase from the prior year. Revenue was \$12 million compared to \$13 million in the same period last year. Expenses in the other segment totaled \$8 million, down from \$11 million in the prior year.



## NEWS/CURRENT AFFAIRS

### Peat accumulation shuts down Keeyask Generating Station

Spanning 1.5 hectares — about 135 metres across — a large accumulation of peat moss, roots, short shrubs and willows threatened Keeyask Generating Station in May 2023. The debris posed a risk to generating unit cooling systems and could have caused major damage to station components. Studies on Keeyask’s environmental impact assessment had predicted these islands could be possible.

A multi-day mammoth effort by Manitoba Hydro’s Northern Boat Patrol and safety and station employees sought to push or pull the mass to shore, break it up or otherwise move it out of the way — the effort was unsuccessful. The bulk of the island floated back toward the station. The problem was solved when a crane lifted out debris and loaded it into dump trucks to be re-vegetated elsewhere; the generating units were temporarily shut down during this time and the Nelson River was diverted through spillway gates.

Manitoba Hydro actively communicated with neighbouring communities about turbulent water conditions throughout the process, issuing a safety reminder as recently as late June.

### Manitoba Hydro releases new Enterprise Plan

Manitoba Hydro released its 2022–23 Enterprise Plan to the public on June 16, 2023. The plan lays out objectives and deliverables the corporation hopes to achieve each year on its journey to becoming a thriving energy utility of the future while providing Energy for Life to Manitobans.

Two changes to the 2022–23 Enterprise Plan include adding Everyday Excellence statements to each of its strategic pillars — an initiative that helps connect customer service to strategy across the utility’s operations; and adding Democratization to the previous list of trends affecting global energy sector changes (with Digitalization, Decarbonization and Decentralization), recognizing accessibility and participation are important factors in the evolving energy landscape. Manitoba Hydro’s full Enterprise Plan is available online at [hydro.mb.ca/corporate/publications](https://hydro.mb.ca/corporate/publications).

### New 4 Plus Program helps customers get more accurate bills

In March 2023, Manitoba Hydro Utility Services (MHUS) began contacting customers with four or more consecutive meter reading estimates to improve accurate billing. Under the new 4 Plus Program, the phone calls explain the importance of regular meter readings, options for submitting meter readings and offer support if a customer cannot read their meter. As of May 2023, MHUS made 3 348 customer calls, obtained readings from 562 customers and left 2 085 voicemails with meter reading and Manitoba Hydro contact instructions.



## Manitoba Hydro recognized as one of Manitoba's Top Employers, Canada's Greenest Employers, Canada's Best Diversity Employers and Canada's Top Employers for Young People

In May 2023, Manitoba Hydro was acknowledged as one of Manitoba's Top Employers, Canada's Greenest Employers, Canada's Best Diversity Employers and Canada's Top Employers for Young People for 2023 for being a desirable, environmentally friendly workplace with clear paths to success for young people.

Multiple Manitoba Hydro employees were profiled for the awards. Reasons for selection included widespread work satisfaction and a team-oriented atmosphere, a multicultural and welcoming landscape for employees of diverse backgrounds and abilities and integrated environmental considerations in all aspects of its business.



**Edward Kennedy**  
Chair of the Board



**Jay Grewal**  
President and  
Chief Executive Officer  
August 14, 2023

# FINANCIALS

## Consolidated Statement of Income

In millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2023	2022 Restated <sup>1</sup>
<b>REVENUES</b>		
Domestic Electric	418	430
Gas	105	106
Extraprovincial	251	269
Other	19	19
	<u>793</u>	<u>824</u>
<b>EXPENSES</b>		
Cost of gas sold	64	102
Operating and administrative	187	174
Finance expense	264	254
Depreciation and amortization	165	162
Water rentals and assessments	18	18
Fuel and power purchased	33	36
Capital and other taxes	45	45
Other expenses	24	23
Finance income	(24)	(10)
	<u>776</u>	<u>804</u>
Net income before net movement in regulatory balances	17	20
Net movement in regulatory balances	23	62
Net Income	<u>40</u>	<u>82</u>
Net income attributable to:		
Manitoba Hydro	40	82
Non-controlling interest	-	-
	<u>40</u>	<u>82</u>

Note 1: The prior year results have been restated to reflect the impact of the provincial announcement in November 2022 to reduce water rental rates and the provincial debt guarantee fee that were to be effective April 1, 2022.

# FINANCIALS

## Consolidated Statement of Financial Position

In millions of dollars (unaudited)

	AS AT JUNE 30 2023	AS AT MARCH 31 2023	AS AT JUNE 30 2022 RESTATED <sup>1</sup>
<b>ASSETS</b>			
Current assets	1 153	1 828	1 662
Property, plant and equipment	26 475	26 474	26 390
Non-current assets	1 656	1 658	1 674
Total assets before regulatory deferral balance	29 284	29 960	29 726
Regulatory deferral balance	1 453	1 450	1 385
	<u>30 737</u>	<u>31 410</u>	<u>31 111</u>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities	1 640	2 192	2 709
Long-term debt	22 874	23 097	22 765
Other non-current liabilities	1 636	1 627	1 791
Deferred revenue	657	637	626
Non-controlling interest	344	344	327
Retained earnings	3 690	3 650	3 093
Accumulated other comprehensive loss	(252)	(305)	(406)
Total liabilities and equity before regulatory deferral balance	30 589	31 242	30 905
Regulatory deferral balance	148	168	206
	<u>30 737</u>	<u>31 410</u>	<u>31 111</u>

Note 1: The prior year results have been restated to reflect the impact of the provincial announcement in November 2022 to reduce water rental rates and the provincial debt guarantee fee that were to be effective April 1, 2022.



# FINANCIALS

## Consolidated Cash Flow Statement

In millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2023	2022 Restated <sup>1</sup>
Operating Activities	233	68
Investing Activities	(153)	(208)
Financing Activities	(742)	104
Net decrease in cash	(662)	(244)
Cash at beginning of period	1 089	1 083
Cash at end of period	427	839

## Consolidated Statement of Comprehensive Income

In millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2023	2022 Restated <sup>1</sup>
<b>Net Income</b>	40	82
<b>Other Comprehensive Income (Loss)</b>		
<b>Items that will be reclassified to income</b>		
<i>Unrealized foreign exchange gains (losses) on debt in cash flow hedges</i>	46	(30)
<b>Items that have been reclassified to income</b>		
<i>Realized foreign exchange losses on debt in cash flow hedges</i>	7	6
	53	(24)
<b>Comprehensive Income</b>	93	58
<b>Comprehensive Income attributable to:</b>		
<b>Manitoba Hydro</b>	93	58
Non-controlling interests	-	-
	93	58

Note 1: The prior year results have been restated to reflect the impact of the provincial announcement in November 2022 to reduce water rental rates and the provincial debt guarantee fee that were to be effective April 1, 2022.

# FINANCIALS

## Generation and Delivery Statistics

	THREE MONTHS ENDED JUNE 30	
	2023	2022
<b>ELECTRICITY IN GIGAWATT-HOURS</b>		
Hydraulic generation	9 025	8 983
Thermal generation	1	-
Scheduled energy imports	67	140
Wind purchases (Manitoba)	199	251
Total system supply	<u>9 292</u>	<u>9 374</u>
<b>GAS IN MILLIONS OF CUBIC METRES</b>		
Gas sales	203	229
Gas transportation	132	186
	<u>335</u>	<u>415</u>

# FINANCIALS

## Segmented Information

In millions of dollars (unaudited)

	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
	2023	2022 Restated <sup>1</sup>	2023	2022 Restated <sup>1</sup>	2023	2022 Restated <sup>1</sup>	2023	2022 Restated <sup>1</sup>	2023	2022 Restated <sup>1</sup>
THREE MONTHS ENDED JUNE 30										
Revenues	677	707	106	106	12	13	(2)	(2)	793	824
Expenses	661	652	109	143	8	11	(2)	(2)	776	804
Net income (loss) before net movement in regulatory balances	16	55	(3)	(37)	4	2	-	-	17	20
Net movement in regulatory balances	36	36	(13)	26	-	-	-	-	23	62
Net Income (Loss)	52	91	(16)	(11)	4	2	-	-	40	82
Net income (loss) attributable to:										
Manitoba Hydro	52	91	(16)	(11)	4	2	-	-	40	82
Non-controlling interest	-	-	-	-	-	-	-	-	-	-
	52	91	(16)	(11)	4	2	-	-	40	82
<b>TOTAL ASSETS</b>	30 065	30 406	899	879	205	127	(422)	(301)	30 737	31 111

Note 1: The prior year results have been restated to reflect the impact of the provincial announcement in November 2022 to reduce water rental rates and the provincial debt guarantee fee that were to be effective April 1, 2022.

