Manitoba Hydro

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March 25, 2014

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Mr. H. Singh, Board Secretary and Executive Director

Dear Mr. Singh:

RE: Directive 12 of Order 43/13 and Directive 1(d) of Order 85/13 re: Demand Side Management Expenditures

Manitoba Hydro and Centra Gas Manitoba Inc. ("Centra") require confirmation from the Public Utilities Board of Manitoba ("PUB") with respect to the Corporation's interpretation and intended accounting treatment of Directive 12 from Order 43/13 and Directive 1(d) from Order 85/13 related to the Demand Side Management ("DSM") spending in 2012/13 and 2013/14.

Directive 12 of Order 43/13

On April 26, 2013, the PUB issued Order 43/13 with respect to Manitoba Hydro's 2012/13 & 2013/14 General Rate Application ("GRA"). Directive 12 of Order 43/13 states:

> *"That Manitoba Hydro's revenue requirements are determined based on the level of Demand-Side Management spending as set out in Manitoba Hydro's 2011 Power Smart report, i.e., $34 million for 2012/13 and $35 million for 2013/14, for a total of $69 million. To the extent Manitoba Hydro's spending on Demand-Side Management in the test years, including the Affordable Energy Fund and the Lower Income Energy Efficiency Program, falls below $69 million, Manitoba Hydro shall establish a deferral account for the discrepancy, the disposition of which the Board will consider at the next General Rate Application."*

In Directive 12 from Order 43/13, the DSM spending amounts identified by the PUB of $34.4 million in 2012/13 and $34.7 million in 2013/14 were determined based on the level of forecast electric Power Smart spending in the 2011 Power Smart Plan. These amounts did not include the forecast Affordable Energy Fund ("AEF") spending.

Manitoba Hydro filed IFF12 as part of the 2012/13 & 2013/14 GRA, which included an updated Electric Power Smart budget, as follows:

Table 1: Electric DSM Budget 2012 Capital Expenditure Forecast			
($millions)	2012/13	2013/14	Total
Electric Power Smart	$28.5	$28.0	$56.5

The Corporation's investment in DSM is deferred and amortized over a period of 10 years commencing in the year after the costs are incurred. The amortization of these costs are then included in the annual depreciation and amortization expense in revenue requirement. Accordingly, the amount of DSM included in Manitoba Hydro's revenue requirement for the purpose of setting rates includes the amortization of DSM expenditures from prior periods; not the forecast level of Power Smart spending in the test year.

As such, Manitoba Hydro interprets Directive 12 of Order 43/13 as requiring the difference between the amortization of the forecast Electric Power Smart amounts included in revenue requirement and the amount of actual spending that will be reflected in amortization expense for financial reporting purposes to be captured in a deferral account. The following table shows the difference between the amount of forecast DSM spending reflected in revenue requirement for the 2013/14 test year, and the actual level of DSM spending that will be reflected in amortization expense for financial reporting purposes. The amounts to be included in a deferral account, in accordance with Manitoba Hydro's interpretation of Directive 12 of Order 43/13, is $0.19 million.

Table 2: Electric Power Smart Deferral Account ($millions)	
Amortization of Forecast DSM spending for 2012/13 included in 2013/14 Test Year Revenue Requirement[1]	$2.85
Amortization of of actual DSM spending for 2012/13 included in 2013/14 amortization expense for financial reporting purposes[2]	$2.66
Amount to be included in deferral account	**$0.19**

[1]Represents one-tenth of the 2012/13 forecast spending of $28.5 million
[2]Represents one-tenth of 2012/13 actual Electric Power Smart Spending of $26.6 million

In future General Rate Applications, the amortization of the actual Electric Power Smart spending for 2012/13 and 2013/14 will be reflected in DSM amortization expense and as such, there will be no further differences between forecast amounts included in revenue requirement and actual spending.

Manitoba Hydro requests the PUB's confirmation of its interpretation of Directive 12 of Order 43/13 and notes that the PUB will have further opportunity to consider the disposition of this deferral account at Manitoba Hydro's next General Rate Application.

Directive 1(d) of Order 85/13

The PUB provided a similar directive for the natural gas operations in Order 85/13 which was issued with respect to Centra's 2013/14 GRA. Directive 1(d) of Order 85/13 states:

> *"Centra's revenue requirement is determined based on the level of Demand-Side Management spending as set out in Manitoba Hydro's 2011 Power Smart Plan of $19.3 million for 2013/14. To the extent Centra's spending on Demand-Side Management in the Test Year, including the Affordable Energy Fund and the Lower Income Energy Efficiency Program, falls below $19.3 million, Centra shall establish a deferral account for the discrepancy, the disposition of which the Board will consider at the next General Rate Application."*

In Directive 1(d) from Order 85/13, the DSM spending amounts were determined based on the level of forecast gas DSM spending in the 2011 Power Smart Plan, as follows:

Table 3: Gas DSM Budget 2011 Power Smart Plan	
($millions)	**2013/14**
Gas Power Smart	$13.5
Affordable Energy Fund	$3.5
Furnace Replacement Program	$2.3
Total	**$19.3**

Centra notes that the $19.3 million represents the total natural gas DSM forecast spending for 2013/14, including the AEF and Furnace Replacement Program ("FRP"). As a point of clarification, the above amounts were not included in Centra's 2013/14 revenue requirement. Rather, for the purposes of setting natural gas rates, the amount of DSM included into Centra's revenue requirement is the amortization of DSM expenditures from prior periods. Centra's rates for the Small General Service class also includes $3.8 million to fund the FRP.

The forecast AEF expenditures for both electric and natural gas are amortized to the electric operations only, since the fund was established by *The Winter Heating Cost Control Act* based on a percentage of Manitoba Hydro's 2006/07 gross electricity export revenues. As such, the AEF amortization is allocated to the electric operations only and is not included in Centra's revenue requirement.

With respect to the FRP, Centra has collected approximately $3.8 million in each year since 2007/08 to fund the FRP, as directed by the PUB. All amounts collected for the FRP are maintained in the FRP fund to finance program expenditures.

Since the amortization of DSM expenditures commences the year after the costs are incurred, Centra's revenue requirement for the 2013/14 test year did not include any of the forecast Natural Gas Power Smart spending for 2013/14. Given that the DSM amounts included in Centra's rates is the amortization of prior period DSM expenditures, and that Centra's revenue requirement does not include any amortization of the AEF, there are no amounts to capture in a deferral account. Centra will continue to maintain the amounts collected for the FRP in a deferral account to fund related program expenditures. As such, Centra already maintains a liability account on its balance sheet which reflects the actual total FRP funding to date less the actual expenditures made from the fund.

Manitoba Hydro respectfully requests the PUB's confirmation of its interpretation of Directive 12 of Order 43/13 and Directive 1(d) of Order 85/13 by April 11, 2014, in order for the Corporation to advance related year-end auditing processes in a timely manner. Should you have any questions with respect to this submission, please contact the writer at (204) 360-3257 or Greg Barnlund at (204) 360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION
Per:

Brent Czarnecki
Barrister & Solicitor

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May 15, 2014

Mr. Brent Czarnecki
Law Department
Manitoba Hydro
22nd floor
360 Portage Avenue
Winnipeg MB R3C 0G8

Dear Mr. Czarnecki:

RE: Manitoba Hydro - DSM Spending

On March 25, 2014, Manitoba Hydro requested confirmation from the Board that Manitoba Hydro correctly interpreted Directive 12 from Order 43/13 and Directive 1(d) from Order 85/13. Manitoba Hydro's interpretation does not agree with the Board's direction. The Board provides clarification of its direction as follows.

At the last electric GRA, the Board expressed a concern that less was being spent on DSM than that set out in the 2011 Power Smart Plan: $34.4 million in 2012/13 and $34.7 million in 2013/14 or $69.1 million for the two test years. During the GRA, Manitoba Hydro filed an updated forecast of DSM spending of $56.5 million, or $12.5 million less over the two years.

The Board directed:

> *" That Manitoba Hydro's revenue requirements are determined based on the level of Demand-Side Management spending as set out in Manitoba Hydro's 2011 Power Smart report, i.e., $34 million for 2012/13 and $35 million for 2013/14, for a total of $69 million. To the extent Manitoba Hydro's spending on Demand-Side Management in the test years, including the Affordable Energy Fund and the Lower Income Energy Efficiency Program, falls below $69 million, Manitoba Hydro shall establish a deferral account for the discrepancy, the disposition of which the Board will consider at the next General Rate Application."* [Order 43/13 Directive 12]

The Board clarifies that Manitoba Hydro is to establish a deferral account that captures the difference between the budgeted level of DSM spending from the 2011 Power Smart Plan and the actual spending by Manitoba Hydro. With respect to 2012/13, the budgeted amount was $34.4 million while the actual spending was $26.6 million. The difference of $7.8 million should accrue to the deferral account. Likewise, the difference between actual spending in 2013/14 and the budgeted spending in the 2011 Power Smart Plan of $34.7 million should accrue to the deferral account.

The Board directs a similar treatment of DSM expenditures for Centra. The DSM spending forecasted in the 2011 Power Smart Plan for gas DSM programs in 2013/14 was $19.3 million including the AEF and Furnace Replacement Program. The forecasted spending in the 2011 Power Smart Plan minus the AEF and FRP was $13.5 million. The Board directs that any difference between actual spending on gas DSM programs and the $13.5 million forecasted spending is to accrue to the DSM deferral account.

The Board understands that Manitoba Hydro is forecasting increased levels of DSM savings and investment in its 2014-2017 Power Smart Plan. The Board is encouraged by the planned increased level of investment and looks forward to reviewing the new Power Smart Plan at upcoming General Rate Applications. At that time the Board will consider the continued need for the DSM deferral account in the context of Manitoba Hydro's new Power Smart Plan.

Sincerely,

"Original Signed By"

Kurt Simonsen, P. Eng.
Associate Secretary

KS/nac

c.c. Mr. Bob Peters, Board Counsel
Ms. Odette Fernandes, Manitoba Hydro

Manitoba Hydro

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May 23, 2014

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Mr. H. Singh, Board Secretary and Executive Director

Dear Mr. Singh:

RE: Directive 12 of Order 43/13 and Directive 1(d) of Order 85/13 re: Demand Side Management ("DSM") Expenditures

Further to the Public Utilities Board's ("PUB") letter of May 15, 2014, Manitoba Hydro wishes to obtain confirmation of the appropriate accounting treatment of the PUB's DSM Directive 12 of Order 43/13 and Directive 1(d) of Order 85/13 for the purposes of it financial statements as at March 31, 2014.

Considering the clarification provided by the PUB in the letter, Manitoba Hydro can advise that the cumulative amount of the differences between actual and forecast DSM spending to March 31, 2014 associated with the directives is approximately $15 million related to electric operations and $5 million related to gas operations. The total for consolidated operations is approximately $20 million.

Manitoba Hydro has considered two alternate accounting treatments to reflect the PUB's DSM directives in its financial statements:

1. Record the cumulative DSM spending differences as a regulated liability and a corresponding Power Smart regulated asset; or,
2. Record the cumulative DSM spending differences as a regulated liability and a corresponding reduction of 2013/14 net income.

The focus of the PUB in its clarifying letter of May 15, 2014 is in maintaining a level of total spending on DSM programs to target higher levels of domestic customer energy savings rather than the mechanics of how DSM spending is ultimately amortized into rates and net income (which was provided in Manitoba Hydro's letter of March 25, 2014). Accordingly, Manitoba Hydro believes that the first alternative is the most appropriate accounting treatment under the circumstances and requests that the PUB provide written confirmation that it is consistent with the intent of the DSM directives. Manitoba Hydro further notes that the PUB will consider the disposition of these deferred amounts at the next General Rate Application.

Given that the amounts in question are material to the financial statements and that the Corporation is nearing the end of its year-end audit process and a closing meeting is scheduled with the external auditors for Thursday, May 29, 2014, Manitoba Hydro respectfully requests that confirmation be provided by the PUB in advance of that date.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:

Rebecca Hutchings
Barrister & Solicitor

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May 28, 2014

Rebecca Hutchings
Law Department
Manitoba Hydro
22nd floor
360 Portage Avenue
Winnipeg MB R3C 0G8

Dear Ms. Hutchings:

RE: Directive 12 of Order 43/13 and Directive 1(d) of Order 85/13 re Demand Side Management (DSM) Expenditures

The Board is in receipt of your letter dated May 23, 2014 seeking confirmation of the appropriate accounting treatment of the PUB's DSM Directive 12 of Order 43/13 and Directive 1(d) of Order 85/13 for the purposes of it financial statements as at March 31, 2014.

The Board notes that, it does not in due course, dictate the accounting treatment related to directives of Manitoba Hydro (MH), however the Board appreciates Manitoba Hydro seeking the Board's input on this issue. The Board relies on the Financial Statements of the Corporation in assessing rate adequacy and supports accounting treatment that are consistent with the economic effect and intent of the Board's directives. The Board's preference is that the transaction be consistent with the intent of its directive of maintaining a level of total DSM program spending consistent with the 2011 Power Smart Plan to target higher levels of domestic customer energy savings.

The Board believes that MH's proposed accounting to establish a regulated asset to track the unspent DSM program monies and to establish a corresponding regulated liability is consistent with the Board's intent under the circumstances.

...2

The Board notes that MH has recently indicated higher planned DSM spending in its 2014 Power Smart Plan. The Board will review the matter of DSM spending at the upcoming General Rate Application and will assess the status of the regulated asset and liability at that time.

If there is a need for further clarification of this matter please do not hesitate to contact the undersigned.

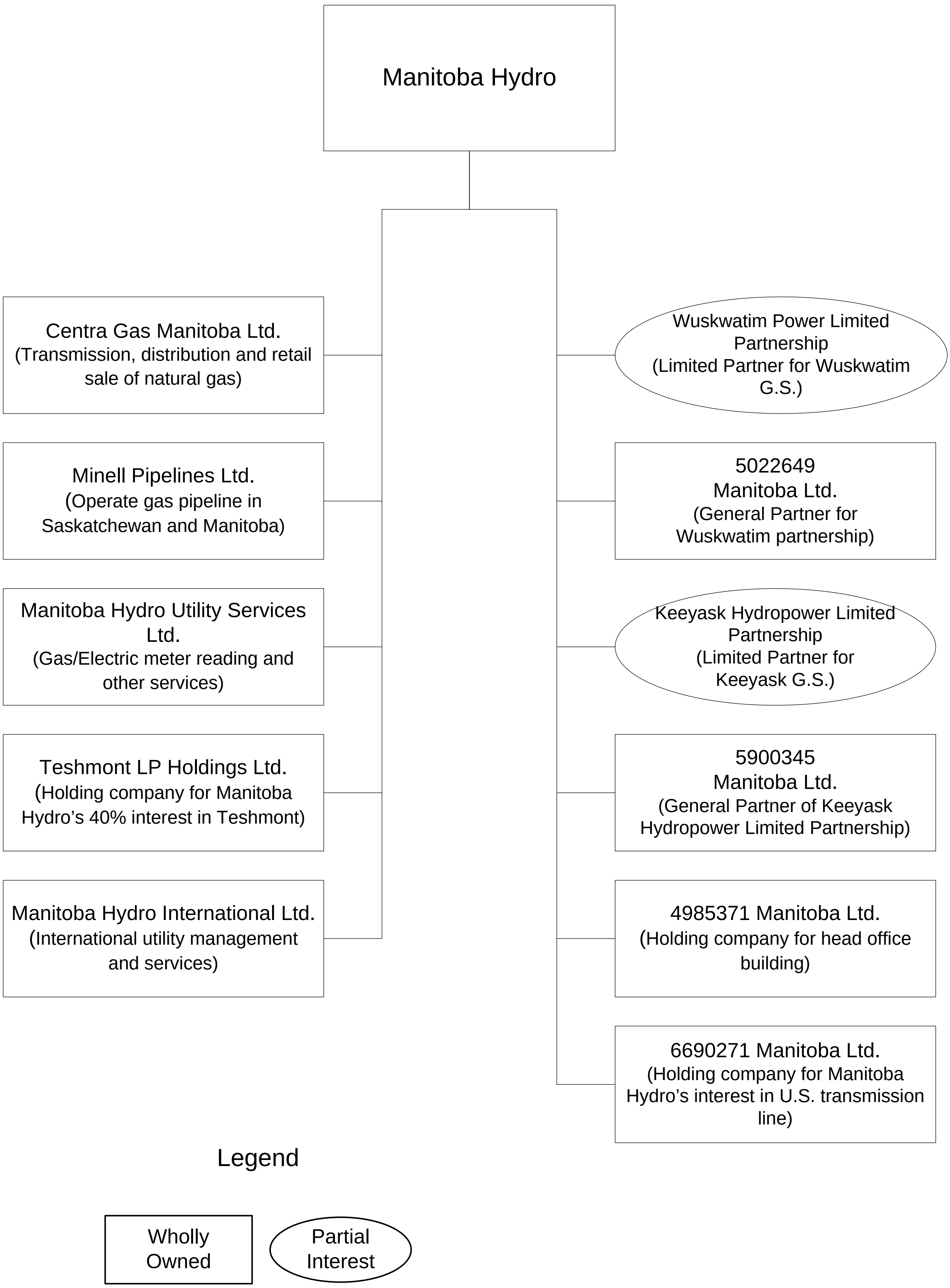
Sincerely,

"Original Signed By"

Hollis Singh
Secretary

HS/nac

c.c. Mr. Bob Peters, Board Counsel


Manitoba Hydro
Centra Gas Manitoba Ltd. (Transmission, distribution and retail sale of natural gas)
Minell Pipelines Ltd. (Operate gas pipeline in Saskatchewan and Manitoba)
Manitoba Hydro Utility Services Ltd. (Gas/Electric meter reading and other services)
Teshmont LP Holdings Ltd. (Holding company for Manitoba Hydro's 40% interest in Teshmont)
Manitoba Hydro International Ltd. (International utility management and services)
Wuskwatim Power Limited Partnership (Limited Partner for Wuskwatim G.S.)
5022649 Manitoba Ltd. (General Partner for Wuskwatim partnership)
Keeyask Hydropower Limited Partnership (Limited Partner for Keeyask G.S.)
5900345 Manitoba Ltd. (General Partner of Keeyask Hydropower Limited Partnership)
4985371 Manitoba Ltd. (Holding company for head office building)
6690271 Manitoba Ltd. (Holding company for Manitoba Hydro's interest in U.S. transmission line)
Legend
Wholly Owned
Partial Interest

Corporate Overview MFR 5

Detail of all related party transactions with Subsidiaries for the last three fiscal years.

Summaries of all related party transactions between Manitoba Hydro and affiliated entities are provided below. All amounts are provided in thousands of dollars unless otherwise noted.

Minell Pipelines Ltd.

The services provided by Manitoba Hydro to Minell Pipelines consist mainly of labour such as general pipeline maintenance. Minell has a line of credit arrangement with Manitoba Hydro. Funds advanced under this agreement have no fixed terms of repayment and bear interest at the average one-month banker's acceptance rate.

	2011/12	2012/13	2013/14
Activities charged by MH	9	39	64
Interest charged by MH	18	17	14
Advance from Parent	1 046	1 117	1 725

Teshmont Holdings Inc.

Teshmont Holdings Inc. was established as a holding company to acquire a 40% ownership of Teshmont Consultants Limited Partnership (TCLP). Teshmont Consultants Limited Partnership provides engineering related consulting services to Manitoba Hydro.

	2011/12	2012/13	2013/14
Consulting Services	6 795	5 280	3 592

Manitoba Hydro Utilities Services (MHUS)

MHUS provides Manitoba Hydro and its wholly owned subsidiary Centra Gas Manitoba Inc. with meter reading, interactive voice response systems and other contracted services. The General Manager and the Finance & Administration Coordinator are seconded from Manitoba Hydro. MHUS is charged for these positions consistent with charges for seconded employees. MHUS leases its premises from Manitoba Hydro, and is charged on a cost recovery basis.

	2011/12	2012/13	2013/14
Admin expense charged by MH	287	266	212
Services provided to MH	5 428	4 618	4 909
Rent charged by MH	12	12	15

Manitoba Hydro International (MHI)

MHI currently has four business segments, International Utility Services, Manitoba HVDC Research Centre, W.I.R.E. Services and Telecom Services. International Utility Services provides professional consulting, training and electricity infrastructure management services primarily to developing markets. The Manitoba HVDC Centre provides technology products, research and development and engineering services to the electrical power system industry. W.I.R.E. Services provides aerial LiDAR data collection and analysis to determine transmission line thermal ratings. Telecom Services provides state of the art broadband telecommunication solutions for telecom carriers, internet service providers and large commercial customers.

The staffing provided by Manitoba Hydro for the execution of contracts and management of its operations is billed to MHI consistent with charges for seconded employees. During the normal course of business, MHI provides services to Manitoba Hydro and MHI pays for the rental of fibre strands from Manitoba Hydro.

	2011/12	2012/13	2013/14
Payroll charged by MH	1 771	2 336	2 302
Fibre rental charged by MH	464	475	521
Services charged to MH	1 965	5 264	3 105

Centra Gas Manitoba Inc.

Centra's short-term funding is financed by Manitoba Hydro with interest calculated monthly at floating rates with no fixed repayment terms. Manitoba Hydro has also provided long-term advances to Centra Gas with various interest rates and repayment terms. The following amounts are provided in millions of dollars.

	2011/12	2012/13	2013/14
Operating & Admin charged by MH	62	64	67
Interest charged by MH	19	18	16
Common asset depreciation to Centra	5	6	5
Common asset depreciation from Centra	1	1	1
Due to Parent	14	26	34
Long term debt	298	295	305

Wuskwatim Power Limited Partnership (WPLP)

The Wuskwatim Power Limited Partnership was formed on December 9, 2004 to carry on the business of developing, owning and operating the Wuskwatim hydroelectric generating station and related works excluding the transmission facilities but including all dams, dikes, channels, excavations and roads to be located at Taskinigahp Falls near Wuskwatim Lake.

WPLP has entered into various agreements with Manitoba Hydro to provide services to the partnership. The following agreements are currently in effect:

a) the Construction Agreement, whereby Manitoba Hydro will construct the Wuskwatim Generating Station and related works;
b) the Interconnection and Operating Agreement, whereby Manitoba Hydro will connect the Wuskwatim generating station to Manitoba Hydro's integrated power system;
c) the Management Agreement, whereby Manitoba Hydro will provide administrative and management functions to WPLP; and
d) the Project Financing Agreement, whereby Manitoba Hydro will provide debt financing to WPLP.

The following amounts are in millions of dollars:

	2011/12	2012/13	2013/14
Amounts paid to MH - Construction Agreement	156	87	22
Amounts paid to MH - Interconnection	27	14	(1)
Amounts paid to MH - Management Agreement	3	3	1
Amounts received from MH - Power Purchase Agreement	-	25	47
Operating & Admin charged by MH	-	5	11
Interest charged by MH	-	41	71
Water rentals charged by MH	-	3	5
Long term debt (due to MH)	1 201	1 288	1 350
Interest payable on long term debt	17	16	17
Equity contributions received from MH and the GP	26	16	2

Financial Statements

Centra Gas Manitoba Inc.

March 31, 2013

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Centra Gas Manitoba Inc.

We have audited the accompanying financial statements of **Centra Gas Manitoba Inc.**, which comprise the balance sheet as at March 31, 2013 and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Centra Gas Manitoba Inc.** as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
June 26, 2013.

Chartered Accountants

CENTRA GAS MANITOBA INC.
STATEMENT OF INCOME (LOSS)
For the year ended March 31

	Notes	2013	2012
		millions of dollars	
Revenues			
Commodity		**182**	197
Distribution		**146**	131
		328	328
Cost of gas sold		**182**	197
		146	131
Other income		**1**	1
		147	132
Expenses			
Operating and administrative	3	**64**	62
Finance expense	3 & 4	**18**	19
Depreciation and amortization		**27**	26
Capital and other taxes		**18**	19
Corporate allocation	5	**12**	12
		139	138
Net Income (Loss)		**8**	(6)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RETAINED EARNINGS
For the year ended March 31

	2013	2012
	millions of dollars	
Retained earnings, beginning of year	**34**	40
Net income (loss)	**8**	(6)
Retained earnings, end of year	**42**	34

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.

BALANCE SHEET

As at March 31

	Notes	2013	2012
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	**661**	637
Less accumulated depreciation	6	**232**	224
		429	413
Construction in progress	6	**2**	2
		431	415
Current Assets			
Accounts receivable and accrued revenue		**76**	47
Gas in storage		**21**	41
		97	88
Other Assets			
Regulated assets	7	**78**	77
Intangible assets	8	**8**	8
		86	85
		614	588
Liabilities and Shareholder's Equity			
Long-Term Debt	9	**295**	235
Current Liabilities			
Due to parent	10	**26**	14
Accounts payable and accrued liabilities	11	**76**	70
Current portion of long-term debt	9	**-**	63
		102	147
Other Liabilities			
Refundable advances from customers		**21**	18
		21	18
Contributions in Aid of Construction		**33**	33
Shareholder's Equity			
Share capital	14	**121**	121
Retained earnings		**42**	34
		163	155
		614	588

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2013	2012
	millions of dollars	
Operating Activities		
Cash receipts from customers	**294**	389
Cash paid to suppliers	**(239)**	(320)
Interest paid	**(20)**	(20)
Cash provided by operating activities	**35**	49
Financing Activities		
Long-term repayments to parent	**(63)**	-
Long-term advances from parent	**60**	-
Short-term advances from (repayments to) parent	**12**	(6)
Cash provided by (used for) financing activities	**9**	(6)
Investing Activities		
Property, plant and equipment, net of contributions	**(34)**	(31)
Other	**(10)**	(12)
Cash used for investing activities	**(44)**	(43)
Net change in cash and cash equivalents	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**-**	-

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – Centra Gas Manitoba Inc. (Centra) distributes natural gas to more than 269 000 residential, commercial and industrial customers throughout Manitoba. Centra delivers natural gas to its customers through a network of transmission pipelines and distribution mains totaling approximately 9 300 kilometers in length. Centra is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and is regulated by the Public Utilities Board of Manitoba (PUB).

Basis of Presentation – The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook, "Pre-Changeover Accounting Standards" and include the significant accounting policies described hereafter.

Rate-Regulated Accounting - The prices charged for the sale of natural gas within Manitoba are subject to review and approval by the PUB. The rate-setting process is designed such that rates charged to gas customers recover all costs incurred in providing gas service to customers. As permitted under GAAP, Centra applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Centra applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Centra refers to such deferred costs or credits as regulated assets (Note 7) or regulated liabilities (Note 11) which are generally comprised of the following:

- Power Smart programs - The costs of Centra's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Deferred taxes - As a result of its acquisition by Manitoba Hydro in 1999, Centra became non-taxable and, in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

- Site restoration costs - Site restoration costs incurred are deferred and amortized on a straight-line basis over a period of 15 years.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.

Centra's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The range of estimated service lives of each major asset category is as follows:

Distribution	5 - 65 years
General plant	10 - 45 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by Centra.

c) **Intangible Assets**
Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost. The cost of computer application development includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer application development	10 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by Centra.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

d) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Gas in Storage**
Gas in storage is valued at average cost.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

i) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Centra has no items related to OCI, comprehensive income for the year is equivalent to net income.

j) **Foreign Currency Translation**
Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Gains or losses related to natural gas storage purchases which arise from the date of receipt to date of payment are included as inventoried cost. All other exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

k) **Derivatives**
Centra does not engage in derivative trading or speculative activities. Centra mitigates natural gas price volatility to customers through the use of natural gas price swaps. Fixed price swaps are carried at fair value on the balance sheet with gains and losses recorded in income.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

l) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

m) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Overhead Rate Estimate
Centra's policy is to include a proportionate share of overhead costs in property, plant and equipment based on overhead rate studies that are performed annually. In 2012, Centra revised its overhead rate estimate to remove information technology infrastructure and related support costs and common building depreciation and operating costs. This change in estimate was applied prospectively effective April 1, 2012 and resulted in a $2 million increase in operating and administrative expense in 2012-13.

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Centra would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Centra include property, plant and equipment, regulatory assets and liabilities and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of IFRS*.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus *Improvements to IFRS*, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Centra intends to apply this exemption.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – *Accounting*; allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of Part I IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Centra meets the AcSB criteria for deferral and intends to adopt Part I IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On April 25, 2013, the IASB issued the Exposure Draft, "Regulatory Deferral Accounts". The Exposure Draft proposes an interim standard intended to allow entities that are first–time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in changes to existing IFRS prior to the commencement of Centra's 2015-16 fiscal year. Centra continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 3 RELATED PARTY TRANSACTIONS

Centra has related party transactions with its parent which are recorded at the exchange amount. The following transactions are in addition to those disclosed elsewhere in the financial statements:

	2013	2012
	millions of dollars	
Expense		
Net operating and administrative costs	**64**	62
Interest on advances from parent	**18**	19

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 4 FINANCE EXPENSE

	2013	2012
	millions of dollars	
Interest on debt	**21**	22
Interest capitalized	**(3)**	(3)
	18	19

Included in interest on debt is $3 million (2012 - $3 million) in respect of the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2012 – 1.0%).

NOTE 5 CORPORATE ALLOCATION

Financing costs related to the acquisition of Centra are allocated between gas and electricity operations in accordance with the synergies and benefits derived by each segment of the business at the time of acquisition.

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
	millions of dollars			*millions of dollars*		
Distribution	**648**	**223**	**2**	623	215	2
General plant	**13**	**9**	**-**	14	9	-
	661	**232**	**2**	637	224	2

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 7 REGULATED ASSETS

	2013	2012
	millions of dollars	
Power Smart programs	**46**	44
Deferred taxes	**29**	30
Site restoration costs	**2**	2
Regulatory costs	**1**	1
	78	77

If Centra was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and the net income for 2013 would have decreased by $1 million (2012 – net loss increased by $2 million).

In total, regulated assets of $11 million (2012 - $10 million) were amortized to operations during the period.

NOTE 8 INTANGIBLE ASSETS

	2013			2012		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
		millions of dollars			*millions of dollars*	
Computer application development	**8**	**4**	**4**	7	3	4
Land easements	**5**	**1**	**4**	5	1	4
	13	**5**	**8**	12	4	8

The additions to intangible assets for the year were $1 million (2012 - $1 million). In total, intangible assets of $1 million (2012 - $2 million) were amortized to operations during the period.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 9 LONG-TERM DEBT

	2013	2012
	millions of dollars	
Long-term advances from parent	**295**	298
Less: Current portion of long-term debt	**-**	(63)
	295	235

Debt principal amounts and related yields are summarized by fiscal years in which advances are required to be repaid in the following table:

	2013		2012
	Total principal amount of repayment	Weighted average yield rate	Total principal amount of repayment
	millions of dollars		*millions of dollars*
2015	**35**	**1.74%**	35
2019-2023	**20**	**3.18%**	-
2024-2028	**-**	**-**	-
2029-2033	**60**	**5.57%**	30
2034-2038	**130**	**4.40%**	110
2039-2043	**50**	**4.43%**	60
	295	**4.56%**	235

NOTE 10 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated at the three-month T-Bill rate plus a 1% Provincial Guarantee Fee on the outstanding balance. The effective rate for fiscal year 2013 was 0.95% (2012 – 0.90%). There are no fixed repayment terms.

NOTE 11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
	millions of dollars	
Accounts payable and accrued liabilities	**52**	40
Regulated liabilities		
Purchased gas variance accounts	**24**	30
	76	70

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Centra passes costs related to the purchase and transportation of natural gas onto its customers without markup. If Centra was not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. For fiscal year 2013, if actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $6 million (2012 - net loss decreased by $17 million).

NOTE 12 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Centra's non-derivative financial instruments at March 31 were as follows:

	2013		2012	
Financial instruments	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Loans and Receivables				
Accounts receivable and accrued revenue	**76**	**76**	47	47
Other Financial Liabilities				
Long-term debt	**295**	**337**	298	330
Accounts payable and accrued liabilities	**76**	**76**	70	70
Due to parent	**26**	**26**	14	14

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of long-term debt which is a Level 2 measurement. Fair value measurement of Centra's long-term debt is based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Financial Risks

During the normal course of business, Centra is exposed to a number of financial risks including credit and liquidity risks, and market risk resulting from fluctuations in interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by Centra, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Centra Gas Board, to ensure the adequacy of the risk management framework in relation to the risks faced by Centra. The nature of the financial risks and Centra's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Exposure to credit risk related to accounts receivable arising from natural gas sales is minimized due to a large and diversified customer base.

The value of Centra's aged accounts receivable for customers and related bad debt provisions are presented in the following table:

	2013	2012
	millions of dollars	
Under 30 days	**71**	42
30 to 60 days	**4**	3
Over 60 days	**3**	4
	78	49
Provision at end of period	**(2)**	(2)
Total accounts receivable	**76**	47

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible. There was no significant change to the allowance for doubtful accounts from last year.

To mitigate credit risk related to the use of derivative instruments, Centra adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The maximum exposure to credit risk related to Centra's derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, Centra uses cash generated from operations, as well as short-term funding and long-term advances from Manitoba Hydro.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2014	2015	2016	2017	2018	2019 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	76	76	-	-	-	-	-
Due to parent	26	26	-	-	-	-	-
Long-term debt*	295	13	48	12	12	12	458
Derivative financial liabilities							
Fixed price swap contracts	-	-	-	-	-	-	-
		115	48	12	12	12	458

*including current portion and interest payments

c) **Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Centra is exposed to interest rate risk and commodity price risk associated with the price of natural gas.

i. Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Centra is exposed to interest rate risk associated with amounts due to the parent company, floating rate long-term debt, fixed rate long-term debt maturing within 12 months, and the purchased gas variance accounts, offset by the change in interest capitalization. At March 31, 2013, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $1 million (2012 - $1 million).

ii. Commodity Price Risk
Centra is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk for its fixed rate service with the use of natural gas price swaps. Centra does not use derivative contracts for trading or speculative purposes.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Centra has entered into natural gas price swaps until July 2016 to purchase 231 510 gigajoules of natural gas at a weighted average fixed price of $5.12/GJ. The weighted average forward price of the swaps per AECO at March 31, 2013 was $3.67/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

The unrealized fair value losses of these natural gas derivative contracts as at March 31 are as follows:

	2013	2012
	millions of dollars	
Fixed price swap contracts	-	(1)

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2013.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of $136 million (2012 – $39 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2020.

Centra has various legal and operational matters pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Centra's financial position or results of operations.

NOTE 14 SHARE CAPITAL

	2013	2012
	millions of dollars	
Share capital		
Authorized		
Unlimited number of common shares		
Issued		
1 505 common shares	**121**	121
	121	121

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 15 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure sufficient retained earnings to enable it to absorb the financial effects of adverse circumstances. Centra's capital requirements are met through cash generated from operations as well as short-term funding and long-term advances from its parent company, the Manitoba Hydro-Electric Board.

NOTE 16 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2012 have been reclassified in order to conform to the presentation adopted in 2013.

Financial Statements

Wuskwatim Power Limited Partnership

March 31, 2013

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Partners of
Wuskwatim Power Limited Partnership

We have audited the accompanying financial statements of **Wuskwatim Power Limited Partnership**, which comprise the balance sheet as at March 31, 2013, and the statements of loss, partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Wuskwatim Power Limited Partnership** as at March 31, 2013, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Winnipeg, Canada,
July 25, 2013.

Chartered Accountants

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF LOSS
For the year ended March 31, 2013

	Notes	**2013**	2012
		millions of dollars	
Revenue		**25**	-
Expenses			
Operating and administrative		**5**	-
Finance expense	3	**41**	-
Depreciation		**12**	-
Amortization		**4**	-
Water rentals	4	**3**	-
		65	-
Net Loss		**(40)**	-

The accompanying notes are an integral part of the financial statements.

WUSKWATIM POWER LIMITED PARTNERSHIP
BALANCE SHEET
As at March 31, 2013

	Notes	2013	2012
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	5	**1 325**	-
Less accumulated depreciation	5	**12**	-
		1 313	-
Construction in progress	5	**1**	1 259
		1 314	1 259
Intangible Assets			
In service	6	**303**	-
Less accumulated amortization	6	**4**	-
		299	-
Work in progress	6	**-**	296
		299	296
Current Assets			
Term investment	7	**1**	1
Accounts receivable	8	**4**	-
Prepaids	9	**4**	2
		9	3
		1 622	1 558
Liabilities and Equity			
Current Liabilities			
Accounts payable		**31**	37
Interest payable	10	**16**	17
		47	54
Long-Term Debt	11	**1 288**	1 201
Total Liabilities		**1 335**	1 255
Partners' Capital	12	**287**	303
		1 622	1 558

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of WPLP
(5022649 Manitoba Ltd.)

Darren B. Rainkie, CA
Treasurer and Chair of the Audit Committee

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL
For the year ended March 31, 2013

	March 31 2012	Contributions	Net Loss	**March 31 2013**
		millions of dollars		
General Partner (5022649 Manitoba Ltd.)	-	-	-	**-**
Manitoba Hydro	203	16	(27)	**192**
Taskinigahp Power Corporation	100	8	(13)	**95**
	303	24	(40)	**287**

The accompanying notes are an integral part of the financial statements.

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended March 31, 2013

	2013	2012
	millions of dollars	
Operating Activities		
Cash receipts from customers	**20**	-
Cash paid to suppliers	**(30)**	-
Interest paid	**(41)**	-
Cash used for operating activities	**(51)**	-
Financing Activities		
Proceeds from issue of units of WPLP	**24**	39
Proceeds from long-term debt	**87**	143
Cash provided by financing activities	**111**	182
Investing Activities		
Additions to property, plant and equipment	**(56)**	(156)
Additions to intangible assets	**(4)**	(27)
Term investment	**-**	1
Cash used for investing activities	**(60)**	(182)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**-**	-

The accompanying notes are an integral part of the financial statements.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

Wuskwatim Power Limited Partnership (WPLP or the Partnership) was formed on December 9, 2004 under the laws of Manitoba to carry on the business of developing, owning and operating the Wuskwatim hydroelectric generating station (the Project) and related works excluding the transmission facilities but including all dams, dikes, channels, excavations and roads to be located at Taskinigup Falls near Wuskwatim Lake.

An agreement was reached between Manitoba Hydro and Nisichawayasihk Cree Nation (NCN) on the development of the Project pursuant to a Project Development Agreement (the PDA) and the execution of the PDA was carried out on June 26, 2006. Initial Closing, as defined under the PDA, occurred on June 28 and 29, 2006. The parties to the PDA executed as a supplementary agreement to the PDA the Wuskwatim Project Development Supplementary Agreement on March 15, 2011. Manitoba Hydro and Taskinigahp Power Corporation (TPC) (owned beneficially by NCN) are limited partners of WPLP. The General Partner, which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in WPLP. TPC became a limited partner on June 28, 2006.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) Revenue

Manitoba Hydro purchases all the power from the Partnership under a Power Purchase Agreement. Revenue is billed when energy is generated and billed on a monthly basis.

c) Property, Plant and Equipment

Property, plant and equipment is stated at cost and interest applied at WPLP's average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction will cease, and depreciation and finance expense charged to operations will commence.

Depreciation is provided using the straight-line method over the following years to depreciate the assets over their estimated useful lives:

Generating station	20-125	years
Staff house	20-65	years

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

d) Intangible Assets

Intangible assets include contributions made to Manitoba Hydro for transmission lines. Intangible assets are recorded at cost and interest applied at WPLP's average cost of debt associated with the Interconnection Credit Facility. Once the associated transmission asset is in-service, finance expense allocated to the intangible asset will cease, and amortization and finance expense charged to operations will commence.

Amortization is provided using the straight-line method over the following years to amortize the assets over their estimated useful lives:

Transmission line	10-85	years

e) Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from those estimates, but differences are not expected to be material.

NOTE 3 FINANCE EXPENSE

	2013	2012
	millions of dollars	
Interest on debt	**66**	-
Interest capitalized	**(25)**	-
	41	-

Included in interest on debt is the Provincial Debt Guarantee Fee of 1.0% on the Non-Revolving Credit Facility, the Revolving Credit Facility and the Interconnection Credit Facility.

NOTE 4 WATER RENTALS

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Partnership's hydro-electric generating stations.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	In service	**Accumulated depreciation**	**Construction in progress**	In service	Accumulated depreciation	Construction in progress
			millions of dollars			
Generating station	**1 325**	**12**	**-**	-	-	1 259
Staff house	**-**	**-**	**1**	-	-	-
	1 325	**12**	**1**	-	-	1 259

On June 22, 2012, the first generator was put into service. This resulted in $354 million in transfers from construction in progress to property, plant and equipment. On August 22, 2012, the second generator was put into service. This resulted in an additional $520 million in transfers from construction in progress to property, plant and equipment. On October 6, 2012, the last generator was put into service. This resulted in an additional $439 million in transfers from construction in progress to property, plant and equipment. For the year ended March 31, 2013, $19 million (2012 - $46 million) in interest charges have been allocated to the generating station.

Manitoba Hydro is building the staff house in accordance with the Construction Agreement. Depreciation on the staff house will commence when it is in service (December 2014) and will be calculated on a straight-line remaining life basis.

NOTE 6 INTANGIBLE ASSETS

	2013			2012		
	In service	**Accumulated amortization**	**Work in progress**	In service	Accumulated amortization	Work in progress
			millions of dollars			
Transmission line	**303**	**4**	**-**	-	-	296

The intangible asset was moved from work in progress to in-service proportionate to the in-service of the three generating units.

The intangible asset represents amounts accrued or paid to Manitoba Hydro to develop the transmission facilities required to connect the Wuskwatim generating station to Manitoba Hydro's transmission system as specified in the Interconnection and Operating Agreement (IOA). Ownership of these facilities remain with Manitoba Hydro. For the year ended March 31, 2013, $6 million (2012 - $15 million) in interest charges have been allocated to this asset.

Contributions were made by WPLP to Manitoba Hydro according to a schedule included in the IOA. As at March 31, 2013, the excess of scheduled contributions over actual expenditures was recorded as a prepaid asset.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 7 TERM INVESTMENT

This balance represents an investment of $1 million (2012 - $1 million) in surplus cash plus accrued interest that Manitoba Hydro has invested on behalf of the Partnership. This investment is redeemable within two business days on demand and interest earned is based on the average interest rate earned by Manitoba Hydro on its trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment. The effective interest rate as at March 31, 2013 was 1.0% (2012 - 0.9%).

NOTE 8 ACCOUNTS RECEIVABLE

Accounts receivable consist of revenue receivable from Manitoba Hydro and amounts recoverable from the federal government for Goods and Services Tax (GST) paid both of which will be settled in approximately the following month.

NOTE 9 PREPAIDS

This balance represents the excess of scheduled contributions over actual expenditures of $4 million (2012 - $2 million) by WPLP to Manitoba Hydro for the construction of the transmission facilities. Contributions for the transmission facilities are based on the IOA, which differs from actual expenditures.

NOTE 10 INTEREST PAYABLE

Interest payable represents interest owing on the credit facilities and is comprised of the following:

	2013	2012
	millions of dollars	
Non-Revolving Credit Facility	**12**	12
Interconnection Credit Facility	**4**	5
	16	17

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 11 LONG-TERM DEBT

Manitoba Hydro will provide all debt financing for the Project through credit facilities to WPLP. The debt incurred by WPLP through these credit facilities matures 50 years after the in-service date of the first generator in the Project and bears interest at rates specified in the Project Financing Agreement. This debt is secured by the assets owned beneficially by WPLP up to a maximum of $1.3 billion as per the Demand Debenture executed on June 28, 2006 by the General Partner.

Long-term debt is comprised of the following:

	2013	2012
	millions of dollars	
Non-Revolving Credit Facility	**971**	897
Revolving Credit Facility	**13**	12
Interconnection Credit Facility	**304**	292
	1 288	1 201

The Non-Revolving and Revolving Credit Facilities consist of Manitoba Hydro advances received by WPLP to fund a portion of the total capital cost related to the Wuskwatim generating station. Non-revolving advances are limited to an amount that cannot exceed 75% of the total capital cost less any advances received through revolving advances, except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. The interest rates on the Non-Revolving and Revolving Credit Facility advances are based on Manitoba Hydro's short-term borrowing cost or the one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee which was equal to 2.2% as at March 31, 2013 (2012 – 2.2%). The effective interest rate for the year was 5.2% (2012 – 5.4 %) for the Non-Revolving Credit Facility and 2.1% (2012 – 2.0%) for the Revolving Credit Facility.

Once the principal amount of the advances under the Non-Revolving Credit Facility exceed $200 million, the interest rate is converted to a fixed rate equal to the Canadian Thirty Year Rate, which includes a 1% Provincial Guarantee Fee, in effect on the conversion date. The first conversion date was February 13, 2008, at which time the Canadian Thirty Year Rate was 5.9%. The second conversion date was July 14, 2009, at which time the Canadian Thirty Year Rate was 5.9%. The third conversion date was June 11, 2010, at which time the Canadian Thirty Year Rate was 5.7%. The fourth conversion date was May 13, 2011, at which time the Canadian Thirty Year Rate was 5.4%.

The Interconnection Credit Facility consists of Manitoba Hydro advances received by the Partnership to fund the total capital cost to construct and install transmission facilities and interconnection system upgrades pursuant to the IOA with Manitoba Hydro. The interest rate on the Consolidated Interconnection Credit Facility is a fixed rate based on the weighted average of all Canadian Thirty Year Rates established for the Interconnection Credit Facility on June 29, 2012 and includes a 1.0% Provincial Guarantee Fee. The effective interest rate for the Interconnection Credit Facility for the year was 5.5% (2012 – 5.4%).

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Principal payments on these loans are as follows:

	Total
	millions of dollars
2014	-
2015	-
2016	-
2017	-
2018	-
2019-2063	**1 288**
	1 288

NOTE 12 PARTNERS' CAPITAL

Authorized: Unlimited number of limited partnership units at $1 000 each.
Issued: 326 750.000 limited partnership units at $1 000 each.

As at March 31, limited partnership units issued were as follows:

	2013	2012
	units	
General Partner (5022649 Manitoba Ltd.)	**32.675**	30.283
Manitoba Hydro	**218 889.825**	202 868.050
Taskinigahp Power Corporation	**107 827.500**	99 935.000
	326 750.000	302 833.333

During the year ended March 31, 2013, WPLP issued 23 916.667 limited partnership units. These units have no preference, exchange, pre-emptive or redemption rights.

NOTE 13 FINANCIAL RISKS

Credit Risk
Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. The Partnership's financial asset that is exposed to credit risk is accounts receivable. This risk is minimal as it mainly relates to accounts receivable arising from the sale of power to Manitoba Hydro.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Partnership is exposed to interest rate risk associated with debt financing provided by Manitoba Hydro through variable-rate credit facilities.

Liquidity Risk
Liquidity risk refers to the risk that the Partnership will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, the Partnership uses cash generated from operations and credit facilities provided by Manitoba Hydro (Note 11).

NOTE 14 RELATED PARTY TRANSACTIONS

WPLP separately identifies within its records all transactions with Manitoba Hydro at the exchange amount as determined by various agreements. As at March 31, the following balances and transactions relate to Manitoba Hydro:

	2013	2012
	millions of dollars	
Revenue	**25**	-
Expenses		
Operating and administrative	**5**	-
Finance expense (Note 3)	**41**	-
Water rentals (Note 4)	**3**	-
Term Investment (Note 7)	**1**	1
Accounts receivable (Note 8)	**4**	-
Accounts payable	**31**	37
Interest payable (Note 10)	**16**	17
Long-term debt (Note 11)	**1 288**	1 201

Amounts paid to Manitoba Hydro include $87 million (2012 - $156 million) relating to the generating station, $14 million (2012 - $27 million) related to the transmission line, and $4 million (2012 - $7 million) in GST that was recovered from the Canada Revenue Agency with the exception of the accounts receivable noted above. Amounts received from Manitoba Hydro includes $16 million (2012 - $26 million) in equity contributions from both Manitoba Hydro and its wholly owned subsidiary, the General Partner.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

WPLP has also entered into various agreements with Manitoba Hydro to provide services to the Partnership as follows:

a) the Construction Agreement, whereby Manitoba Hydro will construct the Wuskwatim generating station and related works;

b) the Project Financing Agreement, whereby Manitoba Hydro will provide debt financing to WPLP;

c) the Management Agreement, whereby Manitoba Hydro will provide administrative and management functions to WPLP;

d) the Maintenance and Operations Agreement, whereby Manitoba Hydro will provide all maintenance and on-site operations for the Wuskwatim generating station;

e) the IOA, whereby Manitoba Hydro will connect the Wuskwatim generating station to Manitoba Hydro's integrated power system;

f) the Systems Operation and Dispatch Agreement, whereby Manitoba Hydro will operate and dispatch the Wuskwatim generating station in an integrated fashion with Manitoba Hydro's integrated power system; and

g) the Power Purchase Agreement, whereby Manitoba Hydro will purchase from WPLP all of the power generated by the Wuskwatim generating station. WPLP is economically dependent on Manitoba Hydro as the sole purchaser of the power from Wuskwatim.

Amounts paid to Manitoba Hydro under the Management Agreement for the year ended March 31, 2013 totaled $3 million (2012 - $3 million).

NOTE 15 CAPITAL MANAGEMENT

Under the terms of the Wuskwatim PDA, WPLP maintains a 75:25 debt/equity ratio except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. Long-term debt financing is provided by Manitoba Hydro on an as-required basis. Manitoba Hydro also provides a $50 million revolving credit facility and a separate credit facility to finance the contributions to Manitoba Hydro for the construction of the transmission interconnection facilities necessary to connect the Wuskwatim generating station to the Manitoba Hydro system. The outstanding balance of this Interconnection Credit Facility is excluded from the calculation of the debt/equity ratio.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

WPLP's debt ratio as at March 31 was as follows:

	2013	2012
	millions of dollars	
Long-term debt	**984**	909
Less: Cash and cash equivalents and term investment	**(1)**	(1)
Net debt	**983**	908
Partners' Capital	**287**	303
Debt ratio	**77%**	75%

Financial Statements

Manitoba Hydro International Ltd.

March 31, 2013

Ernst & Young

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Manitoba Hydro International Ltd.

We have audited the accompanying consolidated financial statements of **Manitoba Hydro International Ltd.**, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Hydro International Ltd.** as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 26, 2013.

MANITOBA HYDRO INTERNATIONAL LTD.

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

	Notes	2013	2012
		thousands of dollars	
Revenues		**43 170**	31 822
Cost of Operations			
Staff		**14 272**	11 332
Other direct costs	2	**13 762**	8 125
		28 034	19 457
Operating Profit		**15 136**	12 365
Expenses			
Operating and administrative		**9 000**	7 635
Depreciation		**975**	627
Capital and other taxes		**239**	237
		10 214	8 499
Income before other items		**4 922**	3 866
Other Items			
Interest income		**47**	7
Interest expense		**(13)**	-
		34	7
Net Income		**4 956**	3 873

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2013	2012
	thousands of dollars	
Retained earnings, beginning of year	**19 508**	15 635
Net income	**4 956**	3 873
Retained earnings, end of year	**24 464**	19 508

The accompanying notes are an integral part of the consolidated financial statements.

MANITOBA HYDRO INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2013	2012
		thousands of dollars	
Assets			
Property, Plant and Equipment			
In service	4	**8 846**	7 259
Less accumulated depreciation	4	**1 678**	904
		7 168	6 355
Current Assets			
Cash	6	**4 090**	6 209
Cash - restricted	6	**4 460**	1 674
Accounts receivable and accrued revenue	7	**15 644**	10 131
Prepaid expenses		**3 855**	524
		28 049	18 538
Other Assets			
Intangible assets	5	**654**	641
		35 871	25 534
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable	7	**5 122**	2 580
Deferred revenue	9	**3 857**	967
		8 979	3 547
Long-Term Deferred Revenue	9	**1 267**	1 318
Shareholder's Equity			
Share capital	11	**1 161**	1 161
Retained earnings		**24 464**	19 508
		25 625	20 669
		35 871	25 534

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31

	2013	2012
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**40 496**	32 950
Cash paid to suppliers and employees	**(38 061)**	(27 092)
Interest received	**47**	7
Interest paid	**(13)**	-
Cash provided by operating activities	**2 469**	5 865
Investing Activities		
Additions to property, plant and equipment	**(1 587)**	(1 460)
Additions to intangible assets	**(215)**	(442)
Cash used for investing activities	**(1 802)**	(1 902)
Net increase in cash	**667**	3 963
Cash, beginning of year	**7 883**	3 920
Cash, end of year	**8 550**	7 883

The accompanying notes are an integral part of the consolidated financial statements.

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro International Ltd. (MHI), a wholly owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro), was incorporated in September 1998 and commenced operations April 1, 1999. As a wholly owned subsidiary of Manitoba Hydro, MHI is not subject to income taxes under Section 149(d) of the Income Tax Act (Canada), however MHI's foreign operations may be subject to income taxes in those jurisdictions.

MHI currently has four business segments, International Utility Services, Manitoba HVDC Research Centre, W.I.R.E. Services and Telecom Services. International Utility Services provides professional consulting, training and electricity infrastructure management services primarily to developing markets. The Manitoba HVDC Research Centre provides technology products, research and development and engineering services to the electrical power system industry. W.I.R.E. Services provides aerial LiDAR data collection and analysis to determine transmission line thermal ratings. Telecom Services provides state of the art broadband telecommunication solutions for telecom carriers, internet service providers and large commercial customers.

The consolidated financial statements include the accounts of MHI and its Nigerian and United Arab Emirates subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook – Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the following years to depreciate the assets over their estimated useful lives:

Leasehold improvements	20 years
Furniture and fixtures	20 years
Office, research, computer and telecom equipment	5 years

c) **Intangible Assets**

Intangible assets include computer software. They are recorded at cost and are amortized over their useful lives on a straight-line basis. The expected useful life is as follows:

Computer software	5 years

d) **Revenue Recognition**

Revenue is recognized when services are provided or goods are shipped to the customer. Revenue from maintenance and lease contracts is recognized on a straight-line basis over the term of the contract.

The company recognizes revenue from fixed priced contracts under the percentage-of-completion method. The percentage of completion is determined by comparing the costs incurred as at the consolidated balance sheet date to the total estimated costs, which included costs incurred plus anticipated costs for completing a contract.

e) **Foreign Exchange**

Monetary items denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing at the consolidated balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing at the date of the transaction. Foreign exchange gains and losses are included in income.

MHI's integrated foreign subsidiaries, located in Nigeria and the United Arab Emirates, are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the consolidated balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Exchange gains or losses arising from the translation are included in operations.

f) **Research and Development Expenses**

Research expenses are charged to income in the year they are incurred. Development costs are charged to operations in the period of the expenditure unless a development project meets the criteria under GAAP for deferral and amortization.

g) **Other Direct Costs**

Other direct costs include transportation, accommodations, rents, project equipment, logistics, project bad debt expense, and other.

h) **Use of Estimates**

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates. Key areas of estimation requiring management to make subjective judgements of matters that are inherently uncertain include the estimates for uncollectible accounts, provision for the useful lives of property, plant and equipment and intangibles. Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

NOTE 3 OPERATING LINE OF CREDIT

Manitoba Hydro provides MHI with a $1 million revolving line of credit to be used to fund its operations. The line of credit is payable on demand and bears interest at the average one-month Bankers' Acceptance rate. The effective rate for the fiscal year 2013 was nil (2012- nil). The amount outstanding on this operating line of credit as at March 31, 2013 is nil (2012 - nil).

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

			2013
	In service	**Accumulated depreciation**	**Net book value**
		thousands of dollars	
Leasehold improvements	**3 561**	**524**	**3 037**
Furniture and fixtures	**704**	**113**	**591**
Office, research, computer and telecom equipment	**4 581**	**1 041**	**3 540**
	8 846	**1 678**	**7 168**

			2012
	In service	Accumulated depreciation	Net book value
		thousands of dollars	
Leasehold improvements	3 540	347	3 193
Furniture and fixtures	688	78	610
Office, research, computer and telecom equipment	3 031	479	2 552
	7 259	904	6 355

Included in the cost above is $606 thousand (2012 - $587 thousand) of computer equipment costs which have not been amortized as these assets were not placed in use as of year end.

NOTE 5 INTANGIBLE ASSETS

			2013
	In service	**Accumulated amortization**	**Net book value**
		thousands of dollars	
Computer software	**1 067**	**413**	**654**
	1 067	**413**	**654**

			2012
	In service	Accumulated amortization	Net book value
		thousands of dollars	
Computer software	852	211	641
	852	211	641

The additions to intangible assets for the year totaled $215 thousand (2012 - $442 thousand). In total, intangible assets of $202 thousand (2012 - $123 thousand) were amortized to operations during the period.

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2013

NOTE 6 CASH

	2013	2012
	thousands of dollars	
Cash - Canadian bank accounts	**3 916**	6 197
Cash - Overseas bank accounts	**174**	12
	4 090	6 209
Cash - Restricted	**4 460**	1 674
	8 550	7 883

Cash in overseas bank accounts includes funds deposited in foreign currencies in countries other than Canada. Restricted cash relates to deposits held for letters of guarantees for customer contracts. Cash balances earn interest at various rates based on monthly average balances. The effective interest rate for 2013 averaged 0.7% (2012 – 0.5%).

NOTE 7 RELATED PARTY TRANSACTIONS

During the normal course of business, MHI provided $5 264 thousand (2012 - $1 965 thousand) in services to Manitoba Hydro. During the year, Manitoba Hydro provided staffing to MHI at a cost recovery of $2 336 thousand (2012 - $1,771 thousand). MHI paid $475 thousand (2012 - $464 thousand) of expenses pertaining to the rental of fibre strands from Manitoba Hydro. MHI paid nil (2012 - nil) interest on its operating line of credit to Manitoba Hydro. Included in accounts payable is $1 505 thousand (2012 - $362 thousand) owing to Manitoba Hydro. Included in accounts receivable is $740 thousand (2012 - $753 thousand) owing from Manitoba Hydro. Related party transactions are recorded at the exchange amount.

NOTE 8 LEASE COMMITMENTS

As at March 31, 2013, future minimum annual lease payments committed under operating leases over the next five years are as follows:

Years 1-2	$554 thousand per year
Years 3-5	$592 thousand per year

NOTE 9 DEFERRED REVENUE

Deferred revenue pertains to the deferral of revenue from advance payments from customers. The associated revenue is recognized when the services are provided.

	2013	2012
	thousands of dollars	
Short-Term		
Software maintenance contracts	**645**	794
Dark fibre lease payment	**76**	76
Annual fibre lease contracts	**99**	97
Advance payments from international contracts	**3 037**	-
	3 857	967
Long-Term		
Software maintenance contracts	**394**	369
Dark fibre lease payment	**873**	949
	1 267	1 318
Total	**5 124**	2 285

NOTE 10 FINANCIAL RISKS

MHI is exposed to interest rate, foreign exchange, credit and liquidity risks. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by MHI, to set risk tolerance limits, to establish controls and to monitor risk and adherence to policies. The risk management plan is designed to ensure MHI's risks and exposures are in line with MHI's business objectives and risk tolerances. The nature of the financial risks and MHI's strategy for managing these risks has not changed significantly from the prior year.

Interest Rate Risk

Interest rate risk is associated with variable interest rates paid to the parent company, the Manitoba Hydro-Electric Board. The amount due to parent was nil at March 31, 2013 (2012 - nil).

Foreign Exchange Risk

Financial risk to MHI's operations arises from fluctuations in exchange rates and the volatility in these rates. MHI does not use derivative instruments to reduce its exposure to foreign currency risk. While MHI generates sales in a variety of countries, the sales contracts are based in Canadian dollars, U.S. dollars, Saudi Arabia Riyals, or Euros in order to reduce financial risk of foreign exchange.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. As at March 31, 2013, MHI is exposed to credit risk from customers in geographic areas primarily in Canada, Africa, Saudi Arabia, the United States, and Europe. MHI mitigates credit risk through the establishment of working relationships with customers and government agencies, and diversification to eliminate significant credit risk concentration.

Liquidity Risk

Liquidity risk refers to the risk that MHI will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, MHI uses cash generated from operations and has access to an operating line of credit from Manitoba Hydro. All accounts payable are due within 30 days of year end. See Note 8 for details of other contractual obligations and their maturities.

NOTE 11 SHARE CAPITAL

Unlimited number of common shares authorized and one common share issued. Shares in the capital of MHI cannot be sold, assigned, transferred or otherwise disposed of unless Manitoba Hydro will, after the disposition, continue to own directly or indirectly all of MHI's shares.

NOTE 12 PENSION PLAN

MHI has a defined contribution pension plan for its employees. MHI's contribution and expense for the year amounted to $200 thousand (2012 - $168 thousand) which is included in operating and administrative expenses. MHI does not carry any pension obligation on its financial statements for its defined contribution plan.

Unaudited Financial Statements of

TESHMONT LP HOLDINGS LTD.

March 31, 2013

TESHMONT LP HOLDINGS LTD.
STATEMENT OF INCOME (UNAUDITED)
For the year ended March 31

	2013	2012
	thousands of dollars	
Revenue		
Partnership income	**436**	645
Interest income	**15**	13
	451	658
Expenses	**12**	10
Net Income	**439**	648

STATEMENT OF RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	Notes	**2013**	2012
		thousands of dollars	
Retained earnings as previously reported		**5 072**	3 952
Adoption of new accounting standards by Teshmont LP	3	**-**	472
Retained earnings, beginning of year		**5 072**	4 424
Net income as restated	3	**439**	648
Retained earnings, end of year		**5 511**	5 072

TESHMONT LP HOLDINGS LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2013	2012
		thousands of dollars	
Assets			
Current Assets			
Cash		**18**	10
Term investments	4	**2 256**	1 662
		2 274	1 672
Other Assets			
Investment in partnership	5	**3 237**	3 400
		5 511	5 072
Shareholder's Equity			
Share capital		**-**	-
Retained earnings		**5 511**	5 072
		5 511	5 072
		5 511	5 072

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

TESHMONT LP HOLDINGS LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2013	2012
	thousands of dollars	
Operating Activities		
Proceeds from partnership income	**599**	400
Interest received	**15**	13
Cash paid to suppliers	**(12)**	(10)
Cash provided by operating activities	**602**	403
Investing Activities		
Term investments	**(594)**	(403)
Cash used for investing activities	**(594)**	(403)
Net increase in cash	**8**	-
Cash, beginning of year	**10**	10
Cash, end of year	**18**	10

The accompanying notes are an integral part of the financial statements.

TESHMONT LP HOLDINGS LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

Teshmont LP Holdings Ltd. (Teshmont Holdings) was established February 14, 2003 as a holding company of Manitoba Hydro to acquire a 40% ownership of Teshmont Consultants Limited Partnership (Teshmont LP), which carries on a high voltage engineering and consulting practice.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

(b) **Revenue Recognition**

The investment in Teshmont LP is accounted for by the equity method.

(c) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial Instruments classified as other financial liabilities are measured at amortized cost using the effective method of amortization. Held-for-trading financial instruments are measured at fair value.

(d) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

TESHMONT LP HOLDINGS LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 3 ADOPTION OF NEW ACCOUNTING STANDARDS BY TESHMONT LP

During the year ended September 30, 2012, Teshmont LP adopted Part II of the CICA Handbook – Accounting Standards for Private Enterprises. Teshmont LP has elected to adopt the exemption available under Section 1500, *First-time Adoption*, to measure its land and buildings at fair value to prepare its opening balance sheet as at October 1, 2010. The impact of this revaluation was to increase Teshmont LP's Partners' Equity by $1 180 thousand at October 1, 2010 and to reduce expenses by $7 thousand for its year ended September 30, 2011.

Teshmont Holdings has accounted for these changes as a $472 thousand increase to opening retained earnings and the investment in the partnership as at April 1, 2011 and as an increase in net income of $3 thousand for the 2011-12 fiscal year.

NOTE 4 TERM INVESTMENTS

Term investments include surplus cash of $2 256 thousand (2012 - $1 662 thousand) Manitoba Hydro has invested on behalf of Teshmont Holdings. The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

NOTE 5 INVESTMENT IN PARTNERSHIP

Teshmont Holdings investment in Teshmont LP is accounted for by the equity method where partnership income increases the investment and profit distributions decrease the investment.

	2013	2012
	thousands of dollars	
Opening Investment - restated	**3 400**	2 683
Parternship Income	**436**	645
Gain on Revaluation of Land and Buildings	**-**	472
Distributions Received	**(599)**	(400)
Ending Investment	**3 237**	3 400

TESHMONT LP HOLDINGS LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 6 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2012 have been reclassified in order to conform to the presentation adopted in 2013.

Financial Statements

Minell Pipelines Ltd.

March 31, 2013

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Minell Pipelines Ltd.

We have audited the accompanying financial statements of **Minell Pipelines Ltd.**, which comprise the balance sheet as at March 31, 2013, and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Minell Pipelines Ltd.** as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 26, 2013.

MINELL PIPELINES LTD.
STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS
For the year ended March 31

	Notes	2013	2012
		thousands of dollars	
Revenues			
Rental of gas transmission facilities	8	**198**	198
Expenses			
Operating and administrative	8	**48**	18
Finance expense	4	**17**	18
Depreciation and amortization		**39**	39
Capital and other taxes		**130**	122
		234	197
Net Income (Loss)		**(36)**	1
Retained earnings, beginning of year		**129**	128
Retained earnings, end of year		**93**	129

The accompanying notes are an integral part of the financial statements.

MINELL PIPELINES LTD.
BALANCE SHEET
As at March 31

	Notes	2013	2012
		thousands of dollars	
Assets			
Property, Plant and Equipment			
In service	5	**1 833**	1 833
Less accumulated depreciation	5	**863**	823
		970	1 010
Construction in progress	5	**243**	150
		1 213	1 160
Current Assets			
Prepaid expenses		**2**	2
Other Assets			
Regulated assets	6	**320**	340
		1 535	1 502
Liabilities and Shareholder's Equity			
Current Liabilities			
Due to parent	7	**1 117**	1 046
Accounts payable and accrued liabilities		**24**	25
		1 141	1 071
Contributions in Aid of Construction		**16**	17
Shareholder's Equity			
Share capital	10	**285**	285
Retained earnings		**93**	129
		378	414
		1 535	1 502

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MINELL PIPELINES LTD.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2013	2012
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**198**	198
Cash paid to suppliers	**(159)**	(116)
Interest paid	**(17)**	(18)
Cash provided by operating activities	**22**	64
Financing Activities		
Advance from parent company	**71**	1
Cash provided by financing activities	**71**	1
Investing Activities		
Additions to capital assets, net of contributions	**(93)**	(65)
Cash used for investing activities	**(93)**	(65)
Net change in cash	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**-**	-

The accompanying notes are an integral part of the financial statements.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

Minell Pipelines Ltd. (Minell) operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba. This transmission system is approximately 70 kilometers in length and is used solely for the transportation of natural gas on behalf of Centra Gas Manitoba Inc. (Centra). Minell is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board and is regulated by the National Energy Board (NEB).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook, "Pre-Changeover Accounting Standards" and include the significant accounting policies described hereafter.

Rate Regulated Accounting - The rental charged for gas transmission facilities is subject to regulation by the NEB. The rate-setting process ensures that rates charged to customers recover all costs incurred in providing service. As permitted under Canadian GAAP, Minell applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Minell applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Minell refers to such deferred costs or credits as regulated assets (Note 6) or liabilities which are comprised of the following:

- Deferred taxes - As a result of the change in ownership in 1999, Minell became non-taxable and in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

Minell's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Natural gas transmission systems and buildings and equipment are recorded at cost, which includes interest and overhead amounts capitalized during the construction period. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

Depreciation is calculated on a straight-line basis at rates varying from 2.0% to 2.5% based on the estimated useful lives of the assets.

b) **Contributions in Aid of Construction**
Contributions in aid of construction are non-refundable contributions from customers in support of specific transmission facilities. These amounts are amortized to income at rates that correspond with the depreciation rates of the related assets.

c) **Revenue**
Revenue for the use of transmission facilities is from a related party and is recognized on a monthly basis.

d) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.

e) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Minell has no items related to OCI, comprehensive income for the year is equivalent to net income.

f) **Use of Estimates**
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Minell would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Minell include property, plant

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

and equipment, regulatory assets and liabilities and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of IFRS*.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus *Improvements to IFRS*, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Minell intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – *Accounting*; allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of Part I IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Minell meets the AcSB criteria for deferral and intends to adopt Part I IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On April 25, 2013, the IASB issued the Exposure Draft, "Regulatory Deferral Accounts". The Exposure Draft proposes an interim standard intended to allow entities that are first–time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in changes to existing IFRS prior to the commencement of Minell's 2015-16 fiscal year. Minell continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 4 FINANCE EXPENSE

	2013	2012
	thousands of dollars	
Interest on amount due to parent	21	20
Interest capitalized	(4)	(2)
	17	18

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	thousands of dollars	
In service		
Land, buildings and equipment	94	94
Gas transmission	1 739	1 739
	1 833	1 833
Accumulated depreciation	863	823
	970	1 010
Construction in progress	243	150
	1 213	1 160

NOTE 6 REGULATED ASSETS

	2013	2012
	thousands of dollars	
Deferred taxes	320	340

If Minell was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the year that they were incurred and the net income for 2013 would have increased by $20 thousand (2012 – net income increased by $20 thousand).

In total, regulated assets of $20 thousand (2012 - $20 thousand) were amortized to operations during the year.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 7 DUE TO PARENT

	2013	2012
	thousands of dollars	
Amount due to parent	**1 117**	1 046

The amount due to the parent company bears interest at the three-month T-Bill rate plus a 1% Provincial Guarantee Fee on the outstanding balance and has no fixed terms of repayment. The effective rate for the year was 1.0% (2012 – 0.9%)

NOTE 8 RELATED PARTY TRANSACTIONS

Rental of gas transmission facilities is to Centra, a company under common control.

In addition to related party transactions disclosed elsewhere in the financial statements, operating and administrative expense includes $48 thousand (2012 - $18 thousand) for administrative and other services performed by Centra. Related party transactions are recorded at the exchange amount.

NOTE 9 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Minell's financial instruments at March 31 are as follows:

	2013		2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	thousands of dollars			
Other Financial Liabilities				
Accounts payable and accrued liabilities	**24**	**24**	25	25
Due to parent	**1 117**	**1 117**	1 046	1 046

Minell is exposed to interest rate risk associated with amounts due to the parent company.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 10 SHARE CAPITAL

	2013	2012
	thousands of dollars	
Share capital		
Authorized		
Unlimited number of shares of one class		
Issued		
285 000 shares	**285**	285

NOTE 11 CAPITAL MANAGEMENT

Minell meets its capital requirements through cash provided by operating activities and advances from its parent company, the Manitoba Hydro-Electric Board.

Unaudited Financial Statements of

MANITOBA HYDRO UTILITY SERVICES LIMITED

March 31, 2013

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	2013	2012
	thousands of dollars	
Revenues		
Manitoba Hydro meter reading	**3 916**	3 940
Line locating	**23**	26
Other contracted services	**3**	3
Manitoba Hydro contracted services	**562**	1 340
Interactive voice response system	**117**	122
	4 621	5 431
Expenses		
Operating and administrative		
Equipment maintenance	**78**	76
Wages and benefits	**3 922**	4 321
Other operating and administrative	**537**	531
	4 537	4 928
Depreciation and amortization	**64**	74
Capital and other taxes	**74**	78
	4 675	5 080
(Loss) Income before other items	**(54)**	351
Other items		
Interest income	**14**	9
	14	9
Net (Loss) Income	**(40)**	360
Retained earnings, beginning of year	**1 761**	1 401
Retained earnings, end of year	**1 721**	1 761

The accompanying notes are an integral part of the financial statements.

MANITOBA HYDRO UTILITY SERVICES LIMITED
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2013	2012
		thousands of dollars	
Assets			
Property, Plant and Equipment			
Cost	3	**1 032**	1 029
Less accumulated amortization	3	**935**	871
		97	158
Current Assets			
Cash		**63**	530
Term investment	6	**1 325**	1 325
Accounts receivable	4	**789**	434
Prepaid expenses		**17**	17
		2 194	2 306
		2 291	2 464
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable and accrued liabilities	6 & 9	**570**	703
Shareholder's Equity			
Share capital	7	-	-
Retained earnings		**1 721**	1 761
		1 721	1 761
		2 291	2 464

The accompanying notes are an integral part of the financial statements.

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2013	2012
	thousands of dollars	
Operating Activities		
Cash receipts from customers	4 266	5 454
Cash paid to suppliers and employees	(4 744)	(4 921)
Interest received	14	9
Cash (used for) provided by operating activities	(464)	542
Investing Activities		
Term investment	-	(450)
Additions to property, plant and equipment, net of disposals	(3)	(15)
Cash used for investing activities	(3)	(465)
Net (decrease) increase in cash	(467)	77
Cash, beginning of year	530	453
Cash, end of year	63	530

The accompanying notes are an integral part of the financial statements.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro Utility Services Limited (MHUS) is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and commenced operations on January 2, 1998. MHUS provides meter reading, interactive voice response systems and contracted services primarily to Manitoba Hydro and Centra Gas Manitoba Inc., a wholly-owned subsidiary of Manitoba Hydro.

As a wholly-owned subsidiary of Manitoba Hydro, MHUS is not subject to income taxes under section 149(d) of the Income Tax Act (Canada).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method. The following rates are designed to depreciate the assets over their estimated useful lives:

Furniture	10.0%
Office equipment	20.0%
Computer systems	10.0%
Computer hardware	20.0%
Meter reading devices	20.0%
Line locating equipment	20.0%

c) **Revenue**

Revenue is recognized as services are provided. Revenue from related parties is recorded at the exchange amount.

d) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value.

e) **Employee Future Benefits**

MHUS full time employees are eligible for pension benefits under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service.

MHUS is considered a matching employer under the Civil Service Superannuation Act (Act). Under the provisions of the Act, MHUS is required to match employee contributions at a prescribed contribution rate into the Civil Service Superannuation Fund (CSSF) pool of assets. MHUS does not carry any pension obligation value on its financial statements.

Pension expenses for MHUS employees are recognized at the time contributions are made to the Civil Service Superannuation Fund (CSSF), which maintains the funds and obligations relating to these employees in its financial records.

Other benefits earned by employees include vacation, banked sick leave and, incentive compensation. Where applicable, the future costs of these benefits are based on management's best estimates.

f) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

			2013
	Cost	Accumulated Amortization	Net book value
	thousands of dollars		
Furniture	**30**	**21**	**9**
Office equipment	**12**	**12**	**-**
Computer systems	**85**	**85**	**-**
Computer hardware	**183**	**168**	**15**
Line locating equipment	**24**	**24**	**-**
Meter reading devices	**698**	**625**	**73**
	1 032	**935**	**97**

			2012
	Cost	Accumulated Amortization	Net book value
	thousands of dollars		
Furniture	29	19	10
Office equipment	12	12	-
Computer systems	85	85	-
Computer hardware	180	151	29
Line locating equipment	24	24	-
Meter reading devices	699	580	119
	1 029	871	158

NOTE 4 ACCOUNTS RECEIVABLE

	2013	2012
	thousands of dollars	
Manitoba Hydro	**783**	425
Other	**6**	9
	789	434

NOTE 5 LEASE COMMITMENTS

MHUS leases its premises from Manitoba Hydro. The lease requires payments of approximately $12 thousand per year. In addition, MHUS is responsible for payment of property taxes which approximate $2 thousand annually. The lease was renewed in December 2012 and will expire in November 2013 with a one year extension option.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 6 RELATED PARTY TRANSACTIONS

MHUS identifies all financial transactions with Manitoba Hydro separately in its records at the exchange amount. During the year, Manitoba Hydro provided $266 thousand (2012 - $287 thousand) in services to MHUS. Amounts due to Manitoba Hydro in the amount of $36 thousand (2012 - $42 thousand) are included in accounts payable and accrued liabilities. MHUS paid $12 thousand (2012 - $12 thousand) rent to Manitoba Hydro. MHUS provided $4 632 thousand (2012 - $5 437 thousand) in services to Manitoba Hydro. Amounts receivable from Manitoba Hydro in the amount of $751 thousand (2012 - $402 thousand) are included in accounts receivable. MHUS has made a term investment of surplus cash of $1 325 thousand (2012 - $1 325 thousand) which Manitoba Hydro has invested on its behalf. The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

NOTE 7 SHARE CAPITAL

An unlimited number of Class A and Class B shares authorized and ten (10) Class A shares issued. Class B shares are redeemable and retractable and are not entitled to dividends.

NOTE 8 FINANCIAL RISKS

Credit Risk
Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. MHUS's financial asset that is exposed to credit risk is accounts receivable. This risk is minimal as it mainly relates to accounts receivable arising from services provided to Manitoba Hydro.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. MHUS is exposed to interest rate risk associated with debt financing provided by Manitoba Hydro through variable-rate credit facilities. As at March 31, 2013 the amount of financing outstanding is nil (2012 - nil).

NOTE 9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at March 31, 2013 are government remittances payable of $19 420 (2012 - $20 729) relating to Manitoba payroll tax and Manitoba Workers' Compensation Board insurance.

Financial Statements of

KEEYASK HYDROPOWER LIMITED PARTNERSHIP

March 31, 2013

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT

To the Partners of
Keeyask Hydropower Limited Partnership

We have audited the accompanying financial statements of **Keeyask Hydropower Limited Partnership**, which comprise of the balance sheet as at March 31, 2013, and the statement of partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Keeyask Hydropower Limited Partnership** as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Winnipeg, Canada,
July 25, 2013.

Chartered Accountants

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
BALANCE SHEET
As at March 31

	Notes	2013	2012
		dollars	
Assets			
Current Assets			
Cash		**10 000**	10 000
		10 000	10 000
Equity			
Partners' capital	3	**10 000**	10 000
		10 000	10 000

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of KHLP
(5900345 Manitoba Ltd.)

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL
For the year ended March 31

	Class	**Units as at March 31, 2013**	**Capital as at March 31, 2013**	Units as at March 31, 2012	Capital as at March 31, 2012
			dollars		*dollars*
Manitoba Hydro	M	**7 499**	**8 249**	7 499	8 249
General Partner (5900345 Manitoba Ltd.)	M	**1**	**1**	1	1
Cree Nation Partners Limited Partnership	K	**1 050**	**1 050**	1 050	1 050
	E	**450**	**-**	450	-
FLCN Keeyask Investments Inc.	K	**350**	**350**	350	350
	E	**150**	**-**	150	-
York Factory First Nation Limited Partnership	K	**350**	**350**	350	350
	E	**150**	**-**	150	-
		10 000	**10 000**	10 000	10 000

The accompanying notes are an integral part of the financial statements.

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended March 31

	2013	2012
	dollars	
Financing Activities		
Proceeds from issue of units of KHLP	-	-
Cash provided by financing activities	-	-
Net increase in cash	-	-
Cash, beginning of year	**10 000**	10 000
Cash, end of year	**10 000**	10 000

The accompanying notes are an integral part of the financial statements.

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

Keeyask Hydropower Limited Partnership (KHLP or the Partnership) was formed on July 30, 2009 under the laws of Manitoba to carry on the business of developing, owning and operating the Keeyask hydroelectric generating station (the Project) and related works excluding the transmission facilities but including the powerhouse and spillway and all dams, dikes, channels, excavations and roads to be located in the vicinity of Gull Rapids, upstream of the point at which the Nelson River flows into Stephens Lake.

An agreement was reached between Manitoba Hydro and Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) on the development of the Project pursuant to the Joint Keeyask Development Agreement (the JKDA) signed on May 29, 2009.

Manitoba Hydro, Cree Nation Partners Limited Partnership (CNPLP) (owned beneficially by TCN and War Lake through CNP), FLCN Keeyask Investments Inc. (FLCNKII) (owned beneficially by Fox Lake) and York Factory First Nation Limited Partnership (YFFNLP) (owned beneficially by York Factory) are limited partners of KHLP. 5900345 Manitoba Ltd. (the General Partner), which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in KHLP.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook – Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP").

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2013

NOTE 3 PARTNERS' CAPITAL

Authorized Unlimited number of limited partnership units (Class E, K and M)

					dollars
Issued	Manitoba Hydro	7,499	Class M Units	74.99%	8,249
	General Partner	1	Class M Unit	0.01%	1
	CNPLP	1,050	Class K Units	10.50%	1,050
		450	Class E Units	4.50%	-
	FLCNKII	350	Class K Units	3.50%	350
		150	Class E Units	1.50%	-
	YFFNLP	350	Class K Units	3.50%	350
		150	Class E Units	1.50%	-
	Total	10,000	Class M, K and E Units	100.00%	10,000

The units have no preference, exchange, pre-emptive or redemption rights.

Unaudited Financial Statements of

5022649 MANITOBA LTD.

March 31, 2013

5022649 MANITOBA LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31, 2013

	2013	2012
	thousands of dollars	
Partnership Loss	**(4)**	-
Retained earnings, beginning of year	-	-
Retained earnings, end of year	**(4)**	-

The accompanying notes are an integral part of the financial statements.

5022649 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2013	2012
		thousands of dollars	
Assets			
Current Assets			
Cash		**4**	7
Other Assets			
Investment in Partnership	3	**29**	30
		33	37
Shareholders' Equity			
Share capital	4	**37**	37
Retained earnings		**(4)**	-
		33	37

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Ken R. F. Adams, P.Eng.
Chair of the general partner of WPLP
(5022649 Manitoba Ltd.)

Darren B. Rainkie, CA
Treasurer and Chair of the
Audit Committee

5022649 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31, 2013

	2013	2012
	thousands of dollars	
Financing Activities		
Proceeds from common share issue	-	10
Cash provided by financing activities	-	10
Investing Activities		
Investment in partnership	(3)	(4)
Cash used for investing activities	(3)	(4)
Net (decrease) increase in cash	(3)	6
Cash, beginning of year	7	1
Cash, end of year	4	7

The accompanying notes are an integral part of the financial statements.

5022649 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

5022649 Manitoba Ltd. was incorporated on November 30, 2004 and is a wholly owned subsidiary of Manitoba Hydro. This company is the General Partner of the Wuskwatim Power Limited Partnership (Partnership) and has acquired .01% ownership of the Partnership.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ("CICA") Accounting Handbook - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

(b) **Revenue Recognition**

The investment in the Partnership is accounted for by the equity method.

NOTE 3 INVESTMENT IN PARTNERSHIP

5022649 Manitoba Ltd.'s investment in the Partnership is accounted for using the equity method where contributions to the Partnership increase the investment and the General Partner's share of the Partnership loss decreases the investment.

	2013	2012
	thousands of dollars	
Investment in Partnership, beginning of year	**30**	26
Contributions to Partnership	**3**	4
Partnership loss	**(4)**	-
Investment in Partnership, end of year	**29**	30

NOTE 4 SHARE CAPITAL

An unlimited number of common shares are authorized and 3 700 common shares have been issued.

Unaudited Financial Statements of

5900345 MANITOBA LTD.

March 31, 2013

5900345 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2013	2012
		dollars	
Assets			
Current Assets			
Cash		**1 000**	1 000
Other Assets			
Investment in Keeyask Hydropower Limited Partnership		**1**	1
		1 001	1 001
Shareholder's Equity			
Share Capital	2	**1 001**	1 001
		1 001	1 001

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

~~Ken~~ R. F. Adams, P.Eng.
Chairman of the general partner of KHLP
(5900345 Manitoba Ltd.)

5900345 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2013	2012
	dollars	
Financing Activities		
Proceeds from common share issue	-	-
Cash (used for) provided by financing activities	-	-
Investing Activities		
Investment in Partnership	-	-
Cash (used for) provided by investing activities	-	-
Net increase in cash	-	-
Cash, beginning of year	**1 000**	1 000
Cash, end of year	**1 000**	1 000

The accompanying notes are an integral part of the financial statements.

5900345 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

5900345 Manitoba Ltd. was incorporated on June 17, 2009 and is a wholly owned subsidiary of Manitoba Hydro. This company is the General Partner of the Keeyask Hydropower Limited Partnership and has acquired .01% ownership of the Partnership.

NOTE 2 SHARE CAPITAL

An unlimited number of common shares authorized and 1001 common shares issued.

Unaudited Financial Statements of

4985371 MANITOBA LTD.

March 31, 2013

4985371 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Note	2013	2012
		dollars	
Assets			
Cash		1	1
		1	1
Shareholder's Equity			
Share Capital	2	1	1
		1	1

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

4985371 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2013

NOTE 1 NATURE OF THE ORGANIZATION

4985371 Manitoba Ltd was established September 14, 2004 to hold legal title of the property at 360 Portage Avenue. As a bare trustee, 4985371 Manitoba Ltd holds title to the property without any further duty to perform, except convey title to the beneficiary, Manitoba Hydro, upon demand.

NOTE 2 SHARE CAPITAL

An unlimited number of Class A common shares authorized and one Class A common share issued.

Financial Statements

Centra Gas Manitoba Inc.

March 31, 2014

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Centra Gas Manitoba Inc.

We have audited the accompanying financial statements of **Centra Gas Manitoba Inc.**, which comprise the balance sheet as at March 31, 2014 and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Centra Gas Manitoba Inc.** as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 25, 2014.

CENTRA GAS MANITOBA INC.

STATEMENT OF INCOME

For the year ended March 31

	Notes	2014	2013
		millions of dollars	
Revenues			
Commodity		**252**	182
Distribution		**161**	146
		413	328
Cost of gas sold		**252**	182
		161	146
Other income		**2**	1
		163	147
Expenses			
Operating and administrative	4	**67**	64
Finance expense	4 & 5	**16**	18
Depreciation and amortization	6	**28**	27
Capital and other taxes		**20**	18
Corporate allocation	7	**12**	12
		143	139
Net Income		**20**	8

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2014	2013
	millions of dollars	
Retained earnings, beginning of year	**42**	34
Net income	**20**	8
Retained earnings, end of year	**62**	42

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
BALANCE SHEET
As at March 31

	Notes	2014	2013
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	8	**684**	661
Less accumulated depreciation	8	**240**	232
		444	429
Construction in progress	8	**4**	2
		448	431
Current Assets			
Accounts receivable and accrued revenue		**109**	76
Gas in storage		**-**	21
		109	97
Other Assets			
Regulated assets	9	**124**	78
Intangible assets	10	**8**	8
		132	86
		689	614
Liabilities and Shareholder's Equity			
Long-Term Debt	11	**270**	295
Current Liabilities			
Due to parent	12	**34**	26
Accounts payable and accrued liabilities		**107**	52
Current portion of long-term debt	11	**35**	-
		176	78
Other Liabilities			
Regulated liabilities	9	**6**	24
Refundable advances from customers		**12**	21
		18	45
Contributions in Aid of Construction		**42**	33
Shareholder's Equity			
Share capital	15	**121**	121
Retained earnings		**62**	42
		183	163
		689	614

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

CENTRA GAS MANITOBA INC.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2014	2013
	millions of dollars	
Operating Activities		
Cash receipts from customers	**318**	294
Cash paid to suppliers	**(271)**	(239)
Interest paid	**(18)**	(20)
Cash provided by operating activities	**29**	35
Financing Activities		
Long-term repayments to parent	**-**	(63)
Long-term advances from parent	**10**	60
Short-term advances from parent	**8**	12
Cash provided by financing activities	**18**	9
Investing Activities		
Property, plant and equipment, net of contributions	**(35)**	(34)
Other	**(12)**	(10)
Cash used for investing activities	**(47)**	(44)
Net change in cash and cash equivalents	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**-**	-

The accompanying notes are an integral part of the financial statements.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Centra Gas Manitoba Inc. (Centra) distributes natural gas to more than 272 000 residential, commercial and industrial customers throughout Manitoba. Centra delivers natural gas to its customers through a network of transmission pipelines and distribution mains totaling approximately 9 800 kilometers in length. Centra is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and is regulated by the Public Utilities Board of Manitoba (PUB).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting - Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Rate-Regulated Accounting - The prices charged for the sale of natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to natural gas customers recover all costs incurred in providing gas service to customers. As permitted under Canadian GAAP, Centra applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Centra applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Centra refers to such deferred costs or credits as regulated assets or regulated liabilities (Note 9) which are generally comprised of the following:

- Power Smart programs - The costs of Centra's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.
- Deferred taxes - As a result of its acquisition by Manitoba Hydro in 1999, Centra became non-taxable and, in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.
- Site restoration costs - Site restoration costs incurred are deferred and amortized on a straight-line basis over a period of 15 years.
- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is recovered or refunded in future rates.

- Demand side management (DSM) deferral – In Board Order 85/13, the PUB directed that the differences between actual and planned spending on gas DSM for the 2013-14 fiscal year be recorded in a regulatory deferral account. The cumulative difference for 2013-2014 has been recorded as a regulated liability with an offsetting balance recorded as a regulated asset. The disposition of this regulatory deferral will be determined at a future PUB proceeding.

Centra's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The range of estimated service lives of each major asset category is as follows:

Distribution	5 - 65 years
General plant	10 - 45 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by Centra.

c) **Intangible Assets**
Intangible assets include computer application development costs and land easements. Intangible assets are recorded at cost. The cost of computer application development includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer application development	10 years
Land easements	75 years

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by Centra.

d) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

e) **Gas in Storage**
Gas in storage is valued at average cost.

f) **Revenues**
Gas sales are recognized upon delivery to the customer and include an estimate of gas deliveries not yet billed at period-end.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

i) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Centra has no items related to OCI, comprehensive income for the year is equivalent to net income.

j) **Foreign Currency Translation**
Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing as at the balance sheet date. Gains or losses related to natural gas storage purchases which arise from the date of receipt to date of payment are included as inventoried cost. All other exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

k) **Derivatives**
Centra does not engage in derivative trading or speculative activities. Centra mitigates natural gas price volatility to customers through the use of natural gas price swaps. Fixed price swaps are carried at fair value on the balance sheet with gains and losses recorded in income.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

l) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

m) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Centra would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Centra include property, plant and equipment, regulatory assets and liabilities and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus Improvements to IFRS, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Centra intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CPA Canada Handbook – International Financial Reporting Standards allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Centra meets the AcSB criteria for the deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On January 30, 2014, the IASB issued the interim standard IFRS 14 *Regulatory Deferral Accounts* for rate-regulated activities effective January 1, 2016 with earlier adoption permitted. Centra will early adopt the interim standard upon transition to IFRS effective

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

April 1, 2015 and will continue to recognize regulatory deferral accounts for its financial reporting.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-Regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in modifications to existing IFRS prior to the commencement of Centra's 2015-16 fiscal year. Centra continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 4 RELATED PARTY TRANSACTIONS

Centra has related party transactions with its parent which are recorded at the exchange amount. The following transactions are in addition to those disclosed elsewhere in the financial statements:

	2014	2013
	millions of dollars	
Expense		
Net operating and administrative costs	**67**	64
Interest on advances from parent	**16**	18

NOTE 5 FINANCE EXPENSE

	2014	2013
	millions of dollars	
Interest on debt	**19**	21
Interest capitalized	**(3)**	(3)
	16	18

Included in interest on debt is $3 million (2013 - $3 million) in respect of the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2013 – 1.0%).

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 6 DEPRECIATION AND AMORTIZATION

	2014	2013
	millions of dollars	
Depreciation of property, plant and equipment	**17**	18
Amortization of regulated assets	**8**	7
Amortization of intangible assets	**3**	2
	28	27

NOTE 7 CORPORATE ALLOCATION

Financing costs related to the acquisition of Centra are allocated between gas and electricity operations in accordance with the synergies and benefits derived by each segment of the business at the time of acquisition.

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
	millions of dollars			*millions of dollars*		
Distribution	**672**	**232**	**4**	648	223	2
General plant	**12**	**8**	**-**	13	9	-
	684	**240**	**4**	661	232	2

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 9 REGULATED ASSETS AND LIABILITIES

	2014	2013
	millions of dollars	
Regulated assets		
Power Smart programs	**54**	46
Purchased gas variance accounts	**39**	-
Deferred taxes	**27**	29
Site restoration costs	**3**	2
Regulatory costs	**1**	1
	124	78
Regulated liabilities		
DSM deferral	**6**	-
Purchased gas variance accounts	**-**	24
	6	24

If Centra was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and the net income for 2014 would have decreased by $1 million (2013 – net income decreased by $1 million).

In total, regulated assets of $12 million (2013 - $11 million) were amortized to operations during the period.

Centra passes costs related to the purchase and transportation of natural gas onto its customers without markup. If Centra was not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. For fiscal year 2014, if actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $63 million (2013 – decreased by $6 million).

NOTE 10 INTANGIBLE ASSETS

	2014			2013		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
		millions of dollars			*millions of dollars*	
Computer application development	**8**	**4**	**4**	8	4	4
Land easements	**5**	**1**	**4**	5	1	4
	13	**5**	**8**	13	5	8

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

The additions to intangible assets for the year were $1 million (2013 - $1 million). In total, intangible assets of $1 million (2013 - $1 million) were amortized to operations during the period.

NOTE 11 LONG-TERM DEBT

	2014	2013
	millions of dollars	
Long-term advances from parent	**305**	295
Less: Current portion of long-term debt	**35**	-
	270	295

Debt principal amounts and related yields are summarized by fiscal years in which advances are required to be repaid in the following table:

	2014		2013
	Total principal amount of repayment	Weighted average yield rate	Total principal amount of repayment
	millions of dollars		*millions of dollars*
2015	**35**	**1.62%**	35
2019-2023	**20**	**3.18%**	20
2024-2028	**10**	**3.40%**	-
2029-2033	**60**	**5.57%**	60
2034-2038	**130**	**4.40%**	130
2039-2043	**50**	**4.43%**	50
	305	**4.56%**	295

NOTE 12 DUE TO PARENT

Centra's short-term funding is provided by Manitoba Hydro with interest calculated at the three-month T-Bill rate plus 1% Provincial Guarantee Fee on the outstanding balance. The effective rate for fiscal year 2014 was 0.95% (2013 – 0.95%). There are no fixed repayment terms.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 13 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Centra's financial instruments at March 31 were as follows:

	2014		2013	
Financial instruments	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Loans and Receivables				
Accounts receivable and accrued revenue	**109**	**109**	76	76
Other Financial Liabilities				
Long-term debt	**305**	**334**	295	337
Accounts payable and accrued liabilities	**107**	**107**	52	52
Due to parent	**34**	**34**	26	26

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of long-term debt which is a Level 2 measurement. Fair value measurement of Centra's long-term debt is based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

Financial Risks
During the normal course of business, Centra is exposed to a number of financial risks including credit and liquidity risks, and market risk resulting from fluctuations in interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by Centra, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Centra Gas Board, to ensure the adequacy of the risk management framework in relation to the risks faced by Centra. The nature of the financial risks and Centra's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Exposure to credit risk related to

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

accounts receivable arising from natural gas sales is minimized due to a large and diversified customer base.

The value of Centra's aged accounts receivable for customers and related bad debt provisions are presented in the following table:

	2014	2013
	millions of dollars	
Under 30 days	**103**	71
31 to 60 days	**4**	4
Over 60 days	**4**	3
	111	78
Provision at end of year	**(2)**	(2)
Total accounts receivable	**109**	76

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible. There was no significant change to the allowance for doubtful accounts from last year.

To mitigate credit risk related to the use of derivative instruments, Centra adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The maximum exposure to credit risk related to Centra's derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Centra will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, Centra uses cash generated from operations, as well as short-term funding and long-term advances from Manitoba Hydro.

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2015	2016	2017	2018	2019	2020 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	107	107	-	-	-	-	-
Due to parent	34	34	-	-	-	-	-
Long-term debt*	305	48	12	12	12	12	458
Derivative financial liabilities							
Fixed price swap contracts	-	-	-	-	-	-	-
		189	12	12	12	12	458

*including current portion and interest payments

c) **Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Centra is exposed to interest rate risk and commodity price risk associated with the price of natural gas.

i. Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Centra is exposed to interest rate risk associated with amounts due to the parent company, floating rate long-term debt, fixed rate long-term debt maturing within 12 months, and the purchased gas variance accounts, offset by the change in interest capitalization. At March 31, 2014, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $0.2 million (2013 - $0.7 million).

ii. Commodity Price Risk
Centra is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. Centra mitigates commodity price risk for its fixed rate service with the use of natural gas price swaps. Centra does not use derivative contracts for trading or speculative purposes.

Centra has entered into natural gas price swaps until July 2016 to purchase 87 450 gigajoules (GJ) of natural gas at a weighted average fixed price of $5.15/GJ. The weighted average forward price of the swaps per AECO at March 31, 2014 was $4.37/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet. The unrealized fair value losses of these natural gas derivative contracts at March 31 are nil (2013 - nil).

CENTRA GAS MANITOBA INC.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 14 COMMITMENTS AND CONTINGENCIES

Centra has energy purchase commitments of $182 million (2013 – $136 million) that relate to future purchases of natural gas (including transportation and storage contracts), which expire in 2020.

Centra has various legal and operational matters pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Centra's financial position or results of operations.

NOTE 15 SHARE CAPITAL

	2014	2013
	millions of dollars	
Share capital		
Authorized		
Unlimited number of common shares		
Issued		
1 505 common shares	**121**	121
	121	121

NOTE 16 CAPITAL MANAGEMENT

Centra manages its capital structure to ensure sufficient retained earnings to enable it to absorb the financial effects of adverse circumstances. Centra's capital requirements are met through cash generated from operations as well as short-term funding and long-term advances from its parent company, the Manitoba Hydro-Electric Board.

NOTE 17 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2013 have been reclassified in order to conform to the presentation adopted in 2014.

Financial Statements

Wuskwatim Power Limited Partnership

March 31, 2014

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Partners of
Wuskwatim Power Limited Partnership

We have audited the accompanying financial statements of **Wuskwatim Power Limited Partnership**, which comprise the balance sheet as at March 31, 2014, and the statements of loss, partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Wuskwatim Power Limited Partnership** as at March 31, 2014, and the results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Winnipeg, Canada,
July 23, 2014.

Chartered Accountants

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF LOSS
For the year ended March 31

	Notes	2014	2013
		millions of dollars	
Revenue		**47**	25
Expenses			
Operating and administrative		**11**	5
Finance expense	3	**71**	41
Depreciation		**20**	12
Amortization		**7**	4
Water rentals	4	**5**	3
		114	65
Net Loss		**(67)**	(40)

The accompanying notes are an integral part of the financial statements.

WUSKWATIM POWER LIMITED PARTNERSHIP
BALANCE SHEET
As at March 31

	Notes	2014	2013
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	5	**1 336**	1 325
Less accumulated depreciation	5	**31**	12
		1 305	1 313
Construction in progress	5	**2**	1
		1 307	1 314
Intangible Assets			
In service	6	**305**	303
Less accumulated amortization	6	**11**	4
		294	**299**
Current Assets			
Term investment	7	**3**	1
Accounts receivable	8	**7**	4
Prepaids	9	**-**	4
		10	9
		1 611	1 622
Liabilities and Equity			
Current Liabilities			
Accounts payable		**22**	31
Interest payable	10	**17**	16
		39	47
Long-Term Debt	11	**1 350**	1 288
Total Liabilities		**1 389**	1 335
Partners' Capital	12	**222**	287
		1 611	1 622

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Lorne Midford, P.Eng.
Chair of the general partner of WPLP
(5022649 Manitoba Ltd.)

Darren B. Rainkie, CA
Treasurer and Chair of the Audit Committee

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL
For the year ended March 31

	March 31 2013	Contributions	Net Loss	**March 31 2014**
		millions of dollars		
General Partner (5022649 Manitoba Ltd.)	-	-	-	**-**
Manitoba Hydro	192	2	(45)	**149**
Taskinigahp Power Corporation	95	-	(22)	**73**
	287	2	(67)	**222**

The accompanying notes are an integral part of the financial statements.

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended March 31

	2014	2013
	millions of dollars	
Operating Activities		
Cash receipts from customers	45	20
Cash paid to suppliers	(16)	(5)
Interest paid	(70)	(25)
Cash used for operating activities	(41)	(10)
Financing Activities		
Proceeds from issue of units of WPLP	2	24
Proceeds from long-term debt	63	87
Cash provided by financing activities	65	111
Investing Activities		
Additions to property, plant and equipment	(22)	(87)
Additions to intangible assets	1	(14)
Term investment	(3)	-
Cash used for investing activities	(24)	(101)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	-	-

The accompanying notes are an integral part of the financial statements.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Wuskwatim Power Limited Partnership (WPLP or the Partnership) was formed on December 9, 2004 under the laws of Manitoba to carry on the business of developing, owning and operating the Wuskwatim hydro-electric generating station (the Project) and related works excluding the transmission facilities but including all dams, dikes, channels, excavations and roads to be located at Taskinigup Falls near Wuskwatim Lake.

An agreement was reached between Manitoba Hydro and Nisichawayasihk Cree Nation (NCN) on the development of the Project pursuant to a Project Development Agreement (the PDA) and the execution of the PDA was carried out on June 26, 2006. Initial Closing, as defined under the PDA, occurred on June 28 and 29, 2006. The parties to the PDA executed as a supplementary agreement to the PDA the Wuskwatim Project Development Supplementary Agreement on March 15, 2011. Manitoba Hydro and Taskinigahp Power Corporation (TPC) (owned beneficially by NCN) are limited partners of WPLP. The General Partner, which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in WPLP. TPC became a limited partner on June 28, 2006.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation
These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting – Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) Revenue
Manitoba Hydro purchases all the power from the Partnership under a Power Purchase Agreement. Revenue is billed when energy is generated and billed on a monthly basis.

c) Property, Plant and Equipment
Property, plant and equipment is stated at cost and interest applied at WPLP's average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction will cease, and depreciation and finance expense charged to operations will commence.

Depreciation is provided using the straight-line method over the following years to depreciate the assets over their estimated useful lives:

Generating station	20-125	years
Staff house	20-65	years

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

d) **Intangible Assets**
Intangible assets include contributions made to Manitoba Hydro for transmission lines. Intangible assets are recorded at cost and interest applied at WPLP's average cost of debt associated with the Interconnection Credit Facility. Once the associated transmission asset is in-service, finance expense allocated to the intangible asset will cease, and amortization and finance expense charged to operations will commence.

Amortization is provided using the straight-line method over the following years to amortize the assets over their estimated useful lives:

Transmission line	10-85	years

e) **Use of Estimates**
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from those estimates, but differences are not expected to be material.

NOTE 3 FINANCE EXPENSE

	2014	2013
	millions of dollars	
Interest on debt	**71**	66
Interest capitalized	**-**	(25)
	71	41

Included in interest on debt is the Provincial Debt Guarantee Fee of 1.0% on the Non-Revolving Credit Facility, the Revolving Credit Facility and the Interconnection Credit Facility.

NOTE 4 WATER RENTALS

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Partnership's hydro-electric generating stations.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	In service	**Accumulated depreciation**	**Construction in progress**	In service	Accumulated depreciation	Construction in progress
			millions of dollars			
Generating station	**1 336**	**31**	**-**	1 325	12	-
Staff house	**-**	**-**	**2**	-	-	1
	1 336	**31**	**2**	1 325	12	1

For the year ended March 31, 2014, nil (2013 - $19 million) in interest charges have been allocated to the generating station.

Manitoba Hydro is building the staff house in accordance with the Construction Agreement. Depreciation on the staff house will commence when it is in service and will be calculated on a straight-line remaining life basis.

NOTE 6 INTANGIBLE ASSETS

	2014			2013		
	In service	**Accumulated amortization**	**Work in progress**	In service	Accumulated amortization	Work in progress
			millions of dollars			
Transmission line	**305**	**11**	**-**	303	4	-

The intangible asset represents amounts accrued or paid to Manitoba Hydro to develop the transmission facilities required to connect the Wuskwatim generating station to Manitoba Hydro's transmission system as specified in the Interconnection and Operating Agreement (IOA). Ownership of these facilities remain with Manitoba Hydro. For the year ended March 31, 2014, nil (2013 - $6 million) in interest charges have been allocated to this asset.

NOTE 7 TERM INVESTMENT

This balance represents an investment of $3 million (2013 - $1 million) in surplus cash plus accrued interest that Manitoba Hydro has invested on behalf of the Partnership. This investment is redeemable within two business days on demand and interest earned is based on the average interest rate earned by Manitoba Hydro on its trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment. The effective interest rate as at March 31, 2014 was 1.0% (2013 - 1.0%).

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 8 ACCOUNTS RECEIVABLE

Accounts receivable consist of revenue receivable, the balance of the transmission line over contribution from Manitoba Hydro and amounts recoverable from the federal government for Goods and Services Tax (GST) paid. These amounts will be settled in approximately the following month.

NOTE 9 PREPAIDS

This balance represents the excess of scheduled contributions over actual expenditures of nil (2013 - $4 million) by WPLP to Manitoba Hydro for the construction of the transmission facilities. Contributions for the transmission facilities are based on the IOA, which differs from actual expenditures.

NOTE 10 INTEREST PAYABLE

Interest payable represents interest owing on the credit facilities and is comprised of the following:

	2014	2013
	millions of dollars	
Non-Revolving Credit Facility	**13**	12
Interconnection Credit Facility	**4**	4
	17	16

NOTE 11 LONG-TERM DEBT

Manitoba Hydro will provide all debt financing for WPLP through various credit facilities. The debt incurred by WPLP through these credit facilities matures 50 years after the in-service date of the first generator in the Project and bears interest at rates specified in the Project Financing Agreement. This debt is secured by the assets owned beneficially by WPLP up to a maximum of $1.3 billion as per the Demand Debenture executed on June 28, 2006 by the General Partner.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

Long-term debt is comprised of the following:

	2014	2013
	millions of dollars	
Non-Revolving Credit Facility	**1 032**	971
Revolving Credit Facility	**15**	13
Interconnection Credit Facility	**303**	304
	1 350	1 288

The Non-Revolving and Revolving Credit Facilities consist of Manitoba Hydro advances received by WPLP to fund a portion of the total capital cost and on-going operating costs related to the Wuskwatim generating station. Non-revolving advances are limited to an amount that cannot exceed 75% of the total capital cost less any advances received through revolving advances, except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. The interest rates on the Non-Revolving and Revolving Credit Facility advances are based on Manitoba Hydro's short-term borrowing cost or the one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee which was equal to 2.2% as at March 31, 2014 (2013 – 2.2%). The effective interest rate for the year was 5.4% (2013 – 5.2 %) for the Non-Revolving Credit Facility and 2.1% (2013 – 2.1%) for the Revolving Credit Facility.

Once the principal amount of the advances under the Non-Revolving Credit Facility exceed $200 million, the interest rate is converted to a fixed rate equal to the Canadian Thirty Year Rate, which includes a 1% Provincial Guarantee Fee, in effect on the conversion date. The first conversion date was February 13, 2008, at which time the Canadian Thirty Year Rate was 5.9%. The second conversion date was July 14, 2009, at which time the Canadian Thirty Year Rate was 5.9%. The third conversion date was June 11, 2010, at which time the Canadian Thirty Year Rate was 5.7%. The fourth conversion date was May 13, 2011, at which time the Canadian Thirty Year Rate was 5.4%. The fifth conversion date was August 14, 2013, at which time the Canadian Thirty Year Rate was 5.1%.

The Interconnection Credit Facility consists of Manitoba Hydro advances received by the Partnership to fund the total capital cost to construct and install transmission facilities and interconnection system upgrades pursuant to the IOA with Manitoba Hydro. The interest rate on the Consolidated Interconnection Credit Facility is a fixed rate based on the weighted average of all Canadian Thirty Year Rates established for the Interconnection Credit Facility on June 29, 2012 and includes a 1.0% Provincial Guarantee Fee. The effective interest rate for the Interconnection Credit Facility for the year was 5.6% (2013 – 5.5%).

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

Principal payments on these loans are as follows:

	Total
	millions of dollars
2015	-
2016	-
2017	-
2018	-
2019	-
2020-2063	**1 350**
	1 350

NOTE 12 PARTNERS' CAPITAL

Authorized: Unlimited number of limited partnership units at $1 000 each.
Issued: 328 666.667 limited partnership units at $1 000 each.

As at March 31, limited partnership units issued were as follows:

	2014	2013
	units	
General Partner (5022649 Manitoba Ltd.)	**32.867**	32.675
Manitoba Hydro	**220 173.800**	218 889.825
Taskinigahp Power Corporation	**108 460.000**	107 827.500
	328 666.667	326 750.000

During the year ended March 31, 2014, WPLP issued 1 916.667 limited partnership units. These units have no preference, exchange, pre-emptive or redemption rights.

NOTE 13 FINANCIAL RISKS

Credit Risk
Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. The Partnership's financial asset that is exposed to credit risk is accounts receivable. This risk is minimal as it mainly relates to accounts receivable arising from the sale of power to Manitoba Hydro.

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Partnership is exposed to interest rate risk associated with debt financing provided by Manitoba Hydro through variable-rate credit facilities.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

Liquidity Risk
Liquidity risk refers to the risk that the Partnership will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, the Partnership uses cash generated from operations and credit facilities provided by Manitoba Hydro (Note 11).

NOTE 14 RELATED PARTY TRANSACTIONS

WPLP separately identifies within its records all transactions with Manitoba Hydro at the exchange amount as determined by various agreements. As at March 31, the following balances and transactions relate to Manitoba Hydro:

	2014	2013
	millions of dollars	
Revenue	**47**	25
Expenses		
Operating and administrative	**11**	5
Finance expense (Note 3)	**71**	41
Water rentals (Note 4)	**5**	3
Term Investment (Note 7)	**3**	1
Accounts receivable (Note 8)	**7**	4
Accounts payable	**22**	31
Interest payable (Note 10)	**17**	16
Long-term debt (Note 11)	**1 350**	1 288

Amounts paid to Manitoba Hydro include $22 million (2013 - $87 million) relating to the generating station, nil (2013 - $14 million) related to the transmission line, and $2 million (2013 - $4 million) in GST that was recovered from the Canada Revenue Agency with the exception of the accounts receivable noted above. Amounts received from Manitoba Hydro includes $2 million (2013 - $16 million) in equity contributions from both Manitoba Hydro and its wholly owned subsidiary, the General Partner.

WPLP has also entered into various agreements with Manitoba Hydro to provide services to the Partnership as follows:

a) the Construction Agreement, whereby Manitoba Hydro will construct the Wuskwatim generating station and related works;

b) the Project Financing Agreement, whereby Manitoba Hydro will provide debt financing to WPLP;

c) the Management Agreement, whereby Manitoba Hydro will provide administrative and management functions to WPLP;

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

d) the Maintenance and Operations Agreement, whereby Manitoba Hydro will provide all maintenance and on-site operations for the Wuskwatim generating station;

e) the IOA, whereby Manitoba Hydro will connect the Wuskwatim generating station to Manitoba Hydro's integrated power system;

f) the Systems Operation and Dispatch Agreement, whereby Manitoba Hydro will operate and dispatch the Wuskwatim generating station in an integrated fashion with Manitoba Hydro's integrated power system; and

g) the Power Purchase Agreement, whereby Manitoba Hydro will purchase from WPLP all of the power generated by the Wuskwatim generating station. WPLP is economically dependent on Manitoba Hydro as the sole purchaser of the power from Wuskwatim.

Amounts paid to Manitoba Hydro under the Management Agreement for the year ended March 31, 2014 totaled $1 million (2013 - $3 million).

NOTE 15 CAPITAL MANAGEMENT

Under the terms of the Wuskwatim PDA, WPLP maintains a 75:25 debt/equity ratio except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. Long-term debt financing is provided by Manitoba Hydro on an as-required basis. Manitoba Hydro also provides a $50 million revolving credit facility and a separate credit facility to finance the contributions to Manitoba Hydro for the construction of the transmission interconnection facilities necessary to connect the Wuskwatim generating station to the Manitoba Hydro system. The outstanding balance of this Interconnection Credit Facility is excluded from the calculation of the debt/equity ratio.

WPLP's debt ratio as at March 31 was as follows:

	2014	2013
	millions of dollars	
Long-term debt	**1 047**	984
Less: Cash and cash equivalents and term investment	**(3)**	(1)
Net debt	**1 044**	983
Partners' Capital	**222**	287
Debt ratio	**82%**	77%

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 16 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2013 have been reclassified in order to conform to the presentation adopted in 2014.

Financial Statements

Manitoba Hydro International Ltd.

March 31, 2014

Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Manitoba Hydro International Ltd.

We have audited the accompanying consolidated financial statements of **Manitoba Hydro International Ltd.**, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Hydro International Ltd.** as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Winnipeg, Canada,
June 25, 2014.

Chartered Accountants

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF INCOME
For the year ended March 31

	Notes	**2014**	2013
		thousands of dollars	
Revenues		**51 096**	43 170
Cost of Operations			
Staff		**16 996**	14 272
Other direct costs	2	**15 149**	13 762
		32 145	28 034
Operating Profit		**18 951**	15 136
Expenses			
Operating and administrative		**9 699**	9 000
Depreciation		**1 188**	975
Capital and other taxes		**279**	239
		11 166	10 214
Income before other items		**7 785**	4 922
Other Items			
Interest income		**75**	47
Interest expense		**(1)**	(13)
		74	34
Net Income		**7 859**	4 956

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
For the year ended March 31

	2014	2013
	thousands of dollars	
Retained earnings, beginning of year	**24 464**	19 508
Net income	**7 859**	4 956
Retained earnings, end of year	**32 323**	24 464

The accompanying notes are an integral part of the consolidated financial statements.

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEET
As at March 31

	Notes	2014	2013
		thousands of dollars	
Assets			
Property, Plant and Equipment			
In service	4	**10 505**	8 846
Less accumulated depreciation	4	**2 327**	1 678
		8 178	7 168
Current Assets			
Cash	6	**5 919**	4 090
Cash - restricted	6	**4 165**	4 460
Due from parent	8	**1 500**	-
Accounts receivable and accrued revenue	7	**18 425**	15 644
Prepaid expenses		**1 315**	3 855
		31 324	28 049
Other Assets			
Intangible assets	5	**638**	654
		40 140	35 871
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable	7	**4 001**	5 122
Deferred revenue	10	**1 463**	3 857
		5 464	8 979
Long-Term Deferred Revenue	10	**1 192**	1 267
Shareholder's Equity			
Share capital	12	**1 161**	1 161
Retained earnings		**32 323**	24 464
		33 484	25 625
		40 140	35 871

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board:

W. Fraser
William Fraser, FCA
Chair of the Board

James Husiak
James Husiak, CA
Chair of the Audit Committee

MANITOBA HYDRO INTERNATIONAL LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31

	2014	2013
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**45 846**	40 496
Cash paid to suppliers and employees	**(40 704)**	(38 061)
Interest received	**75**	47
Interest paid	**(1)**	(13)
Cash provided by operating activities	**5 216**	2 469
Investing Activities		
Additions to property, plant and equipment	**(1 970)**	(1 587)
Additions to intangible assets	**(212)**	(215)
Term investment	**(1 500)**	-
Cash used for investing activities	**(3 682)**	(1 802)
Net increase in cash	**1 534**	667
Cash, beginning of year	**8 550**	7 883
Cash, end of year	**10 084**	8 550

The accompanying notes are an integral part of the consolidated financial statements.

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro International Ltd. (MHI), a wholly owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro), was incorporated in September 1998 and commenced operations April 1, 1999. As a wholly owned subsidiary of Manitoba Hydro, MHI is not subject to income taxes under Section 149(d) of the Income Tax Act (Canada), however MHI's foreign operations may be subject to income taxes in those jurisdictions.

MHI currently has four business segments, International Utility Services, Manitoba HVDC Research Centre, W.I.R.E. Services and Telecom Services. International Utility Services provides professional consulting, training and electricity infrastructure management services primarily to developing markets. The Manitoba HVDC Research Centre provides technology products, research and development and engineering services to the electrical power system industry. W.I.R.E. Services provides aerial LiDAR data collection and analysis to determine transmission line thermal ratings. Telecom Services provides state of the art broadband telecommunication solutions for telecom carriers, internet service providers and large commercial customers.

The consolidated financial statements include the accounts of MHI and its Nigerian and United Arab Emirates subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Presentation**

These consolidated financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting – Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the following years to depreciate the assets over their estimated useful lives:

Leasehold improvements	20 years
Furniture and fixtures	20 years
Office, research, computer and telecom equipment	5 years

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

c) **Intangible Assets**
Intangible assets include computer software. They are recorded at cost and are amortized over their useful lives on a straight-line basis. The expected useful life is as follows:

Computer software	5 years

d) **Revenue Recognition**
Revenue is recognized when services are provided or goods are shipped to the customer. Revenue from maintenance and lease contracts is recognized on a straight-line basis over the term of the contract.

MHI recognizes revenue from fixed priced contracts under the percentage-of-completion method. The percentage of completion is determined by comparing the costs incurred as at the consolidated balance sheet date to the total estimated costs, which included costs incurred plus anticipated costs for completing a contract.

e) **Foreign Exchange**
Monetary items denominated in foreign currencies are translated into Canadian dollars at rates of exchange prevailing as at the consolidated balance sheet date. Revenues and expenses are translated at the rate of exchange prevailing at the date of the transaction. Foreign exchange gains and losses are included in income.

MHI's integrated foreign subsidiaries, located in Nigeria and the United Arab Emirates, are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect as at the consolidated balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Exchange gains or losses arising from the translation are included in operations.

f) **Research and Development Expenses**
Research expenses are charged to income in the year they are incurred. Development costs are charged to operations in the period of the expenditure unless a development project meets the criteria under Canadian GAAP for deferral and amortization.

g) **Other Direct Costs**
Other direct costs include transportation, accommodations, rents, project equipment, logistics, project bad debt expense, and other.

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

h) **Use of Estimates**

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates. Key areas of estimation requiring management to make subjective judgements of matters that are inherently uncertain include the estimates for uncollectible accounts, provision for the useful lives of property, plant and equipment and intangibles. Significant changes in assumptions, including those with respect to future business plans and cash flows, could change the recorded amounts by a material amount.

NOTE 3 OPERATING LINE OF CREDIT

Manitoba Hydro provides MHI with a $1 million revolving line of credit to be used to fund its operations. The line of credit is payable on demand and bears interest at the average one-month Bankers' Acceptance rate. The effective rate for the fiscal year 2014 was nil (2013- nil). The amount outstanding on this operating line of credit as at March 31, 2014 is nil (2013 - nil).

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

			2014
	In service	**Accumulated depreciation**	**Net book value**
		thousands of dollars	
Leasehold improvements	**3 594**	**702**	**2 892**
Furniture and fixtures	**714**	**149**	**565**
Office, research, computer and telecom equipment	**6 197**	**1 476**	**4 721**
	10 505	**2 327**	**8 178**

			2013
	In service	Accumulated depreciation	Net book value
		thousands of dollars	
Leasehold improvements	3 561	524	3 037
Furniture and fixtures	704	113	591
Office, research, computer and telecom equipment	4 581	1 041	3 540
	8 846	1 678	7 168

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

Included in the cost above is $1 254 thousand (2013 - $700 thousand) of property, plant and equipment costs which have not been amortized as these assets were not placed in use as of year end.

NOTE 5 INTANGIBLE ASSETS

			2014
	In service	**Accumulated amortization**	**Net book value**
		thousands of dollars	
Computer software	**1 180**	**542**	**638**
	1 180	**542**	**638**

			2013
	In service	Accumulated amortization	Net book value
		thousands of dollars	
Computer software	1 067	413	654
	1 067	413	654

The additions to intangible assets for the year totaled $212 thousand (2013 - $215 thousand). In total, intangible assets of $228 thousand (2013 - $202 thousand) were amortized to operations during the year.

NOTE 6 CASH

	2014	2013
	thousands of dollars	
Cash - Canadian bank accounts	**4 980**	3 916
Cash - Overseas bank accounts	**939**	174
	5 919	4 090
Cash - Restricted	**4 165**	4 460
	10 084	8 550

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

Cash in overseas bank accounts includes funds deposited in foreign currencies in countries other than Canada. Restricted cash relates to deposits held for letters of guarantees for customer contracts. Cash balances earn interest at various rates based on monthly average balances. The effective interest rate for 2014 averaged 0.8% (2013 – 0.7%).

NOTE 7 RELATED PARTY TRANSACTIONS

During the normal course of business, MHI provided $3 105 thousand (2013 - $5 264 thousand) in services to Manitoba Hydro. During the year, Manitoba Hydro provided staffing to MHI at a cost recovery of $2 302 thousand (2013 - $2 336 thousand). MHI paid $521 thousand (2013 - $475 thousand) of expenses pertaining to the rental of fibre strands from Manitoba Hydro. MHI paid nil (2013 - nil) interest on its operating line of credit to Manitoba Hydro. Included in accounts payable is $572 thousand (2013 - $1 505 thousand) owing to Manitoba Hydro. Included in accounts receivable and accrued revenue is $513 thousand (2013 - $740 thousand) owing from Manitoba Hydro. Related party transactions are recorded at the exchange amount.

NOTE 8 DUE FROM PARENT

This balance represents an investment of $1 500 thousand (2013 - nil) in surplus cash that Manitoba Hydro has invested on behalf of MHI. This investment is redeemable within two business days on demand and interest earned is based on the average interest rate earned by Manitoba Hydro on its trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment. The effective interest rate as at March 31, 2014 was 1.0% (2013 - 1.0%).

NOTE 9 LEASE COMMITMENTS

As at March 31, 2014, future minimum annual lease payments committed under operating leases over the next five years are as follows:

Year 1	$554 thousand per year
Years 2-5	$592 thousand per year

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

NOTE 10 DEFERRED REVENUE

Deferred revenue pertains to the deferral of revenue from advance payments from customers. The associated revenue is recognized when the services are provided.

	2014	2013
	thousands of dollars	
Short-Term		
Software maintenance contracts	**621**	645
Dark fibre lease payment	**76**	76
Annual fibre lease contracts	**99**	99
Advance payments from international contracts	**667**	3 037
	1 463	3 857
Long-Term		
Software maintenance contracts	**395**	394
Dark fibre lease payment	**797**	873
	1 192	1 267
Total	**2 655**	5 124

NOTE 11 FINANCIAL RISKS

MHI is exposed to interest rate, foreign exchange, credit and liquidity risks. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by MHI, to set risk tolerance limits, to establish controls and to monitor risk and adherence to policies. The risk management plan is designed to ensure MHI's risks and exposures are in line with MHI's business objectives and risk tolerances. The nature of the financial risks and MHI's strategy for managing these risks has not changed significantly from the prior year.

Interest Rate Risk

Interest rate risk is associated with variable interest rates paid to the parent company, the Manitoba Hydro-Electric Board. The amount due to parent was nil at March 31, 2014 (2013 - nil).

Foreign Exchange Risk

Financial risk to MHI's operations arises from fluctuations in exchange rates and the volatility in these rates. MHI does not use derivative instruments to reduce its exposure to foreign currency

MANITOBA HYDRO INTERNATIONAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2014

risk. While MHI generates sales in a variety of countries, the sales contracts are based in Canadian dollars, U.S. dollars, Saudi Arabia Riyals, or Euros in order to reduce financial risk of foreign exchange. For the year ended March 31, 2014, realized foreign exchange translation gains of $667 thousand (2013- $119 thousand) are included in income.

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. As at March 31, 2014, MHI is exposed to credit risk from customers in geographic areas primarily in Canada, Africa, Saudi Arabia, the United States, and Europe. MHI mitigates credit risk through the establishment of working relationships with customers and government agencies, and diversification to eliminate significant credit risk concentration.

Liquidity Risk

Liquidity risk refers to the risk that MHI will not be able to meet its financial obligations as they come due. To meet forecasted cash requirements, MHI uses cash generated from operations and has access to an operating line of credit from Manitoba Hydro. All accounts payable are due within 30 days of year end. See Note 9 for details of other contractual obligations and their maturities.

NOTE 12 SHARE CAPITAL

Unlimited number of common shares authorized and one common share issued. Shares in the capital of MHI cannot be sold, assigned, transferred or otherwise disposed of unless Manitoba Hydro will, after the disposition, continue to own directly or indirectly all of MHI's shares.

NOTE 13 PENSION PLAN

MHI has a defined contribution pension plan for its employees. MHI's contribution and expense for the year amounted to $224 thousand (2013 - $200 thousand) which is included in operating and administrative expenses. MHI does not carry any pension obligation on its consolidated financial statements for its defined contribution plan.

Unaudited Financial Statements of

TESHMONT LP HOLDINGS LTD.

March 31, 2014

TESHMONT LP HOLDINGS LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	2014	2013
	thousands of dollars	
Revenue		
Partnership income	**98**	436
Interest income	**21**	15
	119	451
Expenses	**19**	12
Net Income	**100**	439
Retained earnings, beginning of year	**5 511**	5 072
Retained earnings, end of year	**5 611**	5 511

The accompanying notes are an integral part of the financial statements.

TESHMONT LP HOLDINGS LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2014	2013
		thousands of dollars	
Assets			
Current Assets			
Cash		**9**	18
Term investments	3	**2 267**	2 256
		2 276	2 274
Other Assets			
Investment in partnership	4	**3 335**	3 237
		5 611	5 511
Other Liabilities			
Capital Tax		**-**	-
Shareholder's Equity			
Share capital		**-**	-
Retained earnings		**5 611**	5 511
		5 611	5 511
		5 611	5 511

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

TESHMONT LP HOLDINGS LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2014	2013
	thousands of dollars	
Operating Activities		
Proceeds from partnership income	**-**	599
Interest received	**21**	15
Cash paid to suppliers	**(19)**	(12)
Cash provided by operating activities	**2**	602
Investing Activities		
Term investments	**(11)**	(594)
Cash used for investing activities	**(11)**	(594)
Net increase (decrease) in cash	**(9)**	8
Cash, beginning of year	**18**	10
Cash, end of year	**9**	18

The accompanying notes are an integral part of the financial statements.

TESHMONT LP HOLDINGS LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Teshmont LP Holdings Ltd. (Teshmont Holdings) was established February 14, 2003 as a holding company of Manitoba Hydro to acquire a 40% ownership of Teshmont Consultants Limited Partnership (Teshmont LP), which carries on a high voltage engineering and consulting practice.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting – Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

(b) **Revenue Recognition**

The investment in Teshmont LP is accounted for by the equity method.

(c) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial Instruments classified as other financial liabilities are measured at amortized cost using the effective method of amortization. Held-for-trading financial instruments are measured at fair value.

(d) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

TESHMONT LP HOLDINGS LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 3 TERM INVESTMENTS

Term investments include surplus cash of $2 267 thousand (2012 - $2 256 thousand) Manitoba Hydro has invested on behalf of Teshmont Holdings. The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

NOTE 4 INVESTMENT IN PARTNERSHIP

Teshmont Holdings investment in Teshmont LP is accounted for by the equity method where partnership income increases the investment and profit distributions decrease the investment.

	2014	2013
	thousands of dollars	
Opening Investment	**3 237**	3 400
Parternship Income	**98**	436
Distributions Received	**-**	(599)
Ending Investment	**3 335**	3 237

Financial Statements

Minell Pipelines Ltd.

March 31, 2014

EY

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Minell Pipelines Ltd.

We have audited the accompanying financial statements of **Minell Pipelines Ltd.**, which comprise the balance sheet as at March 31, 2014, and the statements of income (loss), retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Minell Pipelines Ltd.** as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
June 25, 2014.

Chartered Accountants

MINELL PIPELINES LTD.
STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS
For the year ended March 31

	Notes	**2014**	2013
		thousands of dollars	
Revenues			
Rental of gas transmission facilities		**198**	198
Expenses			
Operating and administrative	8	**75**	48
Finance expense	4	**14**	17
Depreciation and amortization		**39**	39
Capital and other taxes		**138**	130
		266	234
Net Loss		**(68)**	(36)
Retained earnings, beginning of year		**93**	129
Retained earnings, end of year		**25**	93

The accompanying notes are an integral part of the financial statements.

MINELL PIPELINES LTD.
BALANCE SHEET
As at March 31

	Notes	2014	2013
		thousands of dollars	
Assets			
Property, Plant and Equipment			
In service	5	**1 833**	1 833
Less accumulated depreciation	5	**903**	863
		930	970
Construction in progress	5	**848**	243
		1 778	1 213
Current Assets			
Prepaid expenses		**2**	2
Other Assets			
Regulated assets	6	**300**	320
		2 080	1 535
Liabilities and Shareholder's Equity			
Current Liabilities			
Due to parent	7	**1 725**	1 117
Accounts payable and accrued liabilities		**30**	24
		1 755	1 141
Contributions in Aid of Construction		**15**	16
Shareholder's Equity			
Share capital	10	**285**	285
Retained earnings		**25**	93
		310	378
		2 080	1 535

The accompanying notes are an integral part of the financial statements.
Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MINELL PIPELINES LTD.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2014	2013
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**198**	198
Cash paid to suppliers	**(187)**	(159)
Interest paid	**(14)**	(17)
Cash (used for) provided by operating activities	**(3)**	22
Financing Activities		
Advance from parent company	**608**	71
Cash provided by financing activities	**608**	71
Investing Activities		
Additions to capital assets, net of contributions	**(605)**	(93)
Cash used for investing activities	**(605)**	(93)
Net change in cash	**-**	-
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**-**	-

The accompanying notes are an integral part of the financial statements.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Minell Pipelines Ltd. (Minell) operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba. This transmission system is approximately 70 kilometers in length and is used solely for the transportation of natural gas on behalf of Centra Gas Manitoba Inc. (Centra). Minell is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board and is regulated by the National Energy Board (NEB).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting - Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Rate Regulated Accounting - The rental charged for gas transmission facilities is subject to regulation by the NEB. The rate-setting process ensures that rates charged to customers recover all costs incurred in providing service. As permitted under Canadian GAAP, Minell applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Minell applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Minell refers to such deferred costs or credits as regulated assets (Note 6) or liabilities which are comprised of the following:

- Deferred taxes - As a result of the change in ownership in 1999, Minell became non-taxable and in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

Minell's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Natural gas transmission systems and buildings and equipment are recorded at cost, which includes interest and overhead amounts capitalized during the construction period. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

Depreciation is calculated on a straight-line basis at rates varying from 2.0% to 2.5% based on the estimated useful lives of the assets.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

b) **Contributions in Aid of Construction**
Contributions in aid of construction are non-refundable contributions from customers in support of specific transmission facilities. These amounts are amortized to income at rates that correspond with the depreciation rates of the related assets.

c) **Revenue**
Revenue for the use of transmission facilities is from a related party and is recognized on a monthly basis.

d) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.

e) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Minell has no items related to OCI, comprehensive income for the year is equivalent to net income.

f) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Minell would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Minell include property, plant and equipment, regulatory assets and liabilities and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus Improvements to IFRS, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Minell intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CPA Canada Handbook –International Financial Reporting Standards allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Minell meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On January 30, 2014, the IASB issued the interim standard IFRS 14 *Regulatory Deferral Accounts* for rate-regulated activities effective January 1, 2016 with earlier adoption permitted. Minell will early adopt the interim standard upon transition to IFRS effective April 1, 2015 and will continue to recognize regulatory deferral accounts for its financial reporting.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-Regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in modifications to existing IFRS prior to the commencement of Minell's 2015-16 fiscal year. Minell continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 4 FINANCE EXPENSE

	2014	2013
	thousands of dollars	
Interest on amount due to parent	**23**	21
Interest capitalized	**(9)**	(4)
	14	17

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2014	2013
	thousands of dollars	
Land, buildings and equipment	**94**	94
Gas transmission	**1 739**	1 739
	1 833	1 833
Accumulated depreciation	**903**	863
	930	970
Construction in progress	**848**	243
	1 778	1 213

NOTE 6 REGULATED ASSETS

	2014	2013
	thousands of dollars	
Deferred taxes	**300**	320

If Minell was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the year that they were incurred and the net income for 2014 would have increased by $20 thousand (2013 – net income increased by $20 thousand).

In total, regulated assets of $20 thousand (2013 - $20 thousand) were amortized to operations during the year.

NOTE 7 DUE TO PARENT

	2014	2013
	thousands of dollars	
Amount due to parent	**1 725**	1 117

The amount due to the parent company bears interest at the three-month T-Bill rate plus a 1% Provincial Guarantee Fee on the outstanding balance and has no fixed terms of repayment. The effective rate for the period was 1.0% (2013 - 1.0%)

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 8 RELATED PARTY TRANSACTIONS

Rental of gas transmission facilities is to Centra Gas, a company under common control.

In addition to related party transactions disclosed elsewhere in the financial statements, operating and administrative expense includes $75 thousand (2013 - $48 thousand) for administrative and other services performed by Centra Gas. Related party transactions are recorded at the exchange amount.

NOTE 9 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of Minell's financial instruments at March 31 are as follows:

	2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	thousands of dollars			
Other Financial Liabilities				
Accounts payable and accrued liabilities	**30**	**30**	24	24
Due to parent	**1 725**	**1 725**	1 117	1 117

Minell is exposed to interest rate risk associated with amounts due to the parent company.

NOTE 10 SHARE CAPITAL

	2014	2013
	thousands of dollars	
Share capital		
Authorized		
Unlimited number of shares of one class		
Issued		
285 000 shares	**285**	285

NOTE 11 CAPITAL MANAGEMENT

Minell meets its capital requirements through cash provided by operating activities and advances from its parent company, the Manitoba Hydro-Electric Board.

Unaudited Financial Statements of

MANITOBA HYDRO UTILITY SERVICES LIMITED

March 31, 2014

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS (UNAUDITED)
For the year ended March 31

	2014	2013
	thousands of dollars	
Revenues		
Manitoba Hydro meter reading	**4 096**	3 916
Line locating	**13**	23
Other contracted services	**3**	3
Manitoba Hydro contracted services	**684**	562
Interactive voice response system	**116**	117
	4 912	4 621
Expenses		
Operating and administrative		
Wages and benefits	**4 103**	3 922
Equipment maintenance	**57**	78
Other operating and administrative	**593**	537
	4 753	4 537
Depreciation and amortization	**51**	64
Capital and other taxes	**78**	74
	4 882	4 675
Income (Loss) before other items	**30**	(54)
Other items		
Interest income	**14**	14
	14	14
Net Income (Loss)	**44**	(40)
Retained earnings, beginning of year	**1 721**	1 761
Retained earnings, end of year	**1 765**	1 721

The accompanying notes are an integral part of the financial statements.

MANITOBA HYDRO UTILITY SERVICES LIMITED
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2014	2013
		thousands of dollars	
Assets			
Property, Plant and Equipment			
Cost	3	**1 095**	1 032
Less accumulated amortization	3	**987**	935
		108	97
Current Assets			
Cash		**534**	63
Term investment	6	**1 425**	1 325
Accounts receivable	4	**415**	789
Prepaid expenses		**12**	17
		2 386	2 194
		2 494	2 291
Liabilities and Shareholder's Equity			
Current Liabilities			
Accounts payable and accrued liabilities	6 & 9	**729**	570
Shareholder's Equity			
Share capital	7	**-**	-
Retained earnings		**1 765**	1 721
		1 765	1 721
		2 494	2 291

The accompanying notes are an integral part of the financial statements.

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

MANITOBA HYDRO UTILITY SERVICES LIMITED
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2014	2013
	thousands of dollars	
Operating Activities		
Cash receipts from customers	**5 291**	4 266
Cash paid to suppliers and employees	**(4 672)**	(4 744)
Interest received	**14**	14
Cash provided by (used for) operating activities	**633**	(464)
Investing Activities		
Term investment	**(100)**	-
Additions to property, plant and equipment, net of disposals	**(62)**	(3)
Cash used for investing activities	**(162)**	(3)
Net increase (decrease) in cash	**471**	(467)
Cash, beginning of year	**63**	530
Cash, end of year	**534**	63

The accompanying notes are an integral part of the financial statements.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Manitoba Hydro Utility Services Limited (MHUS) is a wholly-owned subsidiary of the Manitoba Hydro-Electric Board (Manitoba Hydro) and commenced operations on January 2, 1998. MHUS provides meter reading, interactive voice response systems and contracted services primarily to Manitoba Hydro and Centra Gas Manitoba Inc., a wholly-owned subsidiary of Manitoba Hydro.

As a wholly-owned subsidiary of Manitoba Hydro, MHUS is not subject to income taxes under section 149(d) of the Income Tax Act (Canada).

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Presentation**
These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

b) **Property, Plant and Equipment**
Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method. The following rates are designed to depreciate the assets over their estimated useful lives:

Furniture	10.0%
Office equipment	20.0%
Computer systems	10.0%
Computer hardware	20.0%
Meter reading devices	20.0%
Line locating equipment	20.0%

c) **Revenue**
Revenue is recognized as services are provided. Revenue from related parties is recorded at the exchange amount.

d) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value.

e) **Employee Future Benefits**

MHUS full time employees are eligible for pension benefits under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service.

MHUS is considered a matching employer under the Civil Service Superannuation Act (Act). Under the provisions of the Act, MHUS is required to match employee contributions at a prescribed contribution rate into the Civil Service Superannuation Fund (CSSF) pool of assets. MHUS does not carry any pension obligation value on its financial statements.

Pension expenses for MHUS employees are recognized at the time contributions are made to the Civil Service Superannuation Fund (CSSF), which maintains the funds and obligations relating to these employees in its financial records.

Other benefits earned by employees include vacation, banked sick leave and incentive compensation. Where applicable, the future costs of these benefits are based on management's best estimates.

f) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

			2014
	Cost	Accumulated Amortization	Net book value
	thousands of dollars		
Furniture	**30**	**23**	**7**
Office equipment	**12**	**12**	**-**
Computer systems	**86**	**86**	**-**
Computer hardware	**186**	**177**	**9**
Line locating equipment	**24**	**24**	**-**
Meter reading devices	**757**	**665**	**92**
	1 095	**987**	**108**

			2013
	Cost	Accumulated Amortization	Net book value
	thousands of dollars		
Furniture	30	21	9
Office equipment	12	12	-
Computer systems	85	85	-
Computer hardware	183	168	15
Line locating equipment	24	24	-
Meter reading devices	698	625	73
	1 032	935	97

NOTE 4 ACCOUNTS RECEIVABLE

	2014	2013
	thousands of dollars	
Manitoba Hydro	**403**	783
Other	**12**	6
	415	789

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 5 LEASE COMMITMENTS

MHUS leases its premises from Manitoba Hydro. The lease requires payments of approximately $19 thousand per year (2013 - $12 thousand). In addition, MHUS is responsible for payment of property taxes which approximate $9 thousand annually (2013 - $2 thousand). The lease was renewed in December 2013 and will expire in November 2015 with a one year extension option. Rent and rates were adjusted in the renewed lease based on City of Winnipeg Assessment & Taxation data.

NOTE 6 RELATED PARTY TRANSACTIONS

MHUS identifies all financial transactions with Manitoba Hydro separately in its records at the exchange amount. During the year, Manitoba Hydro provided $212 thousand (2013 - $266 thousand) in services to MHUS. Amounts due to Manitoba Hydro in the amount of $21 thousand (2013 - $36 thousand) are included in accounts payable and accrued liabilities. MHUS paid $15 thousand (2013 - $12 thousand) rent to Manitoba Hydro. MHUS provided $4 923 thousand (2013 - $4 632 thousand) in services to Manitoba Hydro. Amounts receivable from Manitoba Hydro in the amount of $368 thousand (2013 - $751 thousand) are included in accounts receivable. MHUS has made a term investment of surplus cash of $1 425 thousand (2013 - $1 325 thousand) which Manitoba Hydro has invested on its behalf. The interest earned and paid on this investment will be based on the average interest rate earned by Manitoba Hydro on their trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment.

NOTE 7 SHARE CAPITAL

An unlimited number of Class A and Class B shares authorized and ten (10) Class A shares issued. Class B shares are redeemable and retractable and are not entitled to dividends.

NOTE 8 FINANCIAL RISKS

Credit Risk
Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. MHUS's financial asset that is exposed to credit risk is accounts receivable. This risk is minimal as it mainly relates to accounts receivable arising from services provided to Manitoba Hydro.

MANITOBA HYDRO UTILITY SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. MHUS is exposed to interest rate risk associated with debt financing provided by Manitoba Hydro through variable-rate credit facilities. As at March 31, 2014 the amount of financing outstanding is nil (2013 - nil).

NOTE 9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities as at March 31, 2014 are government remittances payable of $6 245 (2013 - $19 420) relating to Manitoba payroll tax and Manitoba Workers' Compensation Board insurance.

Financial Statements

Keeyask Hydropower Limited Partnership

March 31, 2014

EY

Building a better working world

INDEPENDENT AUDITORS' REPORT

To the Partners of
Keeyask Hydropower Limited Partnership

We have audited the accompanying financial statements of **Keeyask Hydropower Limited Partnership**, which comprise of the balance sheet as at March 31, 2014, and the statement of partners' capital and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Keeyask Hydropower Limited Partnership** as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 25, 2014.

Financial Statements of

KEEYASK HYDROPOWER LIMITED PARTNERSHIP

March 31, 2014

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
BALANCE SHEET
As at March 31

	Notes	2014	2013
		dollars	
Assets			
Current Assets			
Cash		**10 000**	10 000
		10 000	10 000
Equity			
Partners' capital	3	**10 000**	10 000
		10 000	10 000

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Bruce A. Barrett, P.Eng.
President of the general partner of KHLP
(5900345 Manitoba Ltd.)

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL
For the year ended March 31

	Class	**Units as at March 31, 2014**	**Capital as at March 31, 2014**	Units as at March 31, 2013	Capital as at March 31, 2013
			dollars		*dollars*
Manitoba Hydro	M	**7 499**	**8 249**	7 499	8 249
General Partner (5900345 Manitoba Ltd.)	M	**1**	**1**	1	1
Cree Nation Partners Limited Partnership	K	**1 050**	**1 050**	1 050	1 050
	E	**450**	**-**	450	-
FLCN Keeyask Investments Inc.	K	**350**	**350**	350	350
	E	**150**	**-**	150	-
York Factory First Nation Limited Partnership	K	**350**	**350**	350	350
	E	**150**	**-**	150	-
		10 000	**10 000**	10 000	10 000

The accompanying notes are an integral part of the financial statements.

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
STATEMENT OF CASH FLOWS
For the year ended March 31

	2014	2013
	dollars	
Financing Activities		
Proceeds from issue of units of KHLP	-	-
Cash provided by financing activities	-	-
Net increase in cash	-	-
Cash, beginning of year	**10 000**	10 000
Cash, end of year	**10 000**	10 000

The accompanying notes are an integral part of the financial statements.

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

Keeyask Hydropower Limited Partnership (KHLP or the Partnership) was formed on July 30, 2009 under the laws of Manitoba to carry on the business of developing, owning and operating the Keeyask hydroelectric generating station (the Project) and related works excluding the transmission facilities but including the powerhouse and spillway and all dams, dikes, channels, excavations and roads to be located in the vicinity of Gull Rapids, upstream of the point at which the Nelson River flows into Stephens Lake.

An agreement was reached between Manitoba Hydro and Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) on the development of the Project pursuant to the Joint Keeyask Development Agreement (the JKDA) signed on May 29, 2009.

Manitoba Hydro, Cree Nation Partners Limited Partnership (CNPLP) (owned beneficially by TCN and War Lake through CNP), FLCN Keeyask Investments Inc. (FLCNKII) (owned beneficially by Fox Lake) and York Factory First Nation Limited Partnership (YFFNLP) (owned beneficially by York Factory) are limited partners of KHLP. 5900345 Manitoba Ltd. (the General Partner), which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in KHLP.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada (“GAAP”).

KEEYASK HYDROPOWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2014

NOTE 3 PARTNERS' CAPITAL

Authorized Unlimited number of limited partnership units (Class E, K and M)

Issued	Manitoba Hydro	7 499	Class M Units	74.99%
	General Partner	1	Class M Unit	0.01%
	CNPLP	1 050	Class K Units	10.50%
		450	Class E Units	4.50%
	FLCNKII	350	Class K Units	3.50%
		150	Class E Units	1.50%
	YFFNLP	350	Class K Units	3.50%
		150	Class E Units	1.50%
	Total	10 000	Class M, K and E Units	100.00%

The units have no preference, exchange, pre-emptive or redemption rights.

Unaudited Financial Statements of

5022649 MANITOBA LTD.

March 31, 2014

5022649 MANITOBA LTD.

STATEMENT OF LOSS AND RETAINED EARNINGS (UNAUDITED)

For the year ended March 31

	2014	2013
	thousands of dollars	
Partnership Loss	**(7)**	(4)
Retained earnings, beginning of year	**(4)**	-
Retained earnings, end of year	**(11)**	(4)

The accompanying notes are an integral part of the financial statements.

5022649 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2014	2013
		thousands of dollars	
Assets			
Current Assets			
Cash		**4**	4
Other Assets			
Investment in Partnership	3	**22**	29
		26	33
Shareholders' Equity			
Share capital	4	**37**	37
Retained earnings		**(11)**	(4)
		26	33

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Lorne Midford, P.Eng.
Chair of the general partner of WPLP
(5022649 Manitoba Ltd.)

Darren B. Rainkie, CA
Treasurer and Chair of the
Audit Committee

5022649 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2014	2013
	thousands of dollars	
Financing Activities		
Proceeds from common share issue	-	-
Cash provided by financing activities	-	-
Investing Activities		
Investment in partnership	-	(3)
Cash used for investing activities	-	(3)
Net decrease in cash	-	(3)
Cash, beginning of year	4	7
Cash, end of year	4	4

The accompanying notes are an integral part of the financial statements.

5022649 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

5022649 Manitoba Ltd. was incorporated on November 30, 2004 and is a wholly owned subsidiary of Manitoba Hydro. This company is the General Partner of the Wuskwatim Power Limited Partnership (Partnership) and has acquired .01% ownership of the Partnership.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

(b) **Revenue Recognition**

The investment in the Partnership is accounted for by the equity method.

NOTE 3 INVESTMENT IN PARTNERSHIP

5022649 Manitoba Ltd.'s investment in the Partnership is accounted for using the equity method where contributions to the Partnership increase the investment and the General Partner's share of the Partnership loss decreases the investment.

	2014	2013
	thousands of dollars	
Investment in Partnership, beginning of year	**29**	30
Contributions to Partnership	**-**	3
Partnership loss	**(7)**	(4)
Investment in Partnership, end of year	**22**	29

NOTE 4 SHARE CAPITAL

An unlimited number of common shares are authorized and 3 700 common shares have been issued.

Unaudited Financial Statements of

5900345 MANITOBA LTD.

March 31, 2014

5900345 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2014	2013
		dollars	
Assets			
Current Assets			
Cash		**1 000**	1 000
Other Assets			
Investment in Keeyask Hydropower Limited Partnership		**1**	1
		1 001	1 001
Shareholder's Equity			
Share Capital	3	**1 001**	1 001
		1 001	1 001

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Bruce A. Barrett, P.Eng.
President of the general partner of KHLP
(5900345 Manitoba Ltd.)

5900345 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2014	2013
	dollars	
Financing Activities		
Proceeds from common share issue	-	-
Cash provided by financing activities	-	-
Investing Activities		
Investment in Partnership	-	-
Cash used for investing activities	-	-
Net increase in cash	-	-
Cash, beginning of year	**1 000**	1 000
Cash, end of year	**1 000**	1 000

The accompanying notes are an integral part of the financial statements.

5900345 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

5900345 Manitoba Ltd. was incorporated on June 17, 2009 and is a wholly owned subsidiary of Manitoba Hydro. This company is the General Partner of the Keeyask Hydropower Limited Partnership and has acquired .01% ownership of the Partnership.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

NOTE 3 SHARE CAPITAL

An unlimited number of common shares authorized and 1001 common shares issued.

Unaudited Financial Statements of

4985371 MANITOBA LTD.

March 31, 2014

4985371 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Note	2013	2012
		dollars	
Assets			
Cash		**1**	1
		1	1
Shareholder's Equity			
Share Capital	2	**1**	1
		1	1

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

William Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

4985371 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

4985371 Manitoba Ltd was established September 14, 2004 to hold legal title of the property at 360 Portage Avenue. As a bare trustee, 4985371 Manitoba Ltd holds title to the property without any further duty to perform, except convey title to the beneficiary, Manitoba Hydro, upon demand.

NOTE 2 SHARE CAPITAL

An unlimited number of Class A common shares authorized and one Class A common share issued.

Unaudited Financial Statements of

6690271 MANITOBA LTD.

March 31, 2014

6690271 MANITOBA LTD.
BALANCE SHEET (UNAUDITED)
As at March 31

	Notes	2014	2013
		thousands of dollars	
Assets			
Current Assets			
Cash		**12**	-
Fixed Assets			
Work in Progress		**6 792**	-
		6 804	-
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities		**624**	-
Intercompany payable		**3 887**	-
		4 511	-
Equity			
Share capital	3	**2 293**	-
		6 804	-

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

Lorne Midford, P.Eng.
President

6690271 MANITOBA LTD.
STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended March 31

	2014	2013
	thousands of dollars	
Investing Activities		
Work in progress	**(2 281)**	-
Cash used for investing activities	**(2 281)**	-
Financing Activities		
Proceeds from issue of common shares	**2 293**	-
Cash provided by financing activities	**2 293**	-
Net change in cash	**12**	**-**
Cash and cash equivalents, beginning of year	**-**	-
Cash and cash equivalents, end of year	**12**	-

The accompanying notes are an integral part of the financial statements.

6690271 MANITOBA LTD.
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
For the year ended March 31, 2014

NOTE 1 NATURE OF THE ORGANIZATION

6690271 Manitoba Ltd. was incorporated on April 8, 2013 and is a wholly owned subsidiary of Manitoba Hydro. This company was formed to fund a portion of the US segment of the new international transmission interconnection, the Great Northern Transmission Line, being constructed by Minnesota Power.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Presentation**

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants (CPA) Canada Handbook - Accounting - Canadian Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ("GAAP") and include the significant accounting policies described hereafter.

NOTE 3 SHARE CAPITAL

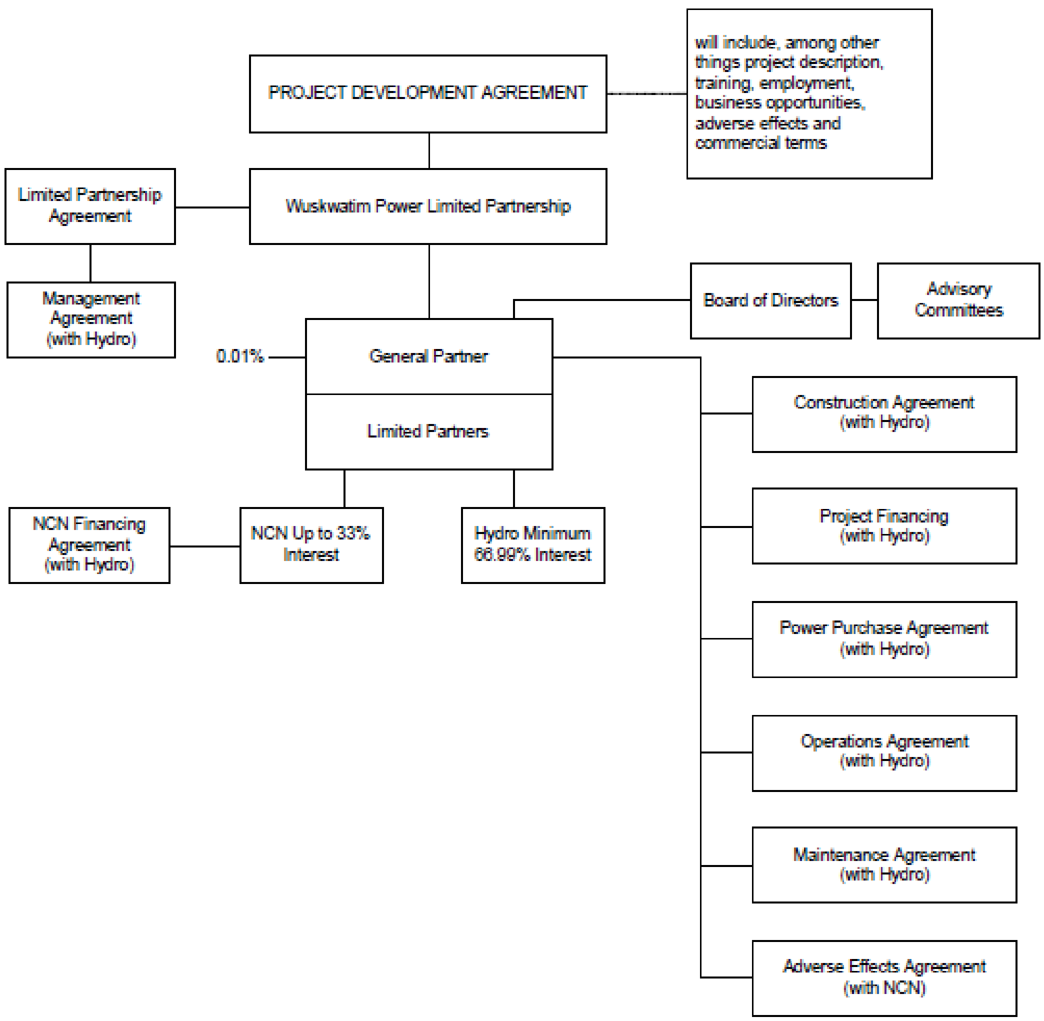
Unlimited number of common shares authorized at one dollar each and 2 293 482 common shares were issued.

Corporate Overview MFR 7

Updated Ownership schematic for WPLP and KHLP.

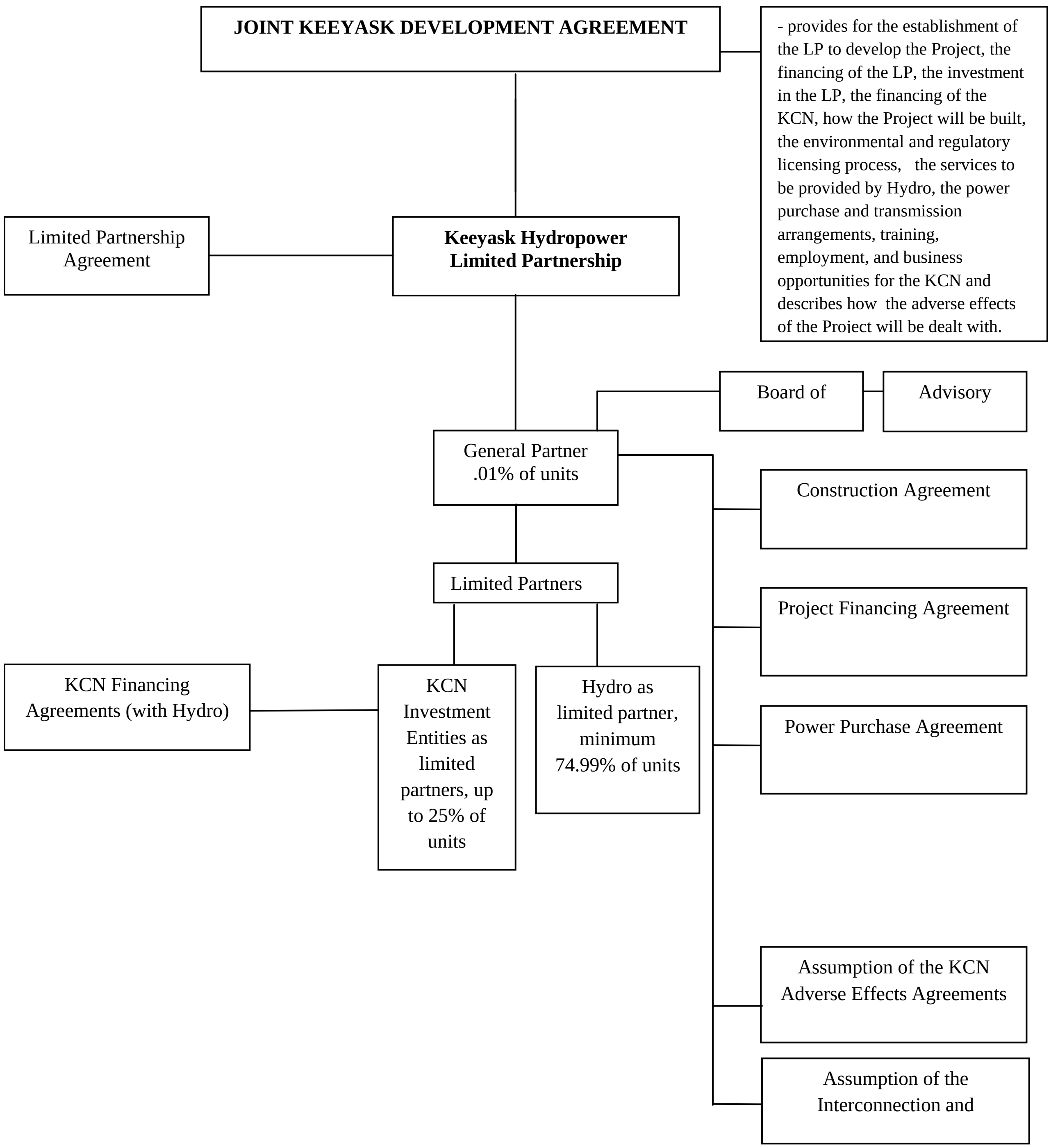
Figure 2.4 below was included in the Needs For and Alternatives to the Wuskwatim Project (NFAAT) submission to the Manitoba Clean Environment Commission in 2003 and is representative of the current ownership structure of the partnership. As at the date of this Application, NCN is fully invested at a 33% ownership interest in WPLP.

FIGURE 2.4 AGREEMENT FRAMEWORK AND EQUITY OWNERSHIP FOR THE PROJECT



Schedule 2-1 from the Joint Keeyask Development Agreement (JKDA) is representative of the current ownership structure of the partnership. As of the date of this Application, the KCN have a 17.5% ownership interest in KHLP (with an option to activate the incremental 7.5% at future points in time).

SCHEDULE 2-1



Corporate Overview MFR 8

Financial Forecasts for WPLP and KHLP

Please find attached the 2014 projected financial statements for WPLP and KHLP.

The WPLP forecast assumes terms of the agreement in principle with NCN commencing in 2014/15.

The KHLP forecast assumes the KCN's will hold a 17.5% common ownership interest up to June of 2021 and then elect to invest in the preferred ownership option.

WUSKWATIM POWER LIMITED PARTNERSHIP (IFF14)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES										
Revenue	41	82	98	103	107	111	114	119	124	129
	41	82	98	103	107	111	114	119	124	129
EXPENSES										
Operating and Administrative	13	12	12	12	12	13	13	13	13	13
Finance Expense	74	75	77	79	79	79	77	76	75	73
Depreciation and Amortization	26	27	27	27	27	27	27	27	27	27
Water Rentals and Assessments	5	5	5	5	5	5	5	5	5	5
	119	119	121	123	124	123	122	121	120	119
Net Income	(77)	(37)	(23)	(21)	(17)	(13)	(9)	(2)	4	11
Financial Ratios										
Debt	89%	91%	93%	95%	95%	95%	95%	95%	95%	93%

WUSKWATIM POWER LIMITED PARTNERSHIP (IFF14)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
REVENUES										
Revenue	134	121	124	128	130	135	140	145	151	156
	134	121	124	128	130	135	140	145	151	156
EXPENSES										
Operating and Administrative	14	14	14	14	15	11	11	11	11	11
Finance Expense	71	70	67	65	62	60	57	53	51	50
Depreciation and Amortization	27	27	27	27	27	27	27	27	27	27
Water Rentals and Assessments	5	5	5	5	5	5	5	5	5	5
	117	116	113	111	109	103	100	96	94	94
Net Income	17	5	11	17	21	32	40	49	56	63
Financial Ratios										
Debt	92%	91%	90%	88%	85%	81%	76%	75%	75%	75%

WUSKWATIM POWER LIMITED PARTNERSHIP (IFF14)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Plant in Service	1,345	1,345	1,375	1,375	1,375	1,375	1,375	1,375	1,378	1,378
Accumulated Depreciation	(52)	(72)	(92)	(113)	(134)	(155)	(175)	(196)	(217)	(238)
Net Plant in Service	1,293	1,273	1,283	1,262	1,241	1,220	1,199	1,179	1,161	1,140
Construction in Progress	2	15	-	-	-	-	-	-	-	-
Current and Other Assets	298	304	310	316	324	332	340	349	358	368
	1,594	1,592	1,592	1,578	1,565	1,552	1,540	1,528	1,520	1,509
LIABILITIES AND EQUITY										
Long-Term Debt	1,302	1,301	1,300	1,298	1,297	1,295	1,294	1,292	1,290	1,288
Current and Other Liabilities	144	180	205	213	207	197	188	179	170	150
Partners Capital	147	110	87	66	61	60	58	57	60	71
	1,594	1,592	1,592	1,578	1,565	1,552	1,540	1,528	1,520	1,509
Debt Ratio	89%	91%	93%	95%	95%	95%	95%	95%	95%	93%

WUSKWATIM POWER LIMITED PARTNERSHIP (IFF14)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ASSETS										
Plant in Service	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,378	1,382	1,382
Accumulated Depreciation	(259)	(279)	(300)	(321)	(342)	(363)	(384)	(404)	(425)	(446)
Net Plant in Service	1,120	1,099	1,078	1,057	1,036	1,015	995	974	957	936
Construction in Progress	-	-	-	-	-	-	-	-	-	-
Current and Other Assets	379	389	401	413	425	438	451	465	480	496
	1,498	1,488	1,479	1,470	1,461	1,453	1,446	1,439	1,437	1,432
LIABILITIES AND EQUITY										
Long-Term Debt	1,286	1,284	1,281	1,279	1,276	1,273	1,270	1,267	1,264	1,261
Current and Other Liabilities	125	111	94	70	43	5	(40)	(35)	(27)	(21)
Partners Capital	88	93	104	121	142	174	215	207	201	193
	1,498	1,488	1,479	1,470	1,461	1,453	1,446	1,439	1,437	1,432
Debt Ratio	92%	91%	90%	88%	85%	81%	76%	75%	75%	75%

WUSKWATIM POWER LIMITED PARTNERSHIP (IFF14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES										
Cash Receipts from Customers	41	82	98	103	107	111	114	119	124	129
Cash Paid to Suppliers and Employees	(18)	(17)	(17)	(18)	(18)	(18)	(18)	(18)	(18)	(18)
Interest Paid	(74)	(76)	(78)	(80)	(81)	(81)	(81)	(80)	(79)	(78)
Interest Received	-	0	1	1	2	3	3	4	4	5
	(51)	(11)	3	6	11	15	18	26	31	38
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Other	1	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)
	1	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(9)	(12)	(14)	-	-	-	-	-	(3)	-
Sinking Fund Payment	(10)	(12)	(12)	(13)	(14)	(14)	(15)	(15)	(16)	(16)
Other	-	-	-	-	-	11	11	7	-	-
	(19)	(24)	(26)	(13)	(14)	(3)	(4)	(8)	(19)	(16)
Net Increase (Decrease) in Cash	(69)	(36)	(25)	(8)	(5)	10	13	16	10	19
Cash at Beginning of Year	(48)	(117)	(152)	(178)	(186)	(191)	(181)	(168)	(152)	(142)
Cash at End of Year	(117)	(152)	(178)	(186)	(191)	(181)	(168)	(152)	(142)	(123)

WUSKWATIM POWER LIMITED PARTNERSHIP (IFF14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
OPERATING ACTIVITIES										
Cash Receipts from Customers	134	121	124	128	130	135	140	145	151	156
Cash Paid to Suppliers and Employees	(19)	(19)	(19)	(19)	(20)	(16)	(16)	(16)	(16)	(16)
Interest Paid	(77)	(76)	(75)	(74)	(73)	(71)	(69)	(67)	(66)	(66)
Interest Received	6	6	9	10	11	12	12	13	15	16
	44	33	38	44	49	59	68	76	84	90
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Other	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)
	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	-	-	-	-	-	-	-	-	(4)	-
Sinking Fund Payment	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(21)	(21)	(22)
Other	-	-	-	-	-	-	-	-	(57)	(63)
	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(21)	(82)	(85)
Net Increase (Decrease) in Cash	25	13	18	23	27	37	45	53	(2)	1
Cash at Beginning of Year	(123)	(97)	(84)	(66)	(43)	(16)	22	67	119	117
Cash at End of Year	(97)	(84)	(66)	(43)	(16)	22	67	119	117	118

KEEYASK HYDROPOWER LIMITED PARTNERSHIP (IFF14)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES										
Revenue	-	-	-	-	-	35	226	286	298	315
	-	-	-	-	-	35	226	286	298	315
EXPENSES										
Operating and Administrative	-	-	-	-	-	5	14	14	14	15
Finance Expense	0	0	0	0	0	20	181	247	248	247
Depreciation and Amortization	-	-	-	-	-	6	62	85	85	85
Water Rentals and Assessments	-	-	-	-	-	2	13	15	19	20
	0	0	0	0	0	32	270	361	367	367
Net Income	(0)	(0)	(0)	(0)	(0)	2	(44)	(74)	(69)	(52)
Financial Ratios										
Debt	75%	75%	75%	75%	75%	75%	75%	76%	77%	78%

KEEYASK HYDROPOWER LIMITED PARTNERSHIP (IFF14)
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
REVENUES										
Revenue	324	318	324	331	337	349	361	370	384	399
	324	318	324	331	337	349	361	370	384	399
EXPENSES										
Operating and Administrative	15	15	15	15	15	15	14	15	15	15
Finance Expense	248	246	242	240	237	234	229	225	215	209
Depreciation and Amortization	85	85	85	85	85	85	85	85	85	85
Water Rentals and Assessments	20	20	20	20	20	21	21	21	22	22
	368	366	363	360	358	355	350	346	337	332
Net Income	(44)	(48)	(38)	(29)	(21)	(6)	11	25	47	67
Financial Ratios										
Debt	78%	79%	79%	80%	80%	79%	79%	75%	75%	75%

KEEYASK HYDROPOWER LIMITED PARTNERSHIP (IFF14)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Plant in Service	-	-	-	-	-	2,541	5,929	5,929	5,929	5,929
Accumulated Depreciation	-	-	-	-	-	(6)	(65)	(146)	(227)	(308)
Net Plant in Service	-	-	-	-	-	2,535	5,864	5,783	5,701	5,620
Construction in Progress	1,666	2,303	3,196	4,449	5,240	3,175	(51)	(5)	(0)	0
Current and Other Assets	14	27	56	94	149	199	199	238	278	322
	1,681	2,330	3,252	4,543	5,389	5,908	6,011	6,016	5,980	5,942
LIABILITIES AND EQUITY										
Long-Term Debt	1,014	1,627	2,256	3,294	3,949	4,199	4,401	4,400	4,399	4,552
Current and Other Liabilities	277	155	225	164	158	306	211	279	312	174
Partners Capital	389	548	771	1,084	1,282	1,403	1,399	1,336	1,268	1,216
	1,681	2,330	3,252	4,543	5,389	5,908	6,011	6,016	5,980	5,942
Debt Ratio	75%	75%	75%	75%	75%	75%	75%	76%	77%	78%

KEEYASK HYDROPOWER LIMITED PARTNERSHIP (IFF14)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ASSETS										
Plant in Service	5,929	5,929	5,929	5,929	5,929	5,932	5,932	5,932	5,932	5,932
Accumulated Depreciation	(390)	(471)	(552)	(633)	(715)	(796)	(877)	(958)	(1,040)	(1,121)
Net Plant in Service	5,539	5,458	5,376	5,295	5,214	5,137	5,055	4,974	4,893	4,812
Construction in Progress	0	0	0	0	0	0	0	0	0	0
Current and Other Assets	367	414	463	515	568	624	682	743	806	872
	5,905	5,871	5,839	5,810	5,782	5,761	5,738	5,717	5,699	5,683
LIABILITIES AND EQUITY										
Long-Term Debt	4,550	4,549	4,548	4,547	4,545	4,544	4,542	4,540	4,539	4,537
Current and Other Liabilities	182	198	205	206	201	187	155	(75)	14	0
Partners Capital	1,173	1,124	1,086	1,057	1,036	1,030	1,041	1,252	1,146	1,146
	5,905	5,871	5,839	5,810	5,782	5,761	5,738	5,717	5,699	5,683
Debt Ratio	78%	79%	79%	80%	80%	79%	79%	75%	75%	75%

KEEYASK HYDROPOWER LIMITED PARTNERSHIP (IFF14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES										
Cash Receipts from Customers	-	-	-	-	-	35	226	286	298	315
Cash Paid to Suppliers and Employees	-	-	-	-	-	(7)	(27)	(29)	(34)	(34)
Interest Paid	(15)	(56)	(83)	(122)	(176)	(212)	(233)	(241)	(244)	(245)
Interest Received	-	-	-	-	-	-	-	-	2	4
	(15)	(56)	(83)	(122)	(176)	(184)	(34)	16	22	39
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1,000	600	600	1,000	600	200	200	-	-	154
Other	371	154	218	308	193	113	34	6	(5)	(6)
	1,371	754	818	1,308	793	313	234	6	(5)	147
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1,515)	(571)	(797)	(1,114)	(604)	(274)	(100)	(47)	(4)	(0)
Sinking Fund Payment	-	-	-	-	-	-	-	(43)	(45)	(47)
Other	-	-	-	-	-	-	-	-	-	-
	(1,515)	(571)	(797)	(1,114)	(604)	(274)	(100)	(89)	(49)	(47)
Net Increase (Decrease) in Cash	(159)	127	(62)	72	14	(144)	100	(67)	(32)	139
Cash at Beginning of Year	-	(159)	(32)	(94)	(22)	(8)	(153)	(53)	(120)	(152)
Cash at End of Year	(159)	(32)	(94)	(22)	(8)	(153)	(53)	(120)	(152)	(13)

KEEYASK HYDROPOWER LIMITED PARTNERSHIP (IFF14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
OPERATING ACTIVITIES										
Cash Receipts from Customers	324	318	324	331	337	349	361	370	384	399
Cash Paid to Suppliers and Employees	(35)	(35)	(35)	(35)	(36)	(36)	(35)	(36)	(37)	(37)
Interest Paid	(248)	(248)	(249)	(249)	(249)	(248)	(247)	(245)	(239)	(236)
Interest Received	6	8	12	15	17	20	23	27	30	33
	47	43	53	62	70	85	102	116	139	158
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Other	(6)	(7)	(7)	(7)	(7)	(6)	(6)	(6)	(6)	(7)
	(6)	(7)	(7)	(7)	(7)	(6)	(6)	(6)	(6)	(7)
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	-	-	-	-	-	(4)	-	-	-	-
Sinking Fund Payment	(49)	(51)	(53)	(55)	(58)	(60)	(62)	(64)	(67)	(70)
Other	-	-	-	-	-	-	-	-	186	(153)
	(49)	(51)	(53)	(55)	(58)	(64)	(62)	(64)	119	(223)
Net Increase (Decrease) in Cash	(8)	(15)	(7)	(0)	6	15	33	45	252	(72)
Cash at Beginning of Year	(13)	(22)	(37)	(44)	(44)	(39)	(23)	10	55	307
Cash at End of Year	(22)	(37)	(44)	(44)	(39)	(23)	10	55	307	235

Corporate Overview MFR 10

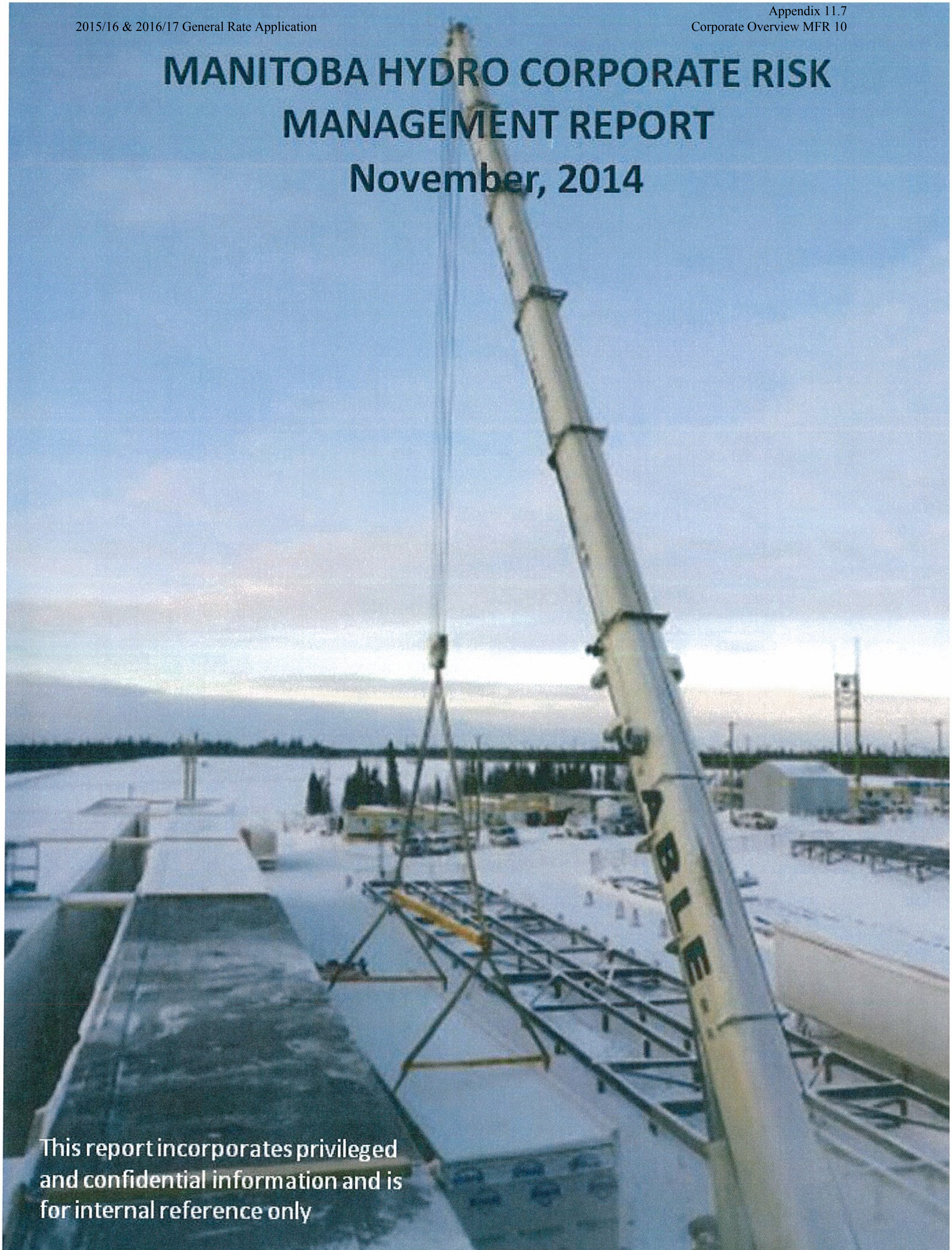
Corporate Risk Analysis Report and Specific Risk Management Plans for all Major Risks including Drought.

Please find attached the redacted version of Manitoba Hydro's Corporate Risk Management Report.

In addition, Manitoba Hydro has provided a full copy of its Corporate Risk Management Report to the PUB, in confidence, as requested in PUB/MH I-84b.

MANITOBA HYDRO CORPORATE RISK MANAGEMENT REPORT

November, 2014



This report incorporates privileged and confidential information and is for internal reference only

Cover: Keewatinohk Construction Camp
When completed the Keewatinohk Converter Station will improve power reliability and expand exporting capabilities.

TABLE OF CONTENTS

I. INTRODUCTION

The Corporate Risk Management Report is normally updated on an annual basis to provide Manitoba Hydro's stakeholders with information on the status of major risks facing the Corporation as it carries out its mandate. The report identifies and assesses each risk, describes activities used to manage the risk and provides estimates of the potential residual impact to the Corporation in terms of likelihood and consequence after mitigation actions have been taken. The Corporation's tolerance for each risk and an assessment of whether the risk is within or outside the desired tolerance level is also provided.

As a Crown-owned utility providing an essential and life-sustaining energy service to Manitobans, Manitoba Hydro has a relatively low tolerance for risk. However, because Manitoba Hydro is also an important economic driver for the Province, some risks are necessary in order to take advantage of opportunities to maximize value for stakeholders. These risks are managed through a systematic, proactive and integrated process which is designed to balance the objectives of:

- identifying threats that affect the achievement of the Corporation's mission and mandate;
- mitigating the consequences of negative occurrences; and
- taking advantage of opportunities to provide benefits to all stakeholders.

Most risk management efforts are focused on reducing the occurrence of negative events. However, the Corporation also has plans in place to reduce the impacts should a negative event occur. These plans are under continual assessment. In addition, all safety and reliability risks are managed through strict adherence to design, construction and operating standards and practices together with extensive public education and employee training programs. A comprehensive Emergency Response Program is also in place to ensure an effective and coordinated response to possible emergencies or disasters.

The financial and operational risks associated with the management of an integrated electricity and natural gas utility are significant. These risks include the impacts of weather on supply and demand, price and market uncertainties, interest, inflation and foreign exchange rates, skilled labour availability and costs, aging infrastructure maintenance and replacement, increasing regulatory, environmental and legal requirements, and accelerated technological change. Manitoba Hydro manages these risks through an integrated control framework and through the maintenance of an adequate level of retained earnings.

Manitoba Hydro's Corporate Risk Management Report is structured to provide the following:

- A summary of the high consequence risks including:
    - Loss of major infrastructure
    - Drought
    - Loss of export markets
- An overview of significant and emerging risks and actions taken to address those risks.
- A Corporate Risk Map providing a visual depiction of Manitoba Hydro's risks categorized into high, medium and low likelihood of occurrence and the corresponding consequences.
- A Corporate Risk Tolerance Assessment of each risk.
- Corporate Risk Profiles - one page summaries of each of Manitoba Hydro's risks.

II. HIGH CONSEQUENCE RISKS

The most significant risks facing Manitoba Hydro are those rated as high consequence due to the potential magnitude of impact on the Corporation's ability to achieve its mandate and strategic goals and are quantified in the following table:

RISK	POTENTIAL FINANCIAL IMPACT
INFRASTRUCTURE	
Prolonged loss of supply	> $2 billion
DROUGHT	
Water Supply Variation / Drought	>$1.7 billion for a 5 year drought commencing in 2017 (IFF 14)
LOSS OF EXPORT MARKET ACCESS	> 30 % of electricity revenue

Infrastructure Risk (Category D)

A catastrophic infrastructure failure continues to be the most significant risk facing the Corporation and its customers. Potential impacts include prolonged loss of system supply, the inability to maintain minimum energy services, loss of life, severe environmental damage and significant costs to the Manitoba economy. Failure can be caused by a number of factors including an extreme weather event, sabotage, fire, human error, or technical malfunction.

By the nature of its business, Manitoba Hydro has an especially low tolerance for infrastructure risk. Significant efforts are expended on managing this risk in a manner that avoids the occurrence of a catastrophic event and minimizing consequences should a catastrophic event occur.

Risk Treatment

In the short term, actions are continually being taken to enhance emergency response and disaster management processes. In the longer term, major investment in renewal and expansion of the infrastructure system are underway to maintain and improve system reliability, energy security and safety. Key management plans and projects include:

- Construction of Bipole III with a planned in-service date of 2018.
- Re-termination of the 500 kV Interconnection at Riel (2014).
- Renewal and replacement of aging electric and gas infrastructure over a long term period to improve system capacity and reliability. This includes critical distribution assets and stations, rehabilitation of existing generators, wood poles, cable and gas pipe replacement, cyber and physical security upgrades, and changes to gas distribution operations and pipelines to respond to changes in geographic gas production and shipment patterns. These changes to gas distribution operations also include lessons learned from a four day loss of gas supply to a large number of customers as a result of an explosion of the TransCanada main gas pipeline.
- Moving forward with implementation of Manitoba Hydro's Development Plan to meet export sales and forecasted domestic load growth. The provincial

government and Public Utilities Board endorsed proceeding with the Keeyask Generating Station, the new 500 kV line to Minnesota and increased levels of Demand Side Management activity. In addition to meeting domestic demand, these projects will allow the Corporation to increase firm export obligations and access greater amounts of energy with additional import capability provided by the new interconnection.

- Water retaining structures and flow control management, including: surveillance inspections, instrumentation monitoring, and engineering analyses of dams and dykes including emergency plans for individual facilities; systematic utilization of failure modes-based condition assessment techniques; and rehabilitation of the Pointe du Bois spillway facility.

- Continual improvement of the Corporate Emergency Management Program that includes a long term plan for managing the available resources, load and system supply following the loss of infrastructure; development of business continuity plans; constructing an emergency fuel depot; spare infrastructure material and equipment inventory to enable timely re-building and restoration of potentially affected assets. The corporation also has short term emergency energy and mutual aid agreements with Ontario, Saskatchewan and U.S. Utilities.

Water Supply Variation / Drought Risk (C.1 and D.2)

On average, there is a high likelihood of a drought occurring about once in every ten years. In the circumstances of an extreme drought that is more severe than the worst on record, there is a possibility of insufficient energy supplies being available to meet firm load demands. This would result in extreme financial and reputational impacts on the Corporation. The cost of a five year drought similar to the worst on record is estimated to be $1.7 billion (IFF 14) for a drought commencing in 2017.

Risk Treatment

There are several measures in place to manage the impacts of a drought, as follows:

- Manitoba Hydro's current generation and transmission facilities are designed and operated to ensure firm demand can be supplied given a repeat of the lowest river flows since 1912. A drought more severe than the worst on record could occur and would require non-normal operations. This may include operating reservoirs outside of the normal range for power production. Non-normal operation may also include demand reduction measures such as public appeal for conservation, enforced conservation, or rotating reductions of non-essential load. Actions to manage drought will depend on its duration and severity and any other conditions that prevail at the time.

- Once built, the new interconnection with the U.S. in combination with additional long term exports in the Development Plan will provide the Corporation with increased ability to access additional amounts of energy through higher imports than planned and through financial settlement of firm export contracts.

- Adequate retained earnings are required to protect against a repeat of the worst drought on record. At March 31, 2014 retained earnings totaled $2.7 billion. It should be noted, however, that while drought is a major quantifiable risk, an adequate level of retained earnings is required to recover from other significant risks such as a prolonged loss of supply or the loss of export market access.

Export Market Access Risk (Category A.2)

On average Manitoba Hydro derives a significant portion of its revenue from export sales to U.S. and Canadian markets. The prime impact of restricted market access would be significantly reduced net export revenues which are fundamental in keeping domestic rates low and offsetting the upfront costs of capital investments. Market access risk also includes restrictions on Manitoba Hydro's ability to import which could increase the cost of droughts, and degrade system reliability.

Risk Treatment

Manitoba Hydro continues to actively work to mitigate and manage market access uncertainties, as follows:

- In alliance with other industry participants such as the Canadian Electricity Association, and other stakeholders, Manitoba Hydro continues to lobby MISO, IESO and FERC for the development or elimination of market rules that affect electricity trade and facilitate full participation of Manitoba Hydro in US and Canadian electricity markets.

- Manitoba Hydro also engages in extensive lobbying efforts in the US to promote waterpower as a clean, reliable and renewable source of energy and to counter anti-hydro special interest group lobbying.

- The Corporation also engages with environmental, consumer and business stakeholder groups to discuss and promote its development plans.

- Market access risk is also reduced by having long term contracts and strong relationships in place with major export counterparties.

III. SIGNIFICANT AND EMERGING RISKS

While loss of infrastructure, drought and potential loss of export markets remain as the highest consequence risks for the Corporation, there are other significant and emerging risks that can affect the achievement of the Corporation's mission and mandate. These are:

Infrastructure Investment (Category D / A.2.6)

Manitoba Hydro is moving forward with a number of major initiatives (e.g. construction of Bipole III, replacement of aging infrastructure, Keeyask generating station, a new interconnection to the U.S and increased Demand-Side Management activities) in order to further improve electrical and gas system reliability, meet the future energy needs of the province, and take advantage of export opportunities. These plans will require the investment of approximately $18 billion (CEF 14) over the next 10 years.

There are a number of risks associated with such large initiatives that will challenge the Corporation's ability to meet Manitoba's energy needs while keeping customer rates affordable, and maintaining the Corporation's financial strength. These challenges include managing the costs of Bipole III, Keeyask and the new interconnection project; [redacted] Mitigation measures to address these cost risks include the use of best practices in cost estimating, contracting practices, the inclusion of appropriate contingencies and management reserves. [redacted]

With regard to Conawapa, the Corporation has suspended the majority of expenditures associated with that project consistent with government direction following the PUB's NFAT report. Conawapa is now seen as an opportunity that will only proceed if sufficient additional profitable export sales materialize that will shoulder most of the financial risk associated with building Conawapa much earlier than needed for domestic purposes. Without those contracts further expenditures to protect an early in-service date for Conawapa will not be made. The consequences of that will be a lost opportunity resulting in higher rates in the very long term, reduced near term provincial economic activity and reduced socio-economic benefits to northern aboriginal communities who would partner with Manitoba Hydro on the project.

Financial Strength (B.7)

Maintaining financial strength is essential in order to make the necessary investments in infrastructure, to continue to provide safe and reliable service to customers, financially withstand the risks and uncertainties that are inherent in the Corporation's operations and to provide customers with long-term rate stability and predictability and avoid the need for large or sudden rate increases in the future. The required investment in new and existing infrastructure is expected to place a certain degree of pressure on the Corporation's key financial targets, and if not carefully managed, there is a risk of higher required future rate increases or potential negative impacts to the credit rating of the Province.

Key areas of focus to maintain financial strength include:

- Continuing cost containment measures. This includes utilizing resources effectively and efficiently while diligently managing capital projects to be on time and on budget. Management continues to evaluate the need to fill positions vacated as a result of attrition, considering opportunities for process improvement, technological enhancements and organizational restructuring. This also involves leveraging experience from the development of new tools and past projects to improve upon capital cost estimating, project and contract management.

- Aggressively pursuing a balanced portfolio of domestic and profitable export sales to provide the highest financial benefits to ratepayers and all Manitobans over the long term.

- Managing and mitigating financial risk by closely monitoring economic factors, financial markets, and energy markets.

- Implementing modest, regular domestic electricity rate increases necessary to achieve financial targets over the long term.

Domestic Electricity Rate Increases (B.7)

The infrastructure system that served Manitoba well for decades now needs significant re-investment to continue meeting the province's needs. Electricity rates in Manitoba must rise to ensure the ongoing safety and reliability of the electricity supply and delivery system. This is an issue that is present across North America, as other utilities address aging infrastructure and growing demand.

Manitoba's electricity rates continue to be among the lowest overall in North America, due in large part to past investments in hydroelectric generating stations and the contribution to earnings from the sales of surplus energy into the export market. However, Manitoba Hydro's plan for re-powering the province requires a significant capital investment. This investment in the replacement and refurbishment of plant will require increased revenues, which must be obtained from a series of future electricity rate increases, at levels higher than the historical average.

It is a significant challenge to convince stakeholders that higher rate increases are in the best long-term interests of all ratepayers to ensure ongoing safe and reliable service. Significant efforts will need to be focused on delivering compelling and convincing arguments before the PUB to obtain the required level of rate increases going into the future. Even with the projected rate increases, it is expected that Manitoba Hydro's domestic customers will continue to have electricity rates that are affordable and competitive.

Offering new and expanded Power Smart programs aggressively targeting additional electricity and natural gas savings, as outlined in the Corporation's development plan, will aid customers in managing their overall energy costs.

Export Sales (Category A.2)

As was previously mentioned, increased export sales are fundamental to achieving the Corporation's strategy of reducing the costs of building new generation supply for Manitoba ratepayers.

Key factors affecting the ability to increase export volumes and revenues are:

- **Export Market Prices -** In recent years export prices for electricity have been affected by the economic slowdown in the U.S. and the availability of low-cost natural gas made possible by new production techniques. The corporation has endeavored to reflect these factors as accurately as possible in its forecasts of future export market prices. Based on the input of external industry specialists, the corporation is forecasting a moderate rise in export prices over the long term, restrained by the continued impact of natural gas pricing. There is a residual risk that export prices could be lower than industry experts are predicting, and that would be a downside risk that could hamper the Corporation's ability to achieve forecasted export revenues and other financial targets with projected rate increases.

- **Cost of New Hydraulic Generation** – The resources in the Corporation's development plan are supported by a number of export agreements, including a 250-megawatt sale to Minnesota Power, a 125 MW sale to Northern States Power and a 108–megawatt sale to Wisconsin Public Service. [redacted]

  Commencement of construction of Conawapa is not required in the near term to serve Manitoba load. As a result resumption of planning and capital expenditures for Conawapa will only proceed if sufficient firm export interest materializes in the next two years that convince the Corporation that there are significant benefits with proceeding and that the risks of the project will not be borne by Manitoba ratepayers. To date only the 308 MW Power Sale Agreement with Wisconsin

Public Service has been signed. By itself that sale only requires 30% of Conawapa's output until 2035. Commitments tied to a large portion of its remaining output will be necessary before resumption of expenditures can be justified.

- **Market Access -** Manitoba Hydro's development plan includes the construction of a new 500 kV interconnection with the U.S. The interconnection will increase export capability by 883 MW and import capability by 683 MW. These increases in transfer capability will increase the amount of firm load that can be served by the Manitoba generating system, will enhance the value of new DSM initiatives and will result in Manitoba Hydro achieving higher export prices and lower import prices. The line will increase export volumes by reducing water spillage in high water years.

  Critical to receiving regulatory and political approval to build the US portion of the interconnection is having a US utility who will champion and build the line in the US. The risks of this project not moving forward are significantly reduced this year as Manitoba Hydro and Minnesota Power have now signed several agreements which establish the business arrangements necessary for the Minnesota Power to proceed with the permitting, and route selection processes. These permitting processes are underway and MP expects to receive approval by the end of 2015 with actual construction of the Great Northern Transmission Line commencing in 2016.

  In addition, Manitoba Hydro's subsidiary (6600271 MB. Ltd), Minnesota Power and MISO have signed a Facilities Construction Agreement. These agreements are subject to several conditions and regulatory approvals which still must be satisfied before construction can commence.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Gas Price Volatility (B.5)

There is significant upward cost pressure for transportation services on the TCPL Canadian Mainline (the "Mainline"), to which Centra is currently captive in bringing natural gas to its load centre. The Mainline is significantly underutilized resulting in less revenue than that which is required to cover the Mainline's relatively high embedded cost structure. As a result, the pipeline has been seeking regular toll increases since 2010, which costs are passed through to Manitoba natural gas ratepayers. Tolls on the Mainline also affect transportation services that Centra obtains from third parties.

This market circumstance was recently compounded by a proposal by TCPL to segment the Mainline's cost allocation and tolls post-2020 between the under-utilized Western Mainline (on which Centra moves gas) and the highly utilized Eastern Ontario Triangle, which would facilitate the avoidance of cost responsibility for under-utilized or stranded assets on the Mainline by eastern shippers at the expense of Centra and other captive shippers on the Western Mainline. Centra is the largest captive shipper on the Western

Mainline. The proposal, if approved by the National Energy Board ("NEB"), is expected to result in significantly higher costs and risk for Centra than it would bear if the Mainline were to remain integrated.

Centra actively intervened to oppose Mainline segmentation in the recent Oral Hearing RH-001-2014 before the NEB regarding the Application by TCPL for Approval of Mainline 2015-2030 Tolls & Restructuring. Interested parties are awaiting a Decision by the NEB, which is expected in November, 2014. In the event that the Decision is unfavourable for Centra, work will be undertaken to explore alternatives to continuing to move gas on the Mainline.

Interest Rates (B.2)

As a result of the intensive capital investment period, it is projected that Manitoba Hydro's level of debt will significantly increase and financial results will be affected by market interest rates. Over the next 10 years the potential cumulative financial impact of a one-percent change in interest rates is estimated at $1.1 billion (IFF 14).

Manitoba Hydro's interest rate policy on its existing debt portfolio is to limit the aggregate of short term debt, floating rate debt and debt to be refinanced within the subsequent 12 month period to a maximum of 35% of the total debt portfolio. When selecting terms for its new borrowings, Manitoba Hydro gives careful consideration to the debt maturity schedule and the total level of annual financing requirements. The debt management strategy guidance is to have less than 15% of the long term debt portfolio maturing within a fiscal year. In order to mitigate refinancing risk, to maintain financing flexibility during the intensive capital investment period, and in keeping with the concept of matching the Corporation's long-lived assets with long term debt, Manitoba Hydro will continue to favour long term financings with maturities of 10+ years, while maintaining short term debt and floating rate long term debt within policy limits.

As a result of the low interest rate environment over the past several years Manitoba Hydro has been able to reduce its net weighted average interest rate by approximately 2.0% since 2006/07 and increase its weighted average term to maturity by over three years during the same period.

Environmental (Category C)

There are a number of environmental issues currently facing the Corporation that could impact operations if they are not addressed.

A potentially significant environmental issue arises as a result of the 2013 Clean Environment Commission (CEC) recommendation to have both the Province and Manitoba Hydro conduct a Regional Cumulative Environmental Effects Assessment (RCEEA) of all Manitoba Hydro projects in the lower Nelson River sub-basin before any more projects are licensed for construction. [redacted] Manitoba Hydro has completed Phase I of the Study and submitted it to the government. Phase II is now underway and a new committee has been formed with the Province.

Another significant environmental issue deals with the listing of Lake Sturgeon under the Species at Risk Act (SARA). Almost all of the Corporation's hydroelectric generating stations are located where Lake Sturgeon are found and it is likely that at most sites the infrastructure and operations have negatively affected the fish and/or its habitat. Due primarily to historical commercial overharvest, plus additional stressors including hydroelectric development and ongoing [redacted] Lake Sturgeon populations have been severely depleted over the past 100 years and the species is currently under review for listing as endangered under SARA at most locations in Manitoba. If Lake Sturgeon is listed as "Endangered" under the SARA, the Corporation could face restrictions on current operations, structural modifications to infrastructure, delays in developing new generation due to difficulties with securing permits, and high costs of recovery measures that are potentially mandated. There is also a remote chance that new projects could be cancelled. The Corporation continues to take significant action to minimize the need for and likelihood of listing Lake Sturgeon under SARA, however uncertainty remains.

Regulation and Licensing (H.1)

The Corporation requires a variety of regulatory approvals and licenses to carry out its activities. Key approvals and licenses include the National Energy Board, water power and environmental approvals to build new generation or transmission facilities or to maintain or improve the efficiency of existing facilities. Failure to obtain approvals and licenses on favourable terms or in a timely fashion could have significant financial, operating and water regime impacts. These could result in increased costs, reduced hydraulic generation, capacity and export sales. Expiration of a license without renewal could expose the Corporation to embarrassment and loss of reputation and cancelation of a license could expose the Corporation to the possibility that a third party could acquire the water power rights at a location and Manitoba Hydro would lose the asset and associated capacity and generation.

There are several measures in place to manage these risks. These include:

- Incorporating regulatory/licensing concerns into the planning of new rate programs and facilities (e.g. low-head Wuskwatim to minimize environmental impact).

- Pursuing regulatory/license approvals with appropriate diligence and explaining the merits of the corporate position at any public proceedings where the scope of regulation is under debate.

- Maintaining systems to ensure ongoing compliance with regulatory/license requirements and focusing attention on overall corporate image.

- Making recommendations for an efficient and streamlined regulatory framework.

- With respect to Water Power Licenses: (1) Manitoba Hydro has a strong working relationship with the WPA Licensing Section at Water Stewardship. This ensures proper understanding of licensing condition implications and to ensure timely licensing activities; (2) Manitoba Hydro monitors compliance with its WPA licenses and self reports annually on compliance; (3) Manitoba Hydro applies for short term license extensions when licenses would otherwise expire. Historically Manitoba Hydro had several WPA licenses that had expired. Although this was a potential source of embarrassment, it did not result in a disruption of operations; and (4) Manitoba Hydro operates its facilities within the limits established in the WPA licenses. To the extent that deviations are necessary or occur, authorization is requested when possible from Water Stewardship. As a result there is no risk of license cancelation as a result of non-compliance.

Workforce (Category E)

Attracting, developing and retaining a highly skilled and motivated workforce that reflects the demographics of Manitoba is critical to the Corporation's success. Key factors that impact the ability to achieve this are the number of employees that are eligible for retirement, competition for highly skilled workers, and the ability to keep up with technological and other changes. Manitoba Hydro's contractors will also be impacted by the same competition.

The Corporation is looking at the demographic shift that is occurring in its workforce as a challenge as well as an opportunity. Nearly 900 employees are eligible for retirement in 2014. With years of accumulated experience and knowledge, many of those nearing retirement age are key contributors to the Corporation's success. It is important therefore that appropriate succession planning, recruitment and retention activities are in place to maintain safe and reliable service and to manage the loss of valuable experience and knowledge that can result from the retirement of key contributors. At the same time there is opportunity to achieve efficiencies and cost reductions by evaluating the need for positions that are vacated.

Infectious Disease – Ebola Virus (E.1.1)

In June 2014 an outbreak of the Ebola virus occurred in West Africa that could potentially impact Manitoba Hydro operations if the virus is not contained. A number of Hydro employees seconded to the subsidiary company Manitoba Hydro International, as well as several MHI Independent contractors, were working in West Africa during the time of this outbreak and were relocated to various other countries in order to continue their work remotely. None were affected by this virus and they will not return to the area until such time that it is considered safe.

As is the case with any infectious disease, the Corporation needs to be ready and respond appropriately to the events as they occur. The developing and changing nature of this Ebola crisis is being assessed and any changes to established practices and/or policies will be performed to meet the declared requirements of the health authorities. A communication strategy to employees is also under development.

Cyber Security (F.2.1)

The growth of electronic communication and automation, while delivering significant benefits to Manitoba Hydro, has also increased risk to the Corporation. This risk includes any cyber attack that could impact the resiliency, reliability, confidentiality, availability or the integrity of Manitoba Hydro Information and Operational Technology assets, including the theft of personal and or business information, and or the disruption/misuse of critical operations/assets. Any computer or control system if not secured properly may be considered a potential target. These cyber attacks could have a significant impact on Manitoba Hydro operationally and financially, and may have a rippling effect on the Manitoba economy.

Countermeasures, management controls and processes are in place to mitigate this risk. The corporation is also developing a series of measures to further augment cyber-security efforts consistent with recommendations of the Office of the Auditor General. Steps to address the recommendations include establishing an Enterprise Security Council comprised of senior executives to provide oversight for all physical and technology security. The Auditor General's report consisted of eight recommendations and the Corporation has developed action plans to address each.

Reputation (G.1)

The Corporation has recently completed a number of significant regulatory hearings, including the Clean Environment Commission and Needs For and Alternatives To (NFAT) Manitoba Hydro's Preferred Development Plan. [redacted] Similar to other Canadian electric utilities, the Corporation's customer satisfaction ratings have been recently declining below its typical range.

A Public Communication Plan continues to be developed to aid in managing customer perceptions of the Corporation's efforts to meet their mandate as outlined under the Manitoba Hydro Act while balancing the need for future domestic rate increases. A component of the plan will use the Corporation's existing communications channels, stakeholder engagement and media relations efforts to address issues that may continue to arise. [redacted]

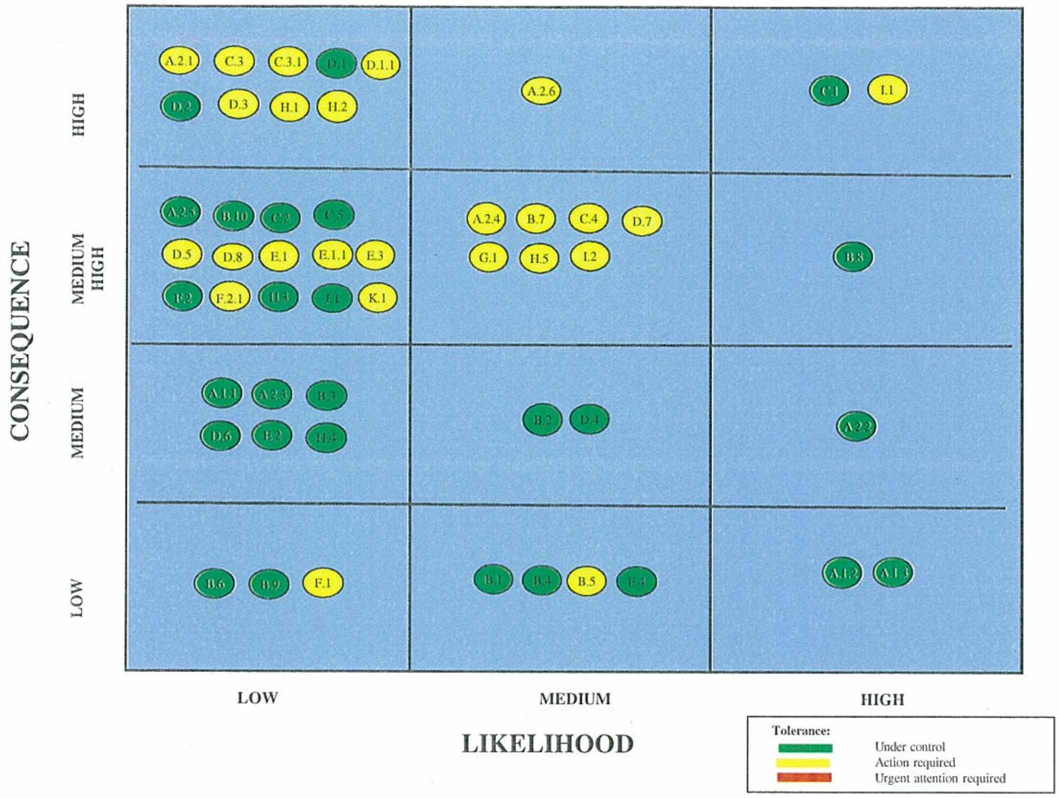
[redacted] The Corporation will take all steps possible to try to ensure that its customer satisfaction rating and current positive reputation are maintained.

IV. CORPORATE RISK MAP

Corporate Risk Profiles (see Appendix B) identify and assess each risk facing the Corporation, describe activities used to manage the risk, and provide estimates of the potential residual impact to the Corporation in terms of likelihood and consequence after mitigation actions have been taken. The Corporation's tolerance for each risk and an assessment of whether the risk is within or outside the desired tolerance level is also provided. The risk rating and tolerance criteria are provided in Appendix C. As well, further detail of the risk tolerance assessment for each risk is provided in Appendix A.

The following Corporate Risk Map illustrates the results of a residual risk assessment for all risks facing the Corporation.

CORPORATE RISK MAP



A. Market

1. Domestic
   1. Competition
   2. Uneconomic Loads
   3. Load Growth Uncertainty

2. Export
   1. Regulatory Environment
   2. Long Term Price Uncertainty
   3. Transmission
   4. Special Interest Groups
   5. Protectionism
   6. Major Export Contracts Requiring Early Conawapa ISD

B. Financial

1. Exchange
2. Interest Rates
3. Credit
4. Inflation
5. Gas Price Volatility
6. Gas Derivative Instruments
7. Financial Targets
8. Energy / Fuel Price Volatility
9. Power Financial Instruments
10. Liquidity

C. Environmental

1. Water Supply Variation / Drought
2. Climate Change
3. Operational Impact and Infrastructure
   1. Legal - Species at Risk Act
4. Reliability of Supply
5. Upstream Regulation and Water Withdrawals

D. Infrastructure

1. Loss of Plant (all property, all perils)

1.1. Water Retaining Structures and Flow Control

2. Extreme Drought – Shortfall Energy
3. Prolonged Loss of System Supply
4. System Shutdown (Short Term)
5. System Shutdown (Natural Gas)
6. Technology
7. Special Interest Groups
8. Emergency Management Program

E. Human

1. Safety and Health
   1. Infectious Disease
2. Union / Employee Issues
3. Workforce
4. Technology

F. Business Operational

1. Supply Chain
2. Operational Controls
   1. Cyber Security

G. Reputation

1. Reputation

H. Governance / Regulatory / Legal

1. Regulation and Licensing
2. Export Market Access
3. Legal Compliance
4. Contracts and Ventures
5. NERC/MRO Reliability Standards

[redacted]

J. Emerging Energy Technologies

1. Emerging Energy Technologies

K. Strategic

1. Strategic Direction and Implementation

Risks that are coded yellow on the risk map indicate that some emerging issues need to be monitored and additional action may be required. A summary of the yellow coded risks that are not discussed in the previous sections of this report is provided below.

- [redacted] A.2.1 **Export Regulatory Environment –** Export market rules continually evolve with new rules being imposed that could impact future access to export markets. [redacted]

  [redacted]

  [redacted]

  Manitoba Hydro collectively manages its market access risks through a comprehensive set of activities to monitor and address any potential threats to market access.

- **A.2.4 Export Special Interest Groups –** A positive corporate and product image enables the Corporation to maximize export sales opportunities and to develop generation and transmission projects required for both domestic needs and exports. Negative lobbying efforts by Special Interest Groups can tarnish the Corporation's image or the image of hydropower, limiting its marketability. Manitoba Hydro is managing this risk by: (1) Continuing to promote waterpower as clean, reliable and a renewable source of electricity; (2) Aggressively countering Special Interest Group activities with Manitoba Hydro's perspective; and (3) Expanding engagement with groups who may lobby for or against Manitoba Hydro.

- **A.2.6 Major Export Contracts Requiring Early Conawapa ISD -** There is a lost opportunity to Manitoba Hydro if it's export customers do not commit to additional large power sales agreements [redacted] These new agreements will justify an early in-service date for Conawapa, otherwise spending on Conawapa will end.

  Several actions are being taken to manage this risk, including: (1) Aggressively pursuing discussions with export customers to ensure that they understand that their [redacted] commitment is required if they are counting on purchasing generation from Conawapa, and (2) Advocating with US legislative and regulatory bodies to provide incentives for US utilities to contract for new hydro from Manitoba as part of their plans to address emerging carbon regulations and generation retirements.

- **C.4 Reliability of Supply –** The Corporation is at risk that environmental licensing concerns could obstruct the Corporation's ability to build the necessary transmission facilities required to provide a reliable supply of energy. The Corporation will continue to be proactive in addressing these concerns and ensuring adequate lead times to resolve issues.

- **D.1.1 Water Retaining Structures and Flow Control** – Dam or dyke structures can fail resulting in impacts ranging from insignificant to catastrophic. [redacted]

- **D.7 Special Interest Groups –** [redacted]

- **D.8 Emergency Management Program -** As discussed throughout the Category D Infrastructure section, the Corporation's energy infrastructure is highly exposed to events that can have impacts ranging from insignificant to catastrophic. These include prolonged loss of system supply, the inability to maintain minimum energy services, loss of life, severe environmental damage and significant costs to the Manitoba economy. To ensure that appropriate plans and programs are in place, there are: (1) policies and procedures to guide actions, (2) staff training and emergency preparedness exercises on a regular basis, (3) actions to follow up on and address identified deficiencies, and (4) continual enhancements to the program to ensure the state of readiness. Initiatives currently underway include developing a corporate plan for business continuity for continuation of critical operations and constructing an emergency fuel depot. Several other initiatives are being considered.

- **E.1 Safety and Health** – Employee safety is always a key concern to the Corporation due to the inherent nature of the operational work performed by Manitoba Hydro. To date a focus on continuous safety improvements has resulted in a steady decline in workplace accident severity and frequency rates. The Corporation will continue to focus on making improvements to the safety program.

- **F.1 Supply Chain** – The Corporation requires a variety of critical goods and services to achieve its objectives. [redacted]

- **H.5 NERC/MRO Reliability Standards** – Achieving the highest level of reliability is one of the core tenets of Manitoba Hydro's Vision statement. In support of this vision, Manitoba Hydro is a member of the North American Electric Reliability Corporation (NERC) and has been legally required to comply with nearly 100 of its reliability standards since 2007. These standards specify requirements for planning, operating and maintaining the bulk electric system. The Corporation has developed a Corporate NERC Reliability Compliance Program to manage the demands of compliance.

- **K.1 Strategic Direction and Implementation** – Manitoba Hydro continues to be at a critical point in renewing and expanding Manitoba's electrical and gas system. Major strategic decisions, plans and assumptions are subject to significant internal and external review and approval processes. Decisions for future power generation, transmission and distribution will depend on the best information at the time, and plans will be modified at key decision points if circumstances warrant.

Financial Information MFR 2

Summary of Reasons for Application Table of operating results (Tables 2.1.1, 2.1.2 2010 GRA) including ten years of record/ (7 years actual and current and test years) including the retained earnings for electric operations, and the financial targets, interest coverage, capital coverage and debt to equity ratio for electric operations only.

Please see the following tables for the requested information.

Net Income - Electricity Operations

(in millions of $)	Actual 2008	2009	2010	2011	2012	2013	2014	Forecast 2015	2016	2017
Revenue										
General Consumers Revenue										
- at approved rates	$ 1 075	$ 1 127	$ 1 145	$ 1 200	$ 1 193	$ 1 341	$ 1 424	$ 1 437	$ 1 454	$ 1 460
- Bipole III Reserve	-	-	-	-	-	-	(19)	(30)	(32)	(34)
Extraprovincial Revenue (net of Fuel & Power Purchased and Water Rentals)	366	323	202	172	98	101	137	150	181	147
Other Revenue	8	16	6	6	14	30	22	15	14	14
	1 448	1 466	1 353	1 379	1 305	1 472	1 564	1 572	1 617	1 587
Expenses	1 112	1 209	1 193	1 240	1 243	1 407	1 439	1 495	1 571	1 653
Operating, Maintenance and Administrative	323	364	378	397	412	463	481	486	542	552
Finance Expense	401	433	373	388	385	452	435	495	510	548
Depreciation and Amortization	324	340	358	365	353	392	411	405	401	422
Capital and Other Taxes	57	64	76	81	83	86	97	99	107	121
Corporate Allocation	8	8	8	9	9	9	9	9	8	8
Other expenses	-	-	-	-	1	5	6	2	2	2
Non-controlling Interest	-	-	-	-	-	13	22	25	12	8
Net Income (loss) before proposed rate increases	$ 337	$ 257	$ 160	$ 139	$ 61	$ 78	$ 147	$ 102	$ 58	$ (58)
Proposed rate increases (3.95% April 1, 2015 and 3.95% April 1, 2016)									57	118
Net Income including proposed rate increases	$ 337	$ 257	$ 160	$ 139	$ 61	$ 78	$ 147	$ 102	$ 115	$ 59

Retained Earnings and Financial Ratios (without proposed rate increases)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retained Earnings (electric operations)	$ 1 784	$ 2 028	$ 2 190	$ 2 328	$ 2 390	$ 2 468	$ 2 614	$ 2 717	$ 2 721	$ 2 662
Debt to Equity Ratio (electric operations)	73:27	77:23	72:28	72:28	74:26	75:25	77:23	78:22	82:18	85:15
Interest Coverage Ratio (electric operations)	1.72	1.50	1.33	1.26	1.11	1.13	1.25	1.16	1.08	0.93
Capital Coverage Ratio (electric operations)	1.65	1.82	1.28	1.22	1.10	1.26	1.39	0.98	0.92	0.74

Retained Earnings and Financial Ratios (including proposed rate increases)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retained Earnings (electric operations)	$ 1 784	$ 2 028	$ 2 190	$ 2 328	$ 2 390	$ 2 468	$ 2 614	$ 2 717	$ 2 778	$ 2 837
Debt to Equity Ratio (electric operations)	73:27	77:23	72:28	72:28	74:26	75:25	77:23	78:22	82:18	84:16
Interest Coverage Ratio (electric operations)	1.72	1.50	1.33	1.26	1.11	1.13	1.25	1.16	1.16	1.07
Capital Coverage Ratio (electric operations)	1.65	1.82	1.28	1.22	1.10	1.26	1.39	0.98	1.02	0.94

Comparison of Electrical Operations MH14 to MH13
Increase/(Decrease)
(millions of $)

	2015			2016			2017		
	MH14	MH13	Variance	MH14	MH13	Variance	MH14	MH13	Variance
General Consumers at projected rates	1 407	1 442	(35)	1 479	1 516	(36)	1 544	1 592	(48)
Extraprovincial Revenue (net of Fuel & Power Purchased and Water Rentals)	150	118	32	181	77	104	147	90	57
Other	15	13	2	14	13	1	14	14	0
Total Revenues	1 572	1 573	(1)	1 674	1 606	69	1 705	1 695	9
Operating and Administrative	486	494	(8)	542	542	(0)	552	548	4
Finance Expense	495	499	(4)	510	514	(3)	548	567	(19)
Depreciation and Amortization	405	440	(35)	401	437	(36)	422	448	(26)
Capital and Other Taxes	99	101	(2)	107	109	(2)	121	121	(0)
Corporate Allocation	9	9	(0)	8	9	(0)	8	9	(0)
Other Expenses	2	0	2	2	0	2	2	0	2
	1 495	1 543	(47)	1 571	1 611	(40)	1 653	1 692	(39)
Non-controlling Interest	25	24	1	12	18	(6)	8	16	(8)
Net Income	102	55	48	115	12	103	59	19	41

Financial Information MFR 3

For the years 1999/00 through the test years, a details of rate increases requested, approved, the annual revenue increase and prevailing Manitoba CPI in similar basis to PUB/MH 1-2 (b) (2010 GRA).

Please see the table below.

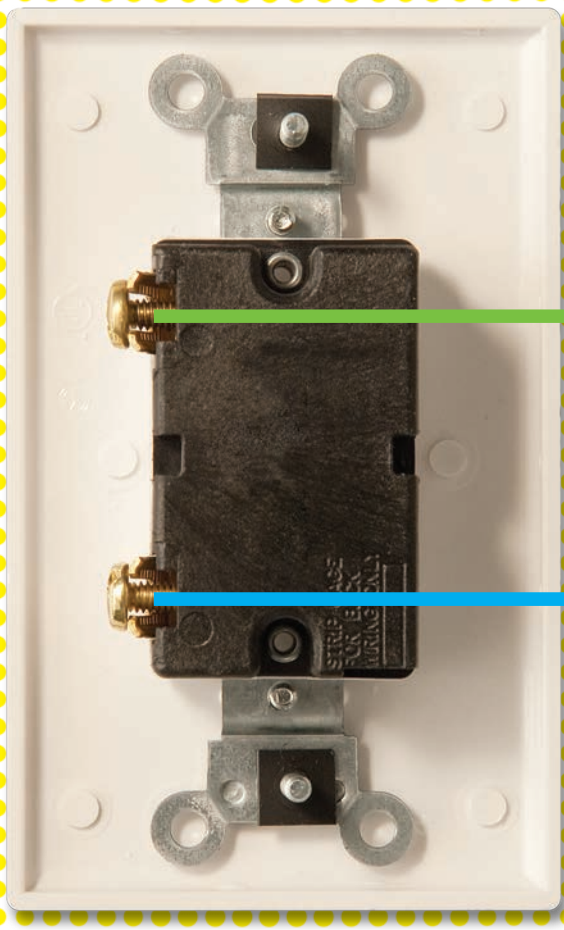
	% Rate Inc Req.	% Approved	Annual $ Inc./(Dec.)	Inflation Rate
1999/00	0%	-	-	2.2%
2000/01	0%	-	-	2.5%
2001/02	-1.92% Uniform Rate Legislation	-	($14.4) million	2.1%
2002/03	0%	-	-	2.3%
2003/04	0% Status Update	-0.72% Apr 1/03 BO 7/03	($6.5) million	0.9%
2004/05	3.0% Apr 1/04 (two year application)	5% Aug 1/04 Plus conditional 2.25% Apr 1/05 & 2.25% Oct 1/05 BO 101/04 & 143/04	$32.3 million	2.7%
2005/06	2.5% Apr 1/05	2.25% BO 34/05	$21.8 million	2.4%
2006/07	2.25% Feb 1/07	2.25% Mar 1/07 BO 20/07 (interim) BO 90/08 (final)	$23.1 million	2.0%
2007/08	0%	0%	-	1.9%
2008/09	2.9% Apr 1/08	5.0% Jul 1/08 (except ARL 0%) Plus conditional 4.0% Apr 1/09 BO 90/08 (final)	$52.4 million	2.2%
2009/10	3.9% Apr 1/09	2.9% Apr 1/09 BO 32/09 (final)	$32.8 million	0.6%
2010/11	2.9% Apr 1/10	2.9% Apr 1/10	$32.9	1.0%

	% Rate Inc Req.	% Approved	Annual $ Inc./(Dec.)	Inflation Rate
		(except ARL 0%) BO 18/10 (interim) BO 5/12 reduced increase to 1.9%. Review & Vary BO 43/13 approved original increase of 2.9% (final)	million	
2011/12	2.9% Apr 1/11	2.0% Apr 1/11 (except ARL 0%) BO 40/11 (interim) BO 5/12 & BO 43/13(final)	$24.4 million	2.8%
2011/12	0.9% Aug 1/11	0% BO 99/11 (interim) BO 5/12 (final)		
2012/13	3.5% Apr 1/12 2.5% Sep 1/12	2.0% Apr 1/12 BO 32/12 (interim) BO 43/13 (final) 2.4% Sep 1/12 BO 116/12 (interim) BO 43/13 (final)	$25.8 million $31.0 million	1.6%
2013/14	3.5% Apr 1/13	3.5% May 1/13 (1.5% to BPIII Reserve) BO 43/13 (final)	$47.6 million	2.4%
2014/15	3.95% April 1/14	2.75% May 1/14 (0.75% to BPIII Reserve) BO 49/14 (interim) BO 51/14 (final)	$38.7 million	1.8% (est)
2015/16	3.95% April 1/15 (Proposed)		$57.4 million	1.9% (est)
2016/17	3.95% April 1/16 (Proposed)		$59.9 million	2.0% (est)

Manitoba Hydro

Manitoba Hydro-Electric Board
62nd Annual Report
For the Year Ended March 31, 2013

It starts with the flick of a switch.



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July 31, 2013

Honourable Dave Chomiak
Minister charged with the administration of the Manitoba Hydro Act
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I have the honour of presenting the 62nd Annual Report of The Manitoba Hydro-Electric Board, together with the financial statements, for the fiscal year ended March 31, 2013.

Respectfully submitted,

William C. Fraser, FCA
Chair, The Manitoba Hydro-Electric Board

Millions of times a day our customers turn to us for the electricity they depend on.

CORPORATE PROFILE

Manitoba Hydro is one of the largest integrated electricity and natural gas distribution utilities in Canada. We provide reliable, affordable energy to customers throughout Manitoba and trade electricity within three wholesale markets in the Midwestern United States and Canada. We are also a leader in promoting conservation, providing numerous Power Smart* programs to help our customers get the most out of their energy. Nearly all of the electricity Manitoba Hydro produces each year is clean, renewable power generated using the province's abundant water resources.

Manitoba Hydro is a provincial Crown Corporation governed by the Manitoba Hydro-Electric Board, whose members are appointed by the Lieutenant-Governor in Council.

And, for over 60 years, Manitoba Hydro has answered that call.

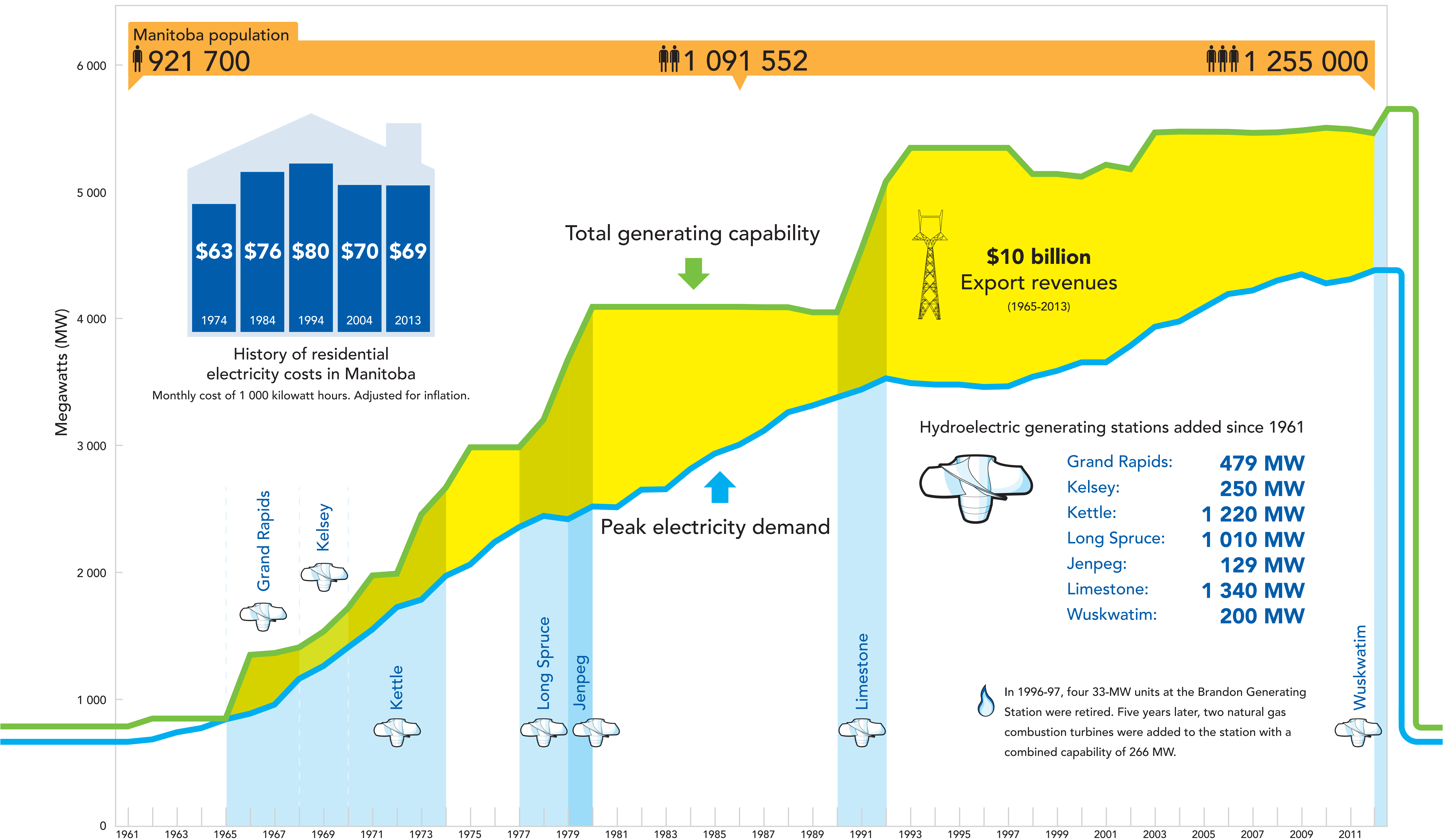
*Manitoba Hydro is a licensee of the Trademark and Official Mark.

We harnessed the energy flowing in this province's rivers; first building generating stations on the Winnipeg River and, as demand grew, moving north to the Saskatchewan and Nelson rivers.

We built the transmission and distribution systems to deliver that electricity.

We created transmission interconnections with other markets and sold our surplus electricity, bringing billions of dollars into Manitoba.

These investments resulted in one of the most affordable, reliable and sustainable power systems anywhere.


Manitoba population
921 700
1 091 552
1 255 000
Megawatts (MW)
6 000
5 000
4 000
3 000
2 000
1 000
0
$63
$76
$80
$70
$69
1974
1984
1994
2004
2013
History of residential electricity costs in Manitoba
Monthly cost of 1 000 kilowatt hours. Adjusted for inflation.
Total generating capability
Peak electricity demand
$10 billion
Export revenues
(1965-2013)
Hydroelectric generating stations added since 1961
Grand Rapids: 479 MW
Kelsey: 250 MW
Kettle: 1 220 MW
Long Spruce: 1 010 MW
Jenpeg: 129 MW
Limestone: 1 340 MW
Wuskwatim: 200 MW
In 1996-97, four 33-MW units at the Brandon Generating Station were retired. Five years later, two natural gas combustion turbines were added to the station with a combined capability of 266 MW.
Grand Rapids
Kelsey
Kettle
Long Spruce
Jenpeg
Limestone
Wuskwatim
1961
1963
1965
1967
1969
1971
1973
1975
1977
1979
1981
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
2009
2011

Now, it's time to invest in our system again.

The demand for electricity is continuing to grow here in Manitoba. New sources of energy are needed.

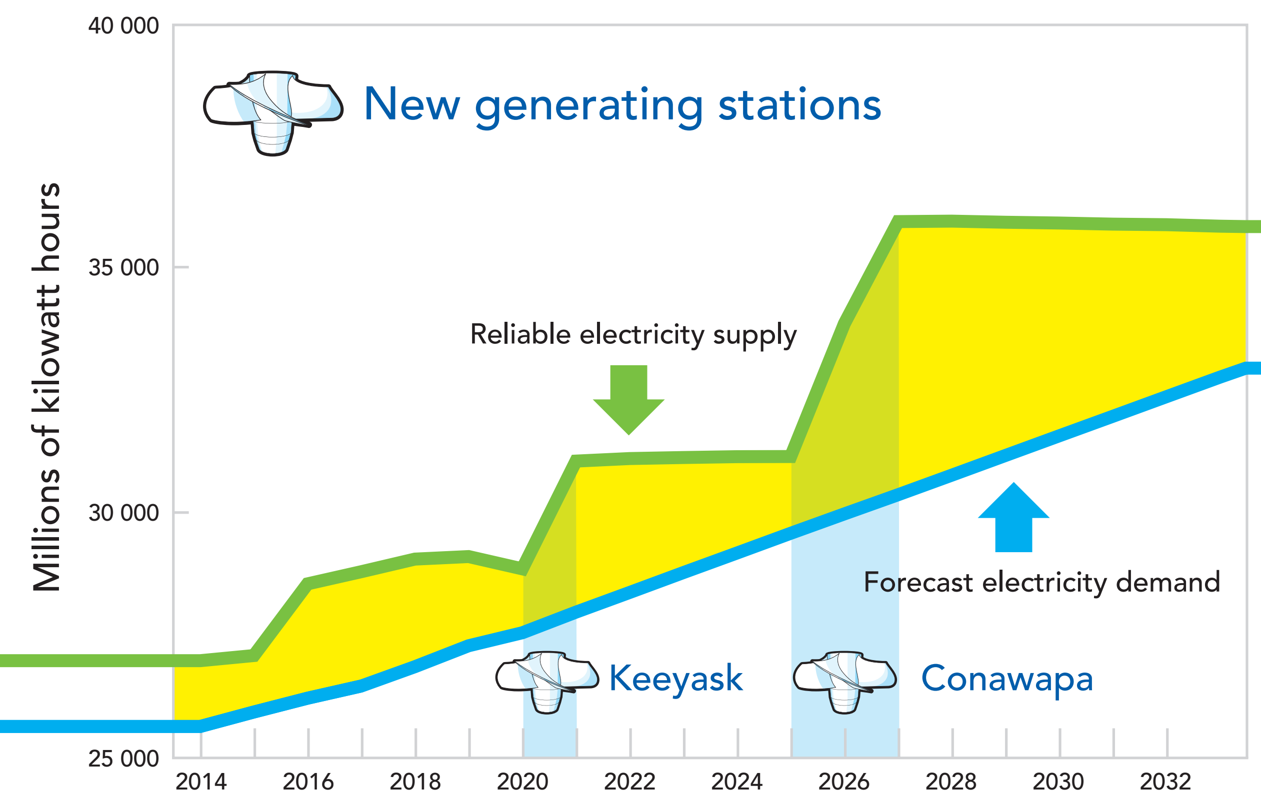
A considerable portion of the infrastructure we use to generate and deliver electricity is approaching the end of its service life and cannot continue to meet our customers' evolving expectations. To serve the future energy needs of this province, we need to renew, upgrade and construct new facilities.

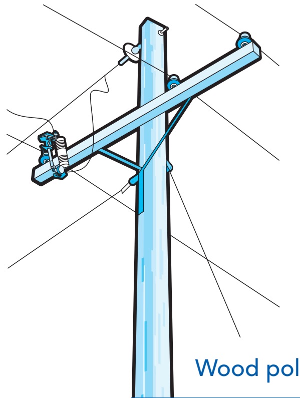
Manitoba Hydro is ready to meet these challenges.

Our plan continues the proven strategy of developing this province's clean, renewable hydro resources and building interconnections to leverage the associated export sale opportunities while enhancing reliability.

We are preparing to build the 695-megawatt Keeyask Generating Station and the proposed 1 485-megawatt Conawapa Generating Station along with a new transmission interconnection to the United States.

We are continuing to make investments in Power Smart energy conservation programs that will reduce growth in demand by over 500 megawatts in the next 15 years.

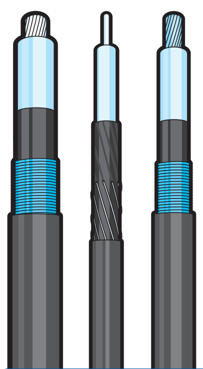




Wood poles in Manitoba Hydro's system: over 1 million

Poles that will need to be replaced in the next 20 years: **117 000**

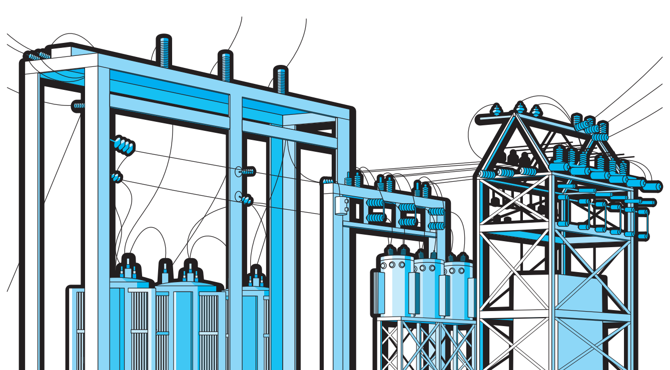
Estimated cost: **$400 million** (All costs in 2012 dollars.)



Underground distribution cable in system: approximately 6 100 kilometres

Percentage that will reach end of life in next 20 years: **55 percent**

Estimated cost to replace or refurbish: **$900 million**



Substations in Winnipeg: 97

Substations replaced/refurbished in next 12 years: **20**

Estimated cost = **$630 million**

2014 2016 2018 2020 2022 2024 2026 2028 2030 2032

We are accelerating investment in our infrastructure to maintain reliability; building the new Bipole III high voltage direct current transmission line and replacing assets — ranging from wood poles to substations — that have reached the end of their service life or the limits of their capacity.

We are investing in a powerful future for Manitoba, ensuring the next generation will continue to enjoy the benefits of affordable, reliable and sustainable electricity — every time they flick a switch.

Manitoba Hydro plays an important role in ensuring all Manitobans benefit from this province's energy resources. It was true nearly 50 years ago when the decision was made to develop the hydro potential of this province's northern rivers. It is true today as the corporation again turns north to develop new generating stations and transmission capacity.

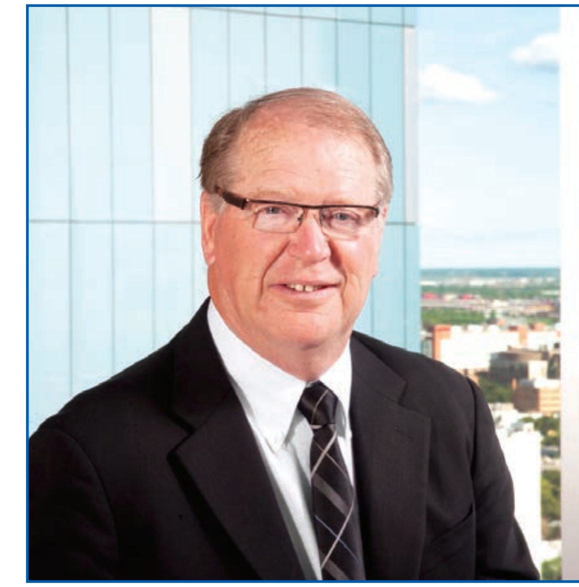
These are important investments for Manitoba Hydro and the board carefully monitors all major projects. This includes engaging management of the corporation to review activities related to the planned development of the Keeyask and Conawapa generating stations and a new transmission interconnection to the United States.

In July, I had the opportunity to visit the new Wuskwatim Generating Station with leaders of the Nisichawayasihk Cree Nation (NCN) to mark the start of electricity production. Developed in partnership with NCN, Wuskwatim is a model of responsible resource development — one where potentially impacted Aboriginal communities are engaged in project planning, environmental assessments and in the creation of employment and business opportunities.

This responsible approach is also being taken with the planned Keeyask Generating Station which, pending regulatory approvals, will be developed in partnership with Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. The board was pleased with the progress on the project in 2012-13, which included filing its environmental impact statement.

Progress also continued on the Conawapa Generating Station, including the ongoing planning process with the communities in the vicinity of the project — Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation.

A public hearing to review the environmental impact statement for the Bipole III Transmission Project



concluded in the past fiscal year. It is anticipated that a licensing decision will be received this summer, allowing work on this reliability project to commence later in the year.

The Manitoba Hydro-Electric Board is comprised of 11 members whose primary responsibility is to ensure the corporation carries out its legislated mandate. In performing this oversight, the board reviews Manitoba Hydro's financial forecasts as well as quarterly and annual financial statements. Members also review and approve the corporation's strategic plan.

I would like to express my gratitude to the members of the board for their diligent work throughout the past year.

I would also like to recognize Manitoba Hydro's employees for their dedication and ongoing commitment to service.

William C. Fraser, FCA
Chair, The Manitoba Hydro-Electric Board

President's message

For most people, the act of flicking a switch or turning up a thermostat is routine. Lights are turned on and furnaces are started up without much thought to where the energy comes from.

In the past year, however, we started asking our customers to consider what is behind the switch. Our message is this: the system that served Manitoba well for many years now needs a significant investment to continue meeting the province's needs. It is an investment that will require modest, regular increases to the rates our customers pay for electricity.

Much of the infrastructure we use to deliver electricity was built several decades ago when service was first extended to urban then rural customers. It's getting old and more costly to maintain. Manitoba Hydro is still maintaining high levels of reliability – higher than most in the industry. But, the condition of our distribution assets is starting to impact reliability, outage performance and the system's ability to accommodate load growth. Like most energy utilities in Canada, we need to replace those assets that are at the end of their service life. The cost of that work is expected to be $500 to $600 million per year over the next two decades.

Manitoba also needs new sources of energy. The demand for electricity in our province is continuing to grow and, at the current rate of approximately 80 megawatts of peak demand per year, it is projected that a new source of electricity will be needed by the 2022-23 fiscal year. To meet the future needs of the province, we are planning to build the 695-megawatt Keeyask Generating Station at an estimated cost of $6.2 billion followed by the 1,485-megawatt Conawapa Generating Station at an estimated cost of $10.2 billion.

Manitoba Hydro is well positioned to make these investments while maintaining reasonable and competitive rates for our customers and ensuring the continued financial health of the corporation. This past fiscal year, the corporation continued to add to our equity base through retention of earnings. Our consolidated net income of $92 million for the fiscal year ended March 31, 2013 contributed to retained earnings which now stand at $2.54 billion, the highest level in the corporation's history. The debt to equity ratio of 75:25 is on target and both the corporation's capital coverage and interest coverage ratios improved over last year.

These measures are significant. Manitoba Hydro will need to attract and invest a large amount of capital as we face the renewal of our infrastructure and the need to develop new sources of energy. As a Crown-owned utility, we are fortunate to have the support of the provincial government to guarantee our debt. However, we must also maintain sufficient levels of net income and retained earnings to ensure the corporation remains self-sufficient. Export sales along with modest, regular domestic electricity rate increases will help us achieve this objective as we move forward.

Utilities across Canada are experiencing similar rate pressures. It's been estimated that nearly $350 billion must be spent across Canada in the next 20 years to renew and replace electricity systems. Manitoba's advantage is our electricity rates are currently among the lowest overall in North America. We are taking a prudent, proven approach to developing our system that will allow us to maintain this competitive advantage.

One way we'll do that is by leveraging the export sale opportunities associated with Manitoba's hydropower resources to create revenues that offset capital investments in new generating stations.

There continues to be a demand for clean, reliable hydroelectricity in the United States where utilities are looking to diversify their supply portfolios by replacing aging coal-fired units and limiting exposure to the price volatility in natural gas markets. Manitoba Hydro has already signed firm sale agreements with Northern States Power, Minnesota Power and Wisconsin Public Service valued at $7 billion. We are also negotiating a term sheet with Wisconsin Public Service for up to 500 megawatts of additional capacity.

We will continue to pursue demand side management where economic, providing our customers innovative solutions for conserving energy and reducing their costs while also making more electricity available for export sales. Our broad spectrum of Power Smart programs helped Manitoba Hydro's customers save a combined $102 million on their electricity and natural gas bills in 2012-13. Over the next 15 years, Manitoba Hydro will invest over $420 million to achieve reductions of approximately 1,500 gigawatt hours in electricity consumption and 60 million cubic metres of natural gas per year by 2027-28.

As a corporation, we are also carefully examining all expenditures and reducing or deferring where possible. We are gaining synergies and cost reductions through process improvements such as the implementation of our new mobile workforce management system. In the longer term, we are looking at the demographic shift that is occurring in our workforce as an opportunity. Nearly 900 employees are eligible for retirement in this calendar year. While we aren't expecting that many employees to move on, we are evaluating those positions that are vacated and determining whether they need to be filled or if we can change the way we work without sacrificing safety and reliability.

However, the potential opportunity in our workforce demographics also presents a challenge. With years of accumulated experience and knowledge, many of those at or nearing retirement age are key contributors to our success. It is important, therefore, that we do the necessary succession planning as well as recruitment and retention activities. Effectively managing this changeover in staff will be as critical to maintaining the level of service our customers expect as renewing infrastructure or building new generating stations.

It is also important that we promote and protect the health of our workforce. I am pleased to report that there were no high-risk accidents in 2012-13 and that Manitoba Hydro's overall safety performance saw another year-over-year improvement. In particular, we made good progress in reducing accident frequency and accident severity — improving both measures for the fifth year in a row.

I continue to be impressed with the quality of energy service in Manitoba and consider myself fortunate to be a part of an organization with such a long, proud tradition of customer service excellence. Over the past year, I've seen first-hand the dedication of Manitoba Hydro's employees – from the work done to restore service in difficult conditions such as the Thanksgiving Day weekend storm in southeastern Manitoba to the diligent efforts to prepare for public hearings that reviewed our rate applications and the Bipole III Transmission Project.

It reinforces my belief that Manitoba Hydro is ready to meet the challenges of providing reliable power both today and for decades to come.

I want to thank all the men and women who work for Manitoba Hydro for their contributions to the achievements of the past year. In addition, I want to acknowledge Vince Warden, who retired earlier this year from his position as Senior Vice-President of Finance and Administration and Chief Financial Officer after 45 years of service. He was a key advisor during my first year at Manitoba Hydro whose counsel was invaluable and much appreciated.

I also want to express my sincere appreciation to Bill Fraser and the other members of the Manitoba Hydro-Electric Board for their guidance and support over the past year.

Scott A. Thomson, CA
President and Chief Executive Officer
Manitoba Hydro

Established by the government of Manitoba over 60 years ago, as demand for electricity in the post-war economy flourished, the Manitoba Hydro-Electric Board was tasked with providing an adequate and economic power supply for the province. That mission hasn't changed. Whether it is natural gas or electricity, we remain focused on ensuring our customers continue to benefit from an affordable and reliable source of energy.

Vision

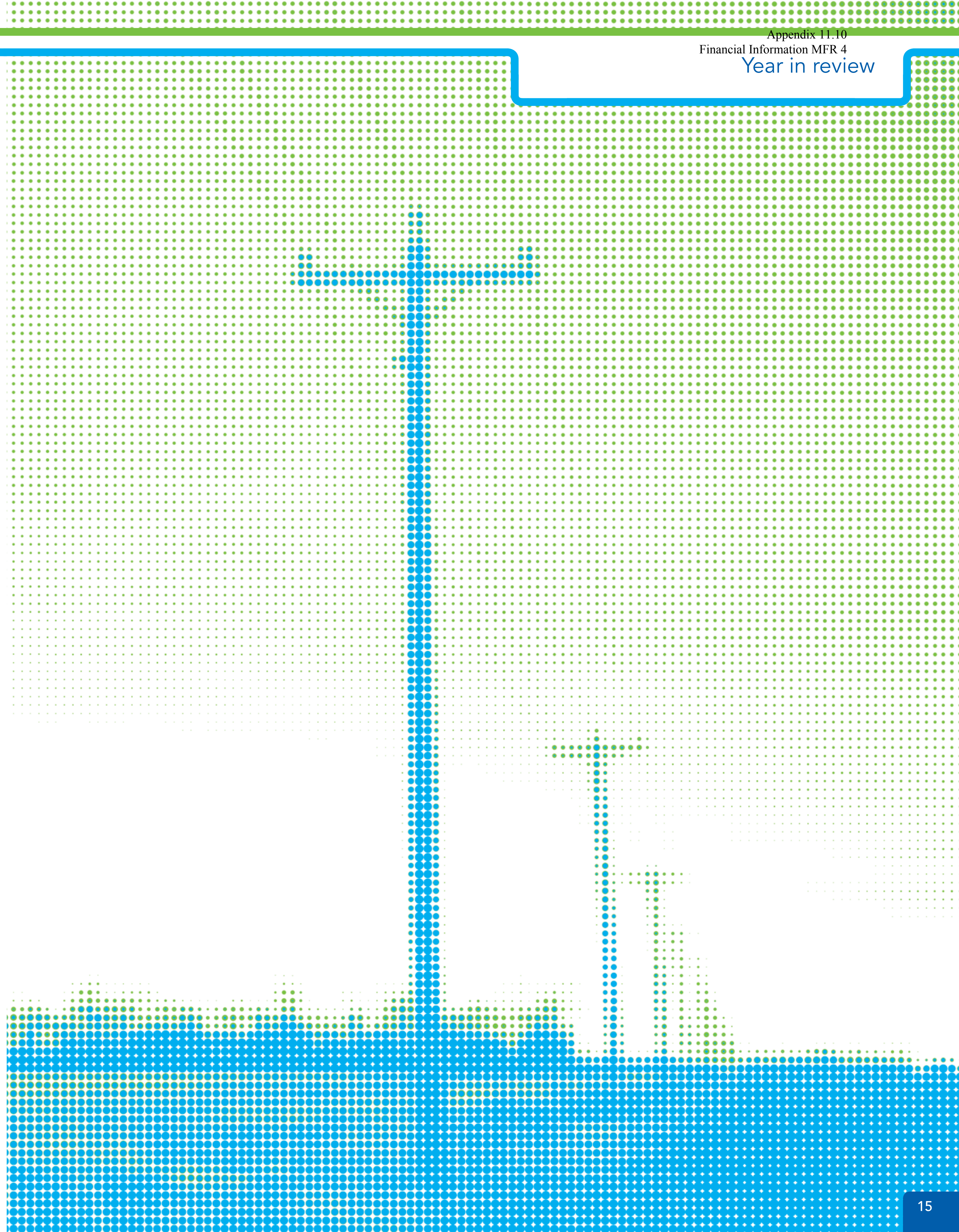
To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction and environmental leadership; and to always be considerate of the needs of customers, employees and stakeholders.

Mission

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy.

Corporate goals

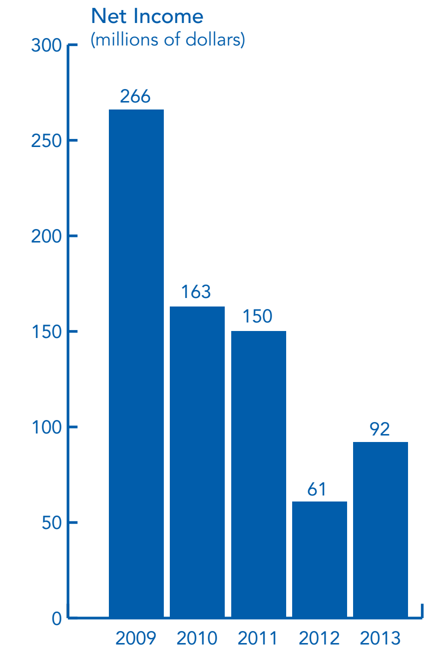
- Improve safety in the workplace.
- Provide exceptional customer value.
- Strengthen working relationships with Aboriginal communities.
- Maintain financial strength.
- Extend and protect access to North American energy markets and profitable export sales.
- Attract, develop and retain a highly skilled and motivated workforce that reflects the demographics of Manitoba.
- Protect the environment in everything that we do.
- Promote cost effective energy conservation and innovation.
- Be recognized as an outstanding corporate citizen and a driver of economic development in Manitoba.

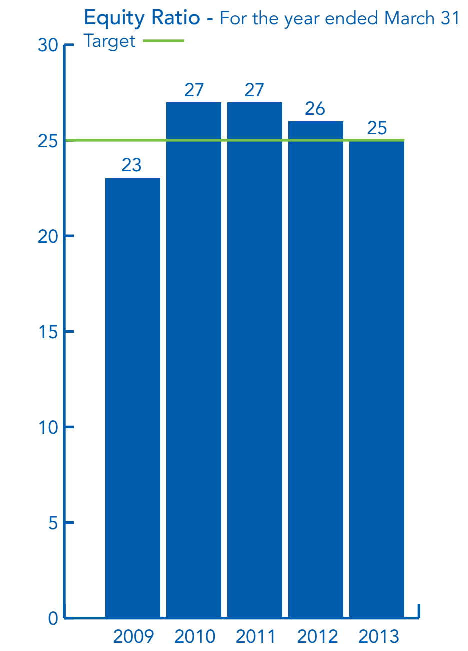


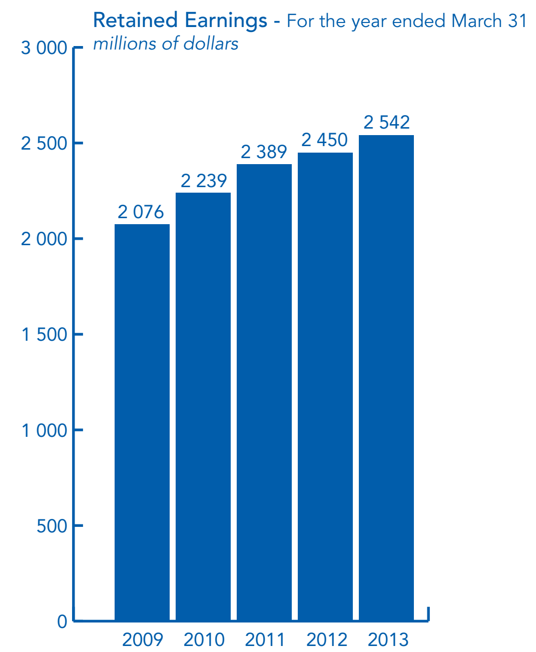
Highlights

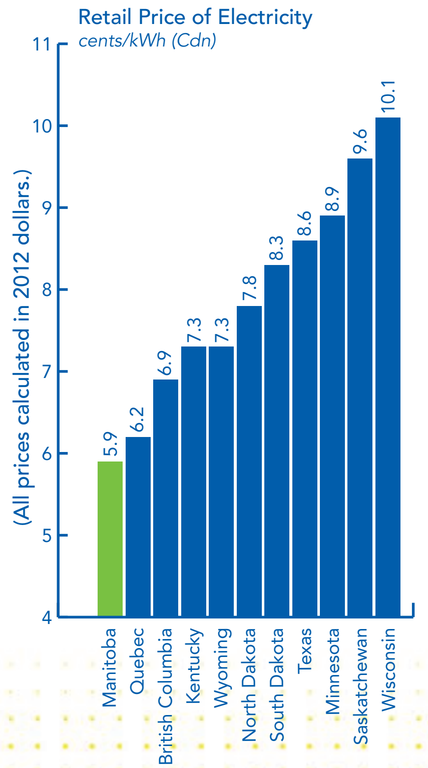
FINANCIAL RESULTS

	Electricity		Natural Gas		Consolidated		Change
Revenue	2013	2012	2013	2012	2013	2012	
			millions of dollars				
Manitoba	1 380	1 219	329	329	1 709	1 548	161
Extraprovincial	353	363	-	-	353	363	(10)
	1 733	1 582	329	329	2 062	1 911	151
Cost of gas sold	-	-	182	197	182	197	(15)
Expenses	1 662	1 515	139	138	1 801	1 653	148
Net income (loss) before non-controlling interest	71	67	8	(6)	79	61	18
Net loss attributable to non-controlling interest	13	-	-	-	13	-	13
Net income	84	67	8	(6)	92	61	31
Retained earnings	2 500	2 416	42	34	2 542	2 450	92





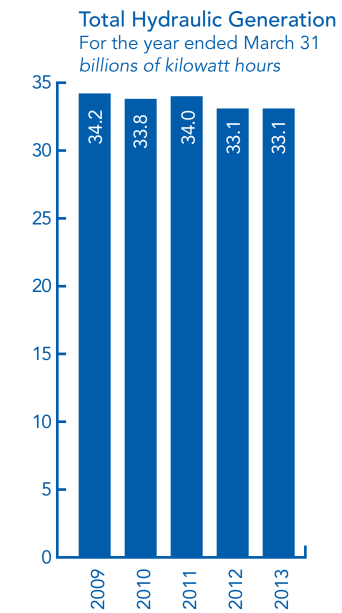


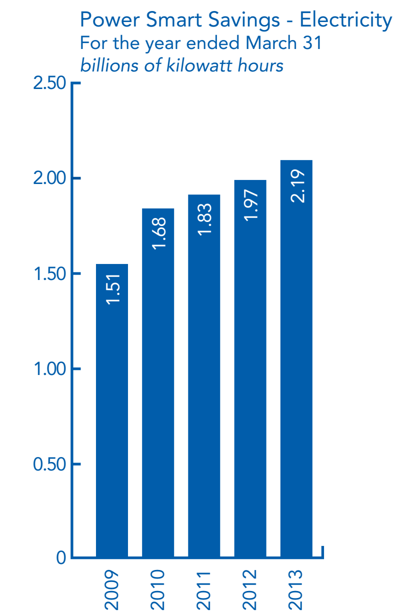


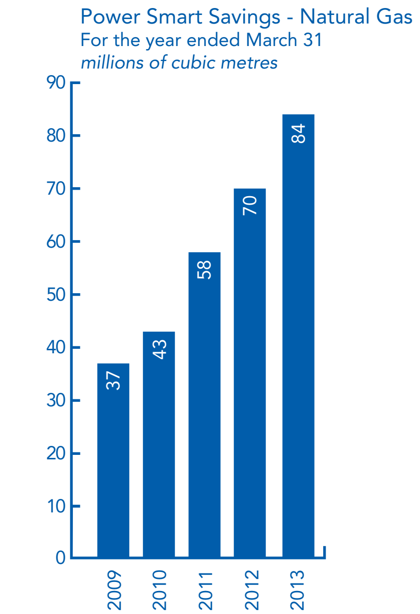
OPERATING STATISTICS

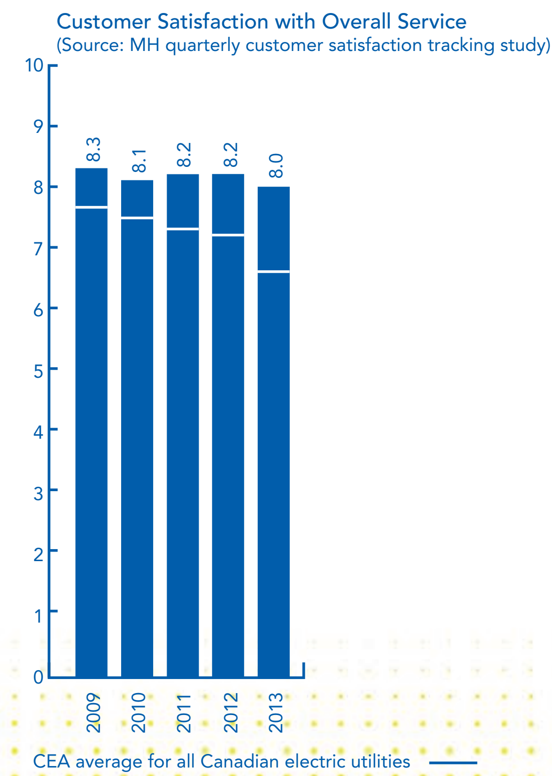
	2013	2012	Increase/(Decrease)
Electrical Operations			
Sales		*billions of kilowatt hours*	
Manitoba sales	21.5	20.8	0.7
Extraprovincial sales	9.1	10.2	(1.1)
System supply		*billions of kilowatt hours*	
Generation	33.2	33.2	-
Purchases	1.4	1.2	0.2
		thousands of kilowatts	
Manitoba peak load	4 535	4 343	192

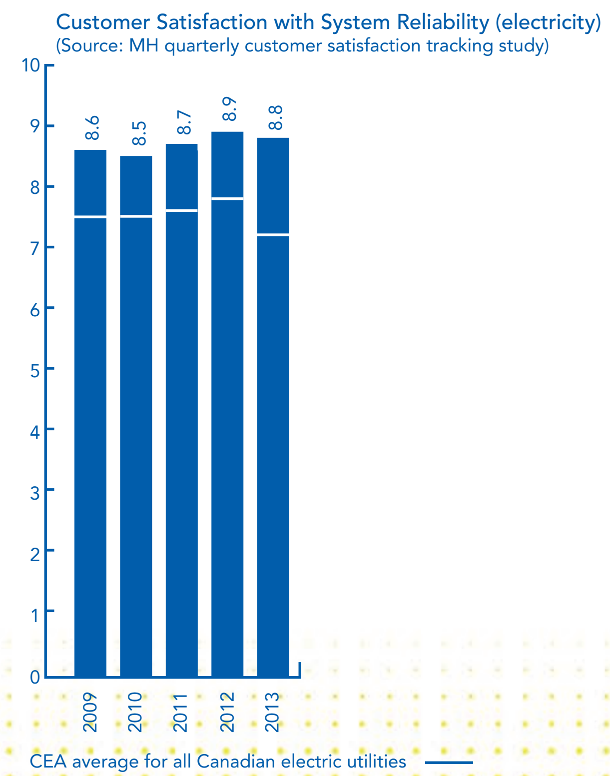
	2013	2012	Increase/(Decrease)
Natural Gas Operations			
		millions of cubic metres	
Residential sales	602	509	93
Commercial and industrial sales	849	728	121
	1 451	1 237	214
Transportation service	598	629	(31)
	2 049	1 866	183
		billions of joules	
Manitoba peak load	504 961	500 434	4 527











On Resources

Situated where some of the largest drainage basins in North America converge, Manitoba is home to an impressive source of clean, renewable water power. Our customers tap into this power at 15 generating stations which produce nearly all of Manitoba Hydro's electricity. We also export about a third of this electricity in an average water year, creating additional revenues that reduce rates in Manitoba. The hydro system is supported by two small thermal generating stations, power purchased from two independent wind farms and a dozen transmission interconnections with neighbouring utilities. In 2012-13, Manitoba Hydro invested $472 million to ensure we continue to meet our customers' energy needs, reliably and affordably.

Installed generating capability:
5 685
megawatts.

Average annual energy produced:
32 billion
kilowatt hours.

Energy exported in 2012-13:
9.1 billion
kilowatt hours.

First power at the Wuskwatim Generating Station

A major milestone was achieved in June, when the first of three units at the 200-megawatt Wuskwatim Generating Station entered commercial service. The second unit was released for service two months later in August and the final unit followed in October. In total, the $1.8 billion Wuskwatim Project will deliver an average of 1 550 gigawatt hours of renewable energy annually.

Developed by the Wuskwatim Power Limited Partnership — a unique partnership involving Manitoba Hydro and the Nisichawayasihk Cree Nation (NCN) — the Wuskwatim Generating Station is on the Burntwood River approximately 45 kilometres southwest of Thompson within NCN's traditional territory. The Wuskwatim Project Development Agreement signed in 2006 provides NCN the option to own up to one-third of the Wuskwatim Generating Station through its wholly-owned Taskinigahp Power Corporation. NCN confirmed its intention to maintain a significant ownership position during the fiscal year.

From the beginning of construction in August 2006 to completion in December 2012, just over 6 000 workers were hired to work on the project for various periods of time. Approximately 37 percent of these hires were Aboriginal and 65 percent were from Manitoba.

Environmental review set for Keeyask Generating Station

The environmental impact statement for the proposed 695-megawatt Keeyask Generating Station was submitted to Manitoba Conservation and Water Stewardship and the Canadian Environmental Assessment Agency in July. Public hearings on the project by the Clean Environment Commission are scheduled for the fall of 2013.

The Keeyask Generating Station will be part of a Needs For and Alternatives To review that will examine Manitoba Hydro's proposed development plan, including the Conawapa Generating Station, a new Manitoba to U.S. transmission interconnection and new long-term export sales. This review will be conducted by the Manitoba Public Utilities Board. Manitoba Order in Council 128/2013 sets out the terms of reference. The review commences August 2013.

The $6.2 billion Keeyask Project is being developed by Manitoba Hydro in partnership with the four Keeyask Cree Nations — Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. The site for the station is on the Nelson River, approximately 30 kilometres west of Gillam, within the Split Lake Resource Management Area. Once completed, the Keeyask Generating Station will provide an average of 4 400 gigawatt hours of renewable energy each year.

At the end of the fiscal year, the process was underway to select a general civil contractor for the project. Pending regulatory approvals, construction of the generating station is scheduled to start in June 2014 with an expected in-service date of 2019.

To minimize risk of delays and optimize employment, training and business opportunities for the Keeyask Cree Nations, a separate infrastructure agreement was negotiated to enable an early start to construction of an access road and the first phase of the main construction camp. Work on the Keeyask Infrastructure Project began in early 2012 after a Manitoba Environment Act licence was received.

The majority of service contracts for the infrastructure project were awarded to joint venture partnerships involving the Keeyask Cree Nations.

Planning continues for Conawapa Generating Station

Preparatory work on the proposed 1 485-megawatt Conawapa Generating Station continued throughout the fiscal year. Environmental and Aboriginal traditional knowledge studies are underway with expectations that the project's environmental impact statement will be completed and ready to file with regulators by the end of 2014. Engineering and construction planning activities also continued with a potential construction start date of 2016 and an in-service date of 2025.

The $10.2 billion Conawapa project would be built on the Nelson River, about 90 kilometres downstream of Gillam, in the Fox Lake Resource Management Area. When complete, the station will produce an average of 7 000 gigawatt hours of electricity annually.

A formal planning process is ongoing with communities in the vicinity of the proposed generating station, including Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation. A memorandum of understanding between Fox Lake Cree Nation, the Province of Manitoba and Manitoba Hydro recognizes that Fox Lake will have a leading and significant role in the planning process of the Conawapa Project because of its proximity to the community.

New spillway for Pointe du Bois

Significant progress was achieved at the Pointe du Bois Generating Station where century-old spillway structures will be replaced with a seven-bay spillway and an earth-fill dam. Excavation of the new spillway channel finished in March and the new spillway structure is expected to be operational by spring 2014. Construction of the earth-fill dam and removal of the existing spillway structures is scheduled for completion in 2015.

The $560 million Spillway Replacement Project is required to maintain public and dam safety as well as provide a safer work environment for Manitoba Hydro employees. All but six of Pointe du Bois' 97 spillway bays or sluiceways have to be manually operated — a difficult and sometimes dangerous task in cold winter conditions when icing can occur. Further, the current spillways no longer meet the Canadian Dam Association's dam safety guidelines.

The new spillway structure will increase the station's flood capacity from approximately 2 850 cubic metres per second — the equivalent of a one-in-90-year flood event — to approximately 5 000 cubic metres per second.

Seasonal diversity agreement extended

In December, Manitoba Hydro and Great River Energy of Minnesota signed a term sheet for the seasonal exchange of 200 megawatts of capacity and associated energy from 2014 to 2025. The arrangement would provide Manitoba Hydro with 200 megawatts of firm capacity and energy during Manitoba's peak winter demand period. During the summer, when demand in Manitoba is lowest, the corporation would sell its surplus capacity and energy to Great River Energy.

The proposed arrangement would begin on November 1, 2014 and replace an existing 150-megawatt diversity exchange agreement that is currently set to expire on April 30, 2015.

Kelsey re-runnering nears completion

The last generating unit to be overhauled as part of a re-runnering project at the 52-year-old Kelsey Generating Station was taken out of service in September. The second-to-last unit was returned to service in May 2012 after rewinding, modifications to the draft tube and installation of a new turbine runner. The work increased the capacity of the unit by approximately 11 megawatts to 45 megawatts.

Rehabilitation of Kelsey's seven units began in 2006. The final unit is scheduled for return to service in late May 2013. When complete, the project is expected to increase the total output of the Kelsey Generating Station by about 77 megawatts at a cost of approximately $300 million.

More wind energy added

Ten additional wind turbines were built at Algonquin Power's St. Leon Wind Farm in the past fiscal year as the result of a 25-year power purchase agreement signed with Manitoba Hydro. The new turbines entered commercial service in December, increasing the installed capacity at St. Leon to 120.5 megawatts.

Manitoba Hydro also purchases energy from the 138-megawatt St. Joseph Wind Farm developed by Pattern Energy.

Left: The Wuskwatim Generating Station. **Right:** Senior staff, including Ken Adams, Senior Vice-President of Power Supply, pictured second from left, accompany Scott Thomson, President and Chief Executive Officer, second from right, on a visit to the site of the proposed Conawapa Generating Station.

On Reliability

Any time our customers turn on a light, plug-in a computer or ignite a gas stove, they are connecting to a vast network of wires and pipes that deliver energy where and when it's needed. Our network has grown, and must continue to grow, in step with the province we serve. In the past fiscal year, Manitoba Hydro invested $509 million to build and maintain a secure, dependable delivery system.

Transmission lines:
12 800
kilometres.

Distribution lines:
78 000
kilometres.

Natural gas pipelines:
9 000
kilometres.

Bipole III environmental review hearing concludes

In March, the Clean Environment Commission concluded 35 days of hearings over five months to review the environmental impact statement for the Bipole III Transmission Project as well as a supplementary filing on four proposed route adjustments. An environmental licensing decision is pending.

Bipole III is required to strengthen Manitoba Hydro's overall system reliability. The $3.3 billion project includes: a 1 384-kilometre, 500-kilovolt direct current transmission line; the Keewatinoow Converter Station near the site of the proposed Conawapa Generating Station about 90 kilometres downstream of Gillam; and the Riel Converter Station on the east side of Winnipeg. These facilities will provide backup to the Bipole I and II high voltage direct current system which shares a common right-of-way corridor and common southern terminus at the Dorsey Converter Station. This critical system delivers over 70 percent of the hydroelectricity Manitoba Hydro generates in northern Manitoba to customers in the south and markets outside of the province.

Work to identify a route and assess the environmental effects of the Bipole III Transmission Project began in 2008 and included multiple rounds of public and stakeholder consultations. Aboriginal communities were engaged as part of this process and their perspectives, including

Aboriginal traditional knowledge, were incorporated into the planning, site selection and environmental assessment process. The corporation continued to work with Aboriginal communities over the past fiscal year to discuss potential employment and business opportunities related to the project as well as review the project's proposed environmental protection program.

The target in-service date for the Bipole III Transmission Project is late 2017.

New Riel high voltage terminal will improve reliability

Contractors were erecting structural steel and other equipment at the new Riel Terminal Station at the end of the fiscal year. Under construction just east of Winnipeg, at the future site of the Riel Bipole III Converter Station, this new alternating current (AC) terminal will create another point where electricity imported from the United States on an existing 500-kilovolt transmission interconnection can be injected into Manitoba Hydro's transmission network. This will improve the reliability of the province's energy supply during prolonged outages to existing termination facilities or during droughts.

The Riel AC Reliability Improvement Project was undertaken after studies concluded it was necessary to reduce dependence on the existing termination at the Dorsey 500-kilovolt AC station. Those studies were conducted after a major wind downburst in September 1996 severely damaged 19 towers on both high voltage direct current lines immediately north of the Dorsey Converter Station and the adjacent Dorsey to Minnesota 500-kilovolt transmission line. This outage to the high voltage direct current system curtailed Manitoba Hydro's ability to transmit power from northern generating stations. The planned in-service for this project is 2014.

The proposed Bipole III Transmission Project will also terminate at Riel and include the addition of converters and ancillary equipment.

Replacing aging distribution stations

Like many utilities across Canada, significant portions of Manitoba Hydro's transmission and distribution systems that were installed decades ago are aging and are increasingly costly to maintain and renew. In addition, population growth and increased customer use of electricity requires a significant investment in new facilities to ensure a reliable electricity supply.

One example of this investment is the work at the new Burrows Distribution Station in Winnipeg's north end where final commissioning was underway at the end of the fiscal year. The 66- to 12-kilovolt station replaces two distribution stations which were over 75 years old and had reached the limits of their capacity. Designed with specific attention to safety and aesthetics because of the proximity to residential homes, the station offers a low profile presence in the community.

In February, work began on the new Martin Distribution Station in the Elmwood neighbourhood of Winnipeg. Similar in design to the Burrows station, the 66- to 12-, four-kilovolt Martin station is sited next to a station built in the 1950s that is no longer adequate for serving the needs of the area. The new station is scheduled to be in-service by the end of 2014.

Left: The new Riel Terminal Station under construction east of Winnipeg. **Right:** Three transformers were moved to the Riel site in November using a 320-tire self-propelled trailer.

Tenders for the engineering, materials procurement and construction of the Madison Distribution Station were issued in March. The Madison station will replace the St. James Distribution Station in Winnipeg, addressing concerns with aging infrastructure at the existing facility and providing capacity for the growing number of commercial and industrial customers in the area. Construction is expected to begin in the fall of 2013 pending the receipt of necessary environmental approvals.

New transmission stations add capacity

Progress was also made on a number of projects to add needed capacity to Manitoba Hydro's transmission system. The new 230- to 66-kilovolt Transcona East Transmission Station was completed in March in northeast Winnipeg and will resolve line-loading issues and accommodate the retirement of aging equipment at the existing Transcona Station. A new 230- to 66-kilovolt transmission station is under construction near Neepawa to meet forecast load growth in the area and scheduled to be in-service in 2015. And, the 230- to 115-kilovolt Rockwood East Transmission Station just north of Winnipeg is also scheduled to enter service in 2015, addressing load requirements north of Winnipeg. Rockwood East will eventually replace the older Parkdale Station near St. Andrews which was built in the 1940s.

Verifying ratings to maximize capacity

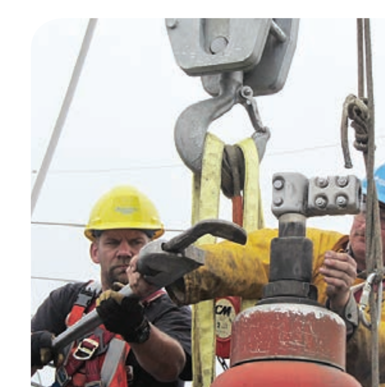
When transmission line wires carry more current, they run hotter, expand and sag closer to the ground. By ensuring compliance with applicable transmission line clearance requirements, Manitoba Hydro's Transmission Line Rating Verification and Mitigation Program helps maintain the reliability of the system while allowing the corporation to safely maximize capacity. Using aerial surveys that employ laser technology and transmission modeling applications, the program assesses about 500 kilometres of transmission line each year. As of March, approximately 33 000 line spans had been assessed representing about 80 percent of the corporation's transmission lines.

Maintaining natural gas reliability

Manitoba Hydro undertook a number of projects in the past fiscal year to maintain the integrity of the corporation's natural gas infrastructure, including pressure regulator upgrades, replacement of gas mains and corrosion control through the ongoing replacement of anodes. The completion of the Ile des Chenes Transmission Network Upgrade Project improved the reliability of the gas supply to Winnipeg and surrounding areas through the installation of 30-centimetre steel pipe and two above grade isolation valve assemblies.

Manitoba Hydro also initiated a review of its natural gas assets. Similar to condition assessments undertaken with the corporation's electric infrastructure, the review will provide a better understanding of the natural gas systems condition and produce recommendations for addressing any areas of concern that are identified.

Left: The King Street Distribution Station in downtown Winnipeg is nearly 100 years old. **Centre:** A 45 000-kilogram transformer is slid into place at the new Burrows Distribution Station. **Right:** Staff remove a 230-kilovolt bushing at the Radisson Converter Station.



On Service

Striving to be the best energy utility in North America requires more than developing sustainable energy sources or building reliable infrastructure to deliver that energy. It necessitates maintaining rates that are reasonable while ensuring future price stability. It requires working in challenging conditions, when called for, to restore interrupted service. And, it means finding innovative ways to help customers get the most out of their energy. An investment of $36 million in Power Smart energy conservation programs helped our customers reduce their energy costs by a combined $102 million in 2012-13.

Number of electricity customers:
548 774

Number of natural gas customers:
269 786

Increasing accessibility of energy efficiency

Manitoba Hydro introduced two initiatives in the past fiscal year to make energy efficiency accessible to more Manitoba homeowners or tenants who rent a home.

The Power Smart Pay As You Save (PAYS) Financing Program provides residential customers a convenient option for completing energy efficiency upgrades while keeping upfront costs and future monthly finance payments as small as possible. To do this, PAYS Financing allows a customer to use estimated annual utility savings gained from installing energy efficient measures to pay for those measures. Also, the financing is tied to the property, allowing a customer to transfer their financing to the next homeowner or tenant renting the property.

Through the Power Smart Neighbourhood Project, Manitoba Hydro is working with community organizations and groups to bring the benefits of energy efficiency and sustainability to residents of lower income neighbourhoods. Available measures include free in-home energy reviews, improvements to sealing, caulking and weather-stripping, adding pipe wrapping and water efficiency devices, installing new high-efficiency furnaces and boilers, and insulation upgrades. Community groups will manage each project and Manitoba Hydro will provide funding to cover coordination and promotion expenses. As of March, projects were underway in Winnipeg with the North End Community Renewal Corporation and in Brandon with the Brandon Neighbourhood Renewal Corporation.

Helping customers save

Manitoba Hydro offered both technical and financial support to customers looking to improve the efficiency of their operations and reduce energy costs through a suite of 20 Power Smart programs, including 10 for those in the commercial sector and three aimed at industrial customers.

Kitchen Craft of Canada, for example, was able to realize significant energy savings by revamping the compressed air system at their manufacturing plant in Winnipeg. Acting on recommendations by Manitoba Hydro, Kitchen Craft reduced system waste by redesigning their air compressor control system, resizing their air distribution system and adding more efficient compressors. As a result, Kitchen Craft reduced their electricity consumption by 1.6 million kilowatt hours per year. With the help of financial incentives provided under Manitoba Hydro's Power Smart Program, these improvements will pay for themselves in four years.

The corporation's Natural Gas Optimization Program and the Performance Optimization Program provided financial incentives to Malteurop Canada helping to improve the performance of their malt barley processing plant in Winnipeg. Exhaust air heat recovery and high efficiency process air heaters were installed, along with variable speed drives on the kiln fans and upgrades to process controls. As a result, Malteurop is expected to reduce their natural gas consumption by 640 000 cubic metres and their electricity consumption by 2.3 million kilowatt hours per year.

The Hanover School Division worked with Manitoba Hydro to build a new school in Steinbach to Power Smart Design Standards. Clear Spring Middle School is nearly 70 percent more energy efficient than a conventional school thanks to features such as a geothermal ground source heat pump for heating and cooling, energy efficient lighting plus a combination of occupancy sensors and daylight controls to minimize the use of artificial light, high levels of insulation in the walls and roof along with energy efficient windows and doors. The corporation provided technical advice throughout the design process as well as financial incentives through the Power Smart Commercial Lighting and Building Envelope programs.

Demonstrating benefits of bio-energy

A demonstration project that converts waste wood chips into a synthetic gas similar to natural gas then burns that gas to run two 50-kilowatt electrical generators went online last fall at the Pineland Forest Nursery near Hadashville. In Swan River, Spruce Products Ltd. also began using heat produced from combusted waste wood to operate a 100-kilowatt electric generator.

Both projects are part of Manitoba Hydro's Power Smart Bio-energy Optimization Program which shows businesses how to use new technologies to take advantage of renewable biomass fuels and lower operating costs. A third project was completed at Tolko Industries' kraft paper mill in The Pas in 2010 to demonstrate pyrolysis oil, a renewable energy source

Left: Scott Thomson, President and Chief Executive Officer, speaks to media after introducing the new Power Smart Pay As You Save Financing Program. **Centre:** Manitoba Hydro offers 13 Power Smart Programs to help business customers lower energy costs. **Right:** The Power Smart Bio-energy Optimization Program showcases technologies that can convert waste products into electricity or heat.

derived from waste wood that can be used to replace fossil fuels burned to produce steam or power. Two additional demonstration projects will be implemented at other customer sites in the coming fiscal year. All five projects received financial support from the Government of Canada's Clean Energy Fund matched by Manitoba Hydro and participating customers through work-in-kind contributions and capital investments.

Centralized dispatch serving province

Manitoba Hydro completed implementation of a new province-wide workforce management system in March that is improving productivity. The system standardizes work planning, scheduling and assignment for all electric and natural gas service staff. Over 600 laptops are deployed in vehicles allowing field staff to wirelessly receive work orders which are assigned based on location, driving time, work priority and skills required. It is expected that customers will see improved response times as a result of the system's ability to more effectively schedule work and allocate resources.

Severe snow and ice storms challenge crews

Ice and snow storms are not uncommon in Manitoba. In fact, Manitoba Hydro is a recognized leader in techniques to protect infrastructure in such conditions, including ice-melting on distribution and some transmission lines. This year, however, two severe storms — including the most powerful and widespread snow storm in nearly three decades — caused extensive damage and service interruptions.

Up to 45 centimetres of heavy, wet snow fell in the southeast corner of Manitoba between October 4 and 5, causing record ice accumulations of up to eight centimetres on conductors. These conditions combined with high winds caused outages on numerous transmission and distribution lines affecting approximately 29 000 customers. Over 250 staff from across the province responded to the storm, rolling ice off conductors, making conductor repairs and removing trees from lines. In total, 250 wood poles, 50 cross-arms, five distribution transformers and 700 insulators were replaced over five days.

Crews were also busy in the western part of the province during the month of December. For three weeks, unseasonably warm temperatures accompanied by freezing rain and hoar frost caused excessive ice accumulations on distribution lines. Over 300 staff rolled ice from nearly 4 500 kilometres of line and used ice-melting to clear an additional 2 300 kilometres of line. About 800 customers experienced outages ranging from one hour to 14 hours in duration. The ice removal work was successful in limiting damage to 12 wood poles, 613 conductor repairs and 58 insulator replacements.

Left: Crews work to remove ice from lines near Goodlands in southern Manitoba. **Centre:** A new centralized dispatch system is expected to improve response times. **Right:** Staff work to complete repairs after a severe storm in the Dauphin and Swan River area last June.

Electricity rate changes

On September 1, 2012, Manitoba Hydro implemented an interim 2.4 percent overall electricity rate increase. This followed an interim two percent increase implemented on April 1, 2012. Both increases were granted by the Manitoba Public Utilities Board pending conclusion of its review of the corporation's 2012-13 and 2013-14 general rate application.

In its final order, the Public Utilities Board finalized the interim rate increases and approved a further 3.5 percent rate increase across all customer classes effective May 1, 2013. The order also reversed a one percent rate rollback effective April 1, 2010 and returned associated revenues which had been held in a deferral account.

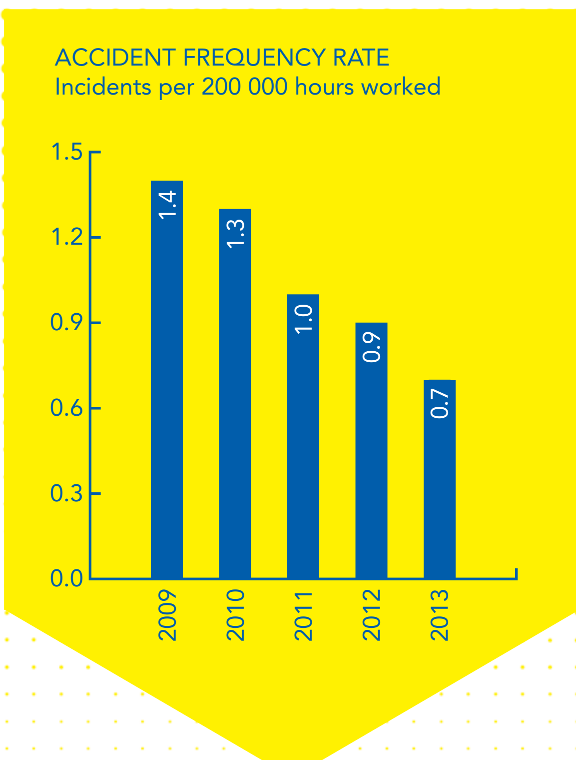
Manitoba Hydro's electricity customers continue to enjoy the lowest rate structure in North America.

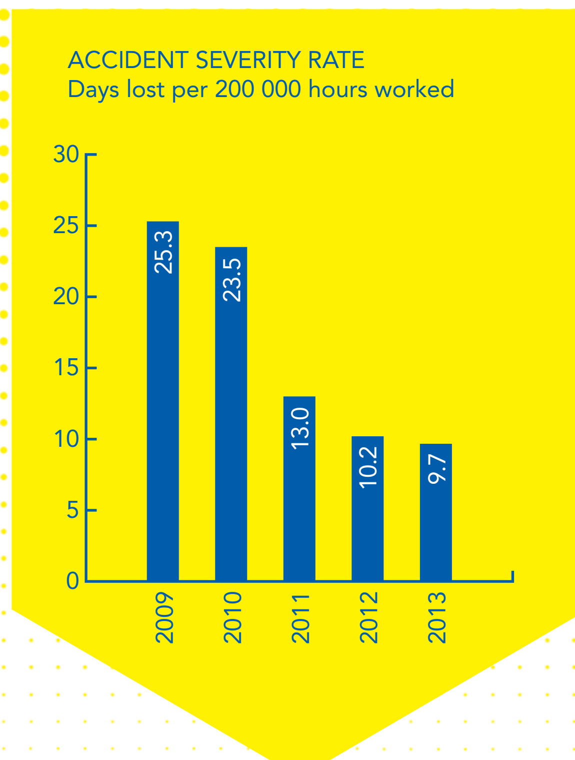
Natural gas rates decline

Natural gas prices across North America remained low throughout the 2012-13 fiscal year and Manitoba Hydro's natural gas customers benefitted as a result. The total annual natural gas bill for a typical residential customer in Manitoba was 44 percent lower than in 2003. From April 1, 2012 to March 31, 2013, natural gas rates declined by six percent or the equivalent of $46 annually for a typical residential customer.

On Safety

Promoting safety in the work of our employees and in the actions of the public around our facilities is Manitoba Hydro's foremost goal. We are continually seeking to improve our safety performance and, in doing so, have achieved a steady decline in both workplace accident severity and frequency rates.





Improving workplace safety

Manitoba Hydro's safety performance markedly improved for the fifth consecutive year. In 2012-13, the corporation achieved an accident frequency rate of 0.72 incidents per 200 000 hours worked and an accident severity rate of 9.68 calendar days lost due to workplace injury or illness per 200 000 hours worked.

Manitoba Hydro's safety culture is shaped by a safety management system, over 750 safe work procedures, job planning, work site visits, employee orientations, safety training and incident investigations. Additionally, Manitoba Hydro assists its employees to return to work as soon as medically possible through attendance management and reasonable accommodations. Timely return to the workplace decreases recovery time and reduces the financial impact for the employee, their families and the corporation.

Profiling employees committed to safety

Twelve employees who demonstrate safe work habits and a commitment to motivating others to practise safety at work and at home are the subject of a year-long internal safety campaign that kicked off in January. Each month the corporation's internal newsletter as well as calendars and banners posted in work locations across the province feature a different safety ambassador's photo and story describing why he or she chooses to work safe. Primarily directed at customer service field staff, this is the second year for the safety campaign.

Farm safety a priority

Farm safety continues to be a priority for Manitoba Hydro. The corporation's agricultural equipment move permit program encourages farm customers to provide a designated route map to ensure there are adequate clearances to move oversized equipment. The Go Underground Program encourages customers to bury overhead power lines in their farm yards. Manitoba Hydro will share 50 percent of the cost of burying the primary service line up to $10 000. In the last fiscal year, 18 customers took advantage of the program.

These farm safety programs were promoted through billboards, posters and public service announcements on radio and television. Agricultural safety messages were also delivered to over 2 000 youth in 16 communities at Progressive Agriculture Safety Days.

Play It Safe Club celebrates

2013 marks the twentieth anniversary of Louie the Lightning Bug's Play It Safe Club which continues to be a popular, fun and educational way for children to learn about electrical and natural gas safety. The nearly 7 000 members of the club receive a personally addressed membership kit, collectible trading cards, newsletters full of activities and birthday wishes from Louie himself. In addition to the club, Louie also keeps busy spreading safety messages through videos, posters, television commercials and personal appearances across the province.

Promoting snowmobile safety

The corporation continued to work closely with Snoman Inc., a non-profit organization providing safety resources to 51 member snowmobile clubs. The past year's safety campaign included trail map advertising, billboard messages throughout the province, school posters, television advertising and public service announcements for radio and newspaper. Support was also provided to community snowmobile safety clinics in Victoria Beach and Thompson.

Throughout 2013, these twelve safety ambassadors will share their personal reasons for choosing to work safe as part of an internal safety campaign.

On Environment

Manitoba Hydro endeavours to incorporate environmental awareness and protection into all our activities. We proactively plan to prevent or mitigate adverse impacts from our projects. We maintain a corporate-wide environmental management system registered to ISO 14 001 standards. We also support environmental research and education initiatives relevant to our operations.

Amount of generation from renewable sources:
99 percent

Manitoba Hydro Place certified platinum

In May, Manitoba Hydro's head office building became the first office tower in Canada to achieve a platinum certification from the Green Building Council of Canada for adherence to Leadership in Energy and Environmental Design (LEED) standards. Completed in 2009, Manitoba Hydro Place is already recognized as the most energy efficient office tower in North America. Compared to conventional office towers, Manitoba Hydro Place achieves reductions in energy use of over 70 percent — from over 300 kilowatt hours per square metre to under 85 kilowatt hours — resulting in estimated energy savings of over $500 000 annually.

These savings were achieved thanks to a unique building design that utilized leading-edge Power Smart technologies as well as passive and active energy efficient systems. These include south-facing winter gardens to capture the maximum amount of solar energy during winter months, a solar chimney to provide ventilation with minimum energy usage and the extensive use of glass to allow for natural lighting.

Manitoba Hydro Place also received the 2012 International Green Good Design Award and was one of 14 developments from around the world to receive a 2012 Urban Land Institute Global Awards for Excellence.

Wuskwatim fish habitat enhancement

While construction of the Wuskwatim Generating Station was completed in the fiscal year, fish habitat enhancement work related to the project is continuing. To obtain a Fisheries Act Authorization to construct and operate the station, the Wuskwatim Power Limited Partnership submitted a No Net Loss Plan to Fisheries and Oceans Canada describing how fish habitat lost during construction would be offset.

Those offsets include building an isthmus to protect areas of Wuskwatim Lake from wave action, using rock to construct whitefish spawning reefs and creating more than 300 boulder clusters on the lake bottom to create variability in an effort to promote use by fish. Debris was also removed from an embayment at the base of what was Taskinigup Falls and aquatic vegetation planted to create habitat. An access road used during construction will be converted into a notched weir in 2013-14 to control water levels in the embayment while allowing access for fish.

The effectiveness of the habitat enhancement works will be monitored in the years following completion and results will be reported annually to Fisheries and Oceans Canada.

Enhancing sturgeon stewardship

Manitoba Hydro concluded negotiation of a lake sturgeon stewardship agreement for the lower Nelson River with area First Nations and the fisheries branch of Manitoba Conservation and Water Stewardship. Signed by Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation, Fox Lake Cree Nation and Shamattawa First Nation, the agreement establishes the Lower Nelson River Sturgeon Stewardship Committee – a forum where all parties will work collaboratively to develop a regional stewardship plan. Such a plan will set out comprehensive research and monitoring measures as well as objectives and strategies for the protection and enhancement of lake sturgeon populations.

The stewardship committee will also support Manitoba Hydro's Lake Sturgeon Stewardship and Enhancement Program and work in partnership with Keeyask Cree Nations to protect and enhance lake sturgeon populations by incorporating extensive design features and mitigation measures into the Keeyask Generating Station Project.

Lower Churchill River confluence study

An assessment of flow conditions in a known sturgeon spawning area located at the confluence of the Little Churchill and Churchill rivers was completed in the past fiscal year. Initiated by Manitoba Hydro and the Tataskweyak Cree Nation in 2010, the Lower Churchill River Confluence Study examined the role flows in each river play in sturgeon access to the Little Churchill and described habitat characteristics important to sturgeon in the area.

Since 1976, Manitoba Hydro has diverted a portion of Churchill River flows into the Nelson River for hydroelectric production purposes. The study concluded that flows on the Churchill River in drought conditions do not impact the Little Churchill and thus do not diminish sturgeon spawning potential on that river.

Supporting environmental awareness initiatives

Manitoba Hydro's Environmental Partnership Fund supported over 20 community-based projects in 2012, including the Provincial Rod and Reel Program run by Fish Futures. The program delivered a stewardship message as well as rods, reels and tackle to over 600 students located in northern

Left: Students at Little Black River School learn forest research skills thanks to funding from Manitoba Hydro's Forest Enhancement Program. **Centre:** Manitoba Hydro is working to increase the province's sturgeon population. **Right:** Manitoba Hydro's head office building in downtown Winnipeg is the most energy efficient office tower in North America.



Manitoba. The students were given the opportunity to participate in a hands-on activity and learn about fish habitat and biology.

Established in 1993, the Environmental Partnership Fund provides one-time or multi-year contributions to support the development and implementation of environmental education projects with a sustainable development focus.

With funding from Manitoba Hydro's Forest Enhancement Program, youth at Little Black River School developed forest research skills and reconnected to the surrounding forest in their community. The students also planted 500 trees on their school property while learning about many benefits of planting trees; absorbing greenhouse gases, producing oxygen, stabilizing the soil and providing habitat for birds and small mammals.

In 2012, 42 projects from around Manitoba received funding through the program which will enhance community forests and support forest education. Over 113 000 trees have been planted as a result of the program since 1995.

One of Canada's greenest

In March, the editors of Canada's Top 100 Employers project named Manitoba Hydro one of Canada's greenest employers. Competing employers were evaluated on four main criteria: unique environmental initiatives and programs; success at reducing their environmental footprint; the degree to which employees are involved in these programs; and the extent to which these initiatives are linked to the organization's public identity.

Manitoba Hydro's selection recognized a number of initiatives, including the corporation's environmental management system designed to ensure impacts from ongoing and future operations are addressed, work to preserve lake sturgeon, a centralized facility to ensure proper disposal of both hazardous and non-hazardous waste, and the Education for Sustainable Development Grants Program.

On Relationships

Manitoba Hydro's commitment to being an outstanding corporate citizen is manifest in our work to create positive relationships with our customers, our employees and their representatives, Aboriginal communities and other stakeholders. It is also evident in our efforts to recruit a workforce that reflects the diversity of our province and in the support we provide to community activities.

Number of employees: **6 463**

Women: **25 percent**

Aboriginal: **17 percent**

Persons with disabilities: **10 percent**

Visible minorities: **7 percent**

Building a skilled and diverse workforce

Manitoba Hydro was selected as one of the nation's leading employers and one of the best diversity employers for 2013 by the editors of Canada's Top 100 Employers who recognized the corporation's many workplace diversity and inclusiveness programs.

Examples include the corporation's Northern and Southern Aboriginal Pre-placement Training programs, and the Aboriginal Line Trades Training Program. These programs provide on-the-job training, academic upgrading, mentorship and guidance to help Aboriginal candidates acquire the skills and competencies to successfully move into Manitoba Hydro's technical trades training programs. In the past fiscal year, 26 candidates successfully completed the pre-placement training and were selected for the power electrician, operating technician or line trades training programs. A combined 29 new trainees were hired into the pre-placement training programs.

Another example is the corporation's Acquired Brain Injury Program. Designed to reintegrate people who have sustained a severe brain injury into the workforce, 10 participants have become permanent employees since the program was first implemented in 2002. Two individuals began work placements with Manitoba Hydro as part of the program in the fiscal year.

Two graduates of the University of Manitoba's Internationally-Educated Engineers Qualification (IEEQ) Program were hired into Manitoba Hydro's Internationally Educated Engineer – Career Development Program and the Engineer-in-Training Program during the past fiscal year. Another graduate of the program was also hired direct to a permanent professional engineering position. The IEEQ Program supports engineers who trained abroad in fulfilling the academic requirements of the Association of Professional Engineers and Geoscientists of Manitoba. Manitoba Hydro provides cooperative work terms and, since 2004, has awarded annual bursaries worth $1 500 to two students enrolled in the program.

Manitoba Hydro supported continued education in programs that connect to high demand occupations in 2012. Fifty-nine individual awards, bursaries and scholarships valued at over $180 000 were awarded to students at the high school, college and university levels.

The corporation has established positive and mutually beneficial working relationships with four certified bargaining units – the International Brotherhood of Electrical Workers Local 2034, the Canadian Union of Public Employees Local 998, the Association of Manitoba Hydro Staff and Supervisory Employees, and the Communications, Energy and Paperworkers Union Local 681 – as well as the Manitoba Hydro Professional Engineers Association. The corporation also liaises regularly with the Allied Hydro Council, the official bargaining agent for the 17 international and 19 local unions whose members are involved in the construction of northern generation facilities.

Strengthening relationships with Aboriginal peoples

Manitoba Hydro continued to build relationships with Aboriginal peoples by addressing the effects of its operations on their communities, by promoting and pursuing business relationships with Aboriginal companies and by fostering an appreciation of Aboriginal culture in the workplace.

Out of $470 million in contracts awarded to Manitoba companies in the past fiscal year, $49 million went to Manitoba Aboriginal companies. Manitoba Hydro uses procurement strategies and policy to create business opportunities for Aboriginal enterprises. These strategies include restricted tendering or creation of smaller custom work packages to suit the business capacities of a community in proximity of the work.

Left: Some of Manitoba Hydro's Corporate Facilities staff with a Project Search student pictured at centre. **Centre:** Elder Bill Compton shared teepee teachings with Manitoba Hydro employees as part of Aboriginal Awareness Week in May. **Right:** Manitoba Hydro continued as title sponsor of the Power Smart Winnipeg Santa Parade in November.

In November, the Manitoba Métis Federation signed an agreement with Manitoba Hydro on behalf of the primarily Métis trappers from Duck Bay and Camperville to address all impacts of the Grand Rapids Project on commercial trapping, past, present and future. The corporation provided funds to the Manitoba Métis Federation for distribution as compensation to individual trappers or eligible survivors according to the principles in the agreement.

Over 135 000 kilometres of waterways in the Saskatchewan, Burntwood, Churchill and Nelson River systems were patrolled between June and October 2012, as part of Manitoba Hydro's Waterways Management Program. The program enhances the safety of northern waterways with its Safe Travel Routes, Debris Management and Boat Patrol Initiatives. A total of 18 boat crews employing Aboriginal people from communities in northern Manitoba complete a wide range of tasks including placing navigational markers, collecting potential hazards such as floating logs and old nets, and assisting resource users.

The corporation celebrated National Aboriginal Awareness Week in May 2012 with culturally significant activities including musical performances by Aboriginal employees of Manitoba Hydro and teepee teachings from an Aboriginal elder. In addition, over 1 700 employees have participated in Aboriginal cultural awareness workshops since the corporation began offering sessions in 2005.

Supporting communities

In June 2012, eight students representing the first Canadian class of Project Search graduated from high school during a ceremony at Manitoba Hydro Place. Project Search partnered with Manitoba Hydro to provide high school students with an intellectual disability the opportunity to gain employability skills. The 10-month program included class time at Manitoba Hydro combined with a variety of work experience placements. Students are given support through work accommodations and adaptations as well as on-the-job coaching provided by the Project Search Program. Year two of the program began in September 2012.

Manitoba Hydro was a sponsor of the 55Plus Games held in Arborg from June 12 to 14. The event attracted nearly 900 participants competing in events such as bowling, contract bridge, darts, golf, baseball and track. Organized by the Active Living Coalition for Older Adults in Manitoba, the games promote the benefits of healthy living for older Manitobans and provide opportunities for regular physical, mental and social activities. The corporation has also agreed to sponsor the 2013 games to be held in Morris.

The corporation also sponsored a number of other community events in 2012-13 including the Power Smart Santa Claus Parade in Winnipeg, the Power Smart Manitoba Games in Swan River and the Northern Manitoba Trapper's Festival in The Pas.

Corporate governance

The affairs of Manitoba Hydro are overseen by a board whose members are appointed by the Lieutenant-Governor in Council of Manitoba.

The board's primary responsibility is to ensure that the corporation carries out its legislative mandate. The board considers the principles of sustainable development, and Manitoba Hydro's code of ethics, in its decisions. Minutes of board meetings are public and the corporation's annual report and quarterly financial statements are tabled in the legislature. The annual report is approved by a committee of the Manitoba legislature. The mandate of the corporation is reviewed by the Crown Corporations Council.

The Audit Committee of the board reviews Manitoba Hydro's integrated financial forecast and makes recommendations to the board. The Audit Committee reviews whether Manitoba Hydro's quarterly and annual financial statements present fairly the financial position and performance in accordance with generally accepted accounting principles. The Audit Committee confirms whether management has assessed areas of potential significant financial and operational risk and has taken appropriate measures, and the Audit Committee reviews management's systems for ensuring legal compliance. The Audit Committee obtains opinions from external auditors, internal auditors and management on the quality of internal controls, and verifies that external auditors have performed their duties with sufficient independence from management.

The Human Resources and Governance Committee assists the board with succession planning and human resources issues. The committee reviews the board's approach to corporate governance with a view to best practices and Manitoba Hydro's mandate.

All of the members of the board sit on the Planning Committee, which approves the annual corporate strategic plan.

Integrity Program

Manitoba Hydro encourages employees and others to speak up on matters of concern without fear of reprisal, through its Integrity Program. All disclosures under the Integrity Program are protected by strict rules of confidentiality.

Below is a summary of all disclosures received during 2012-13 which allege wrongdoing as defined in The Public Interest Disclosure (Whistleblower Protection) Act:

Total number of disclosures received:	22
Number of disclosures ongoing from 2011-12:	4
Number of disclosures acted upon:	26
Number of disclosures not acted upon:	0
Number of investigations commenced/continued:	26
Number of disclosures that were verified:	5
Number of disclosures that were investigated and could not be verified:	11
Number of disclosures carried forward to 2013-14:	10

Corrective action was taken for each verified incident, as follows:

- Two employees were terminated for a conflict of interest.
- One employee was terminated and one employee received a written reprimand for mismanagement at a work site.
- An employee was terminated for falsifying a mileage claim.
- An employee received a five-day suspension for submitting and entering false information into the corporation's records.
- An employee received a three-day suspension for making unwanted sexual advances and comments.

Manitoba Hydro-Electric Board

Appearing left to right:

Carmen Neufeld

Dr. John Loxley

Tina Keeper

Eugene Kostyra

William C. Fraser, FCA
Chair

David Crate

Larry Vickar

Dudley Thompson

James Husiak, CA

Not in photo:
Michael Spence, Frank Whitehead

Manitoba Hydro Senior Officers

Appearing left to right:

Ed T. Tymofichuk, P. Eng
Vice-President, Transmission

Ken M. Tennenhouse, LL.B
Vice-President, General Counsel and Corporate Secretary

Darren B. Rainkie, CA, CBV
Vice-President, Finance and Regulatory

Lloyd Kuczek, P. Eng, MBA
Vice-President, Customer Care & Energy Conservation

Scott A. Thomson, CA
President and Chief Executive Officer

E. Ruth Kristjanson, BA (Hons), MA
Vice-President, Corporate Relations

Ken R. F. Adams, P. Eng
Senior Vice-President, Power Supply

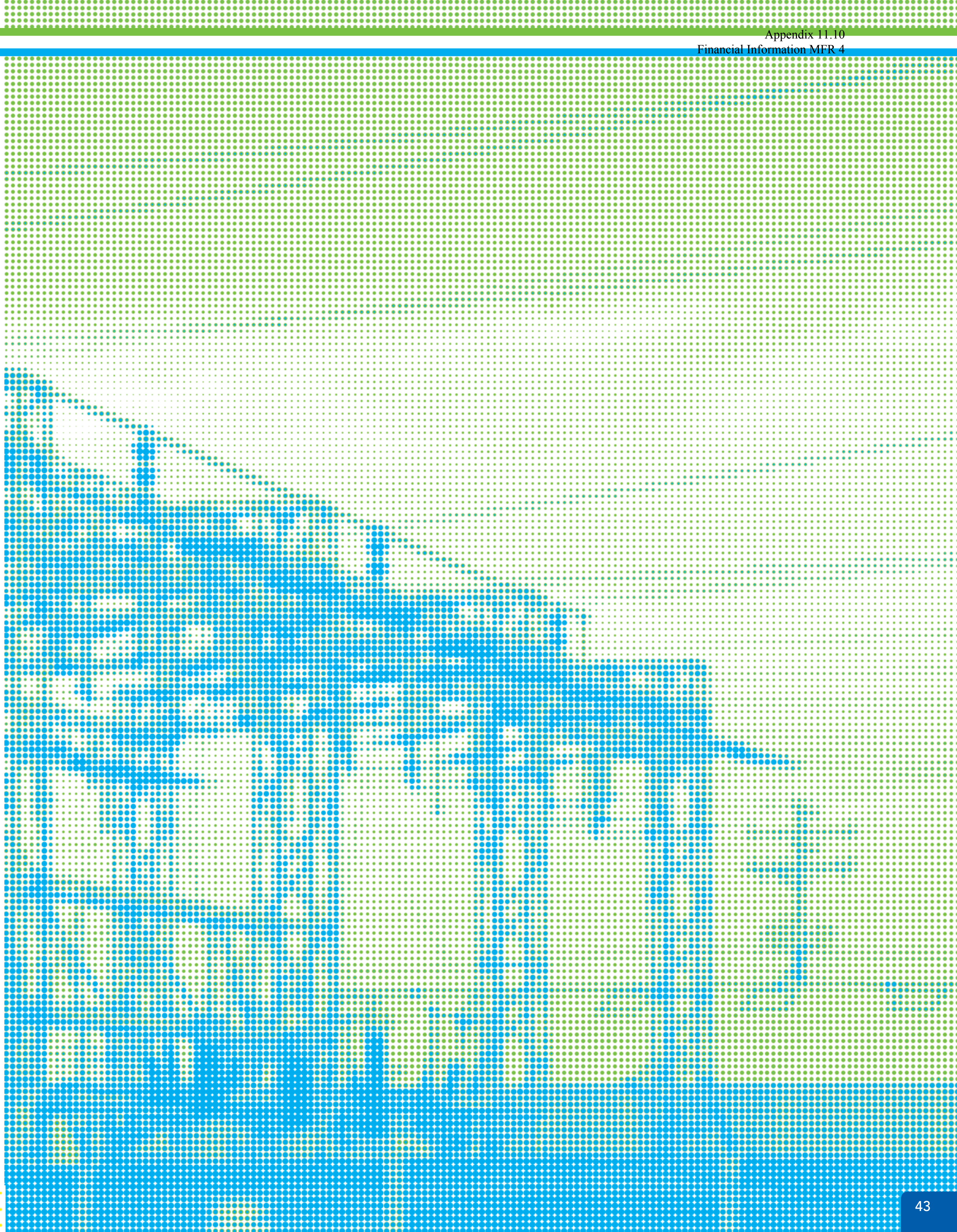
G. Brent Reed
Vice-President, Customer Care and Distribution

Bryan Luce
Vice-President, Human Resources and Corporate Services

Financial Review

Management's Discussion and Analysis

Consolidated Financial Statements



The Management's Discussion and Analysis (MD&A) section of the Annual Report provides comments on the financial results and operational performance of Manitoba Hydro for the year ended March 31, 2013 with comparative information where applicable. The MD&A also provides an assessment of Corporate risks and contains forward-looking statements regarding conditions and events which may affect financial performance in the future. Such forward-looking statements are subject to a number of uncertainties which are likely to cause actual results to differ from those anticipated. For context, the MD&A should be read in conjunction with the consolidated financial statements and notes.

As a provincially-owned Crown Corporation, Manitoba Hydro's mandate is to provide for the continuance of a supply of energy to meet the needs of Manitoba consumers in the most reliable, economic and environmentally sustainable manner. In fulfilling its mandate, Manitoba Hydro has assessed all known risks and has established a number of goals with related measures and targets. In addition to a review of financial and operational performance, the MD&A also reviews Manitoba Hydro's progress towards achieving its strategic goals.

OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations for the fiscal year ended March 31, 2013 was $92 million compared to $61 million in the previous fiscal year. The increase in net income of $31 million was largely attributable to increased revenues from domestic electricity sales partially offset by higher expenses. The Wuskwatim Generating Station became operational during 2012-13 which also contributed to higher expenses over the previous year.

Consolidated net income of $92 million for the 2013 fiscal year was comprised of net income of $84 million in the electricity sector and net income of $8 million in the natural gas sector. The gas sector net income represented a $14 million improvement over the previous year which was mainly a result of colder weather during the winter of 2012-13 compared to warmer weather during the winter of 2011-12.

Consolidated net income of $92 million for 2012-13 was higher than the forecasted net income of $60 million largely due to higher than forecast electricity revenues and lower than forecast power purchases.

Net income of $92 million contributed to the Corporation's retained earnings of $2 542 million at March 31, 2013, the highest level of equity in the Corporation's history. The debt to equity and capital coverage ratios met or exceeded target levels while the interest coverage ratio was close to the target level for the year.

CONSOLIDATED RESULTS

The following schedule summarizes Manitoba Hydro's consolidated financial results for the fiscal year ended March 31, 2013 compared to the previous fiscal year:

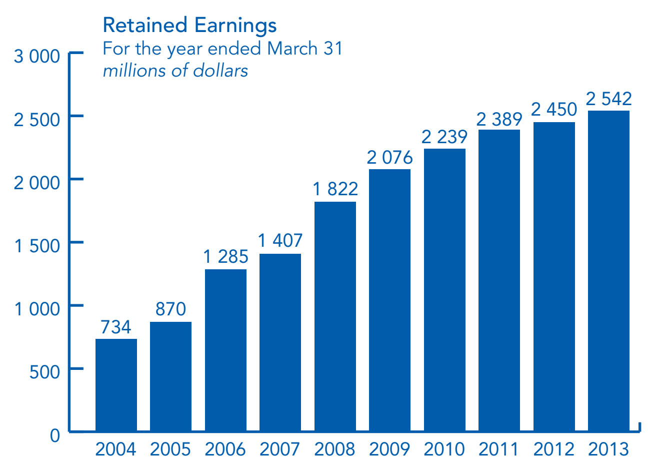
	Electricity		Natural Gas		Consolidated		
	2013	2012	2013	2012	2013	2012	Change
	millions of dollars						
Revenues							
Manitoba (net of cost of gas sold)	1 380	1 219	147	132	1 527	1 351	176
Extraprovincial	353	363	-	-	353	363	(10)
	1 733	1 582	147	132	1 880	1 714	166
Expenses	1 662	1 515	139	138	1 801	1 653	148
Net income (loss) before non-controlling interest	71	67	8	(6)	79	61	18
Net loss attributable to non-controlling interest	13	-	-	-	13	-	13
Net income (loss)	84	67	8	(6)	92	61	31
Total assets	13 928	13 203	614	588	14 542	13 791	751
Retained earnings	2 500	2 416	42	34	2 542	2 450	92
Financial Ratios							
Debt:Equity					75:25	74:26	
Interest coverage					1.15	1.10	
Capital coverage					1.25	1.13	

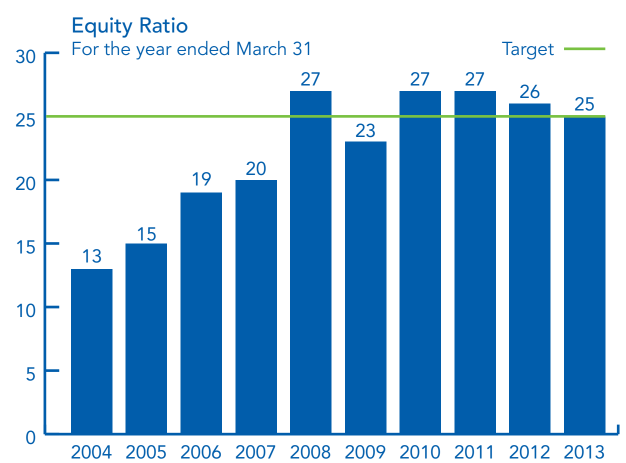
Revenues from consolidated electricity and natural gas operations totaled $2 062 million in 2012-13 compared to $1 911 million in the previous fiscal year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up to customers by Manitoba Hydro, revenues amounted to $1 880 million compared to $1 714 million in the prior year. The $166 million or 9.7% increase in revenues was largely attributable to increased domestic electricity sales as a result of increases in electricity rates and colder weather than the previous year.

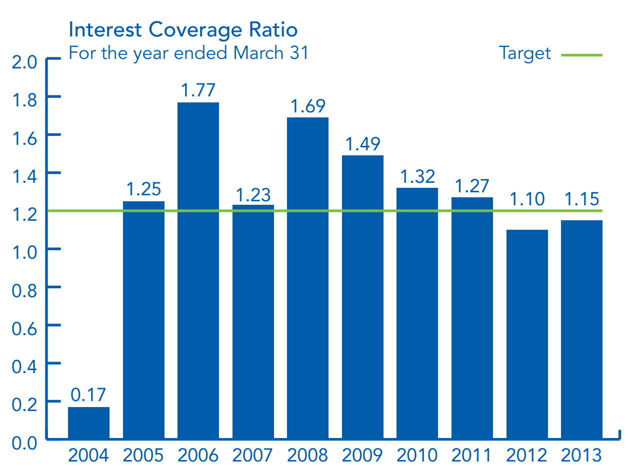
Expenses for electricity and natural gas operations totaled $1 801 million in 2012-13, an increase of $148 million or 8.9% over the previous year. The increase was largely due to a $66 million increase in finance expense, a $52 million increase in operating and administrative expense and a $42 million increase in depreciation and amortization partially offset by a $13 million decrease in power purchases.

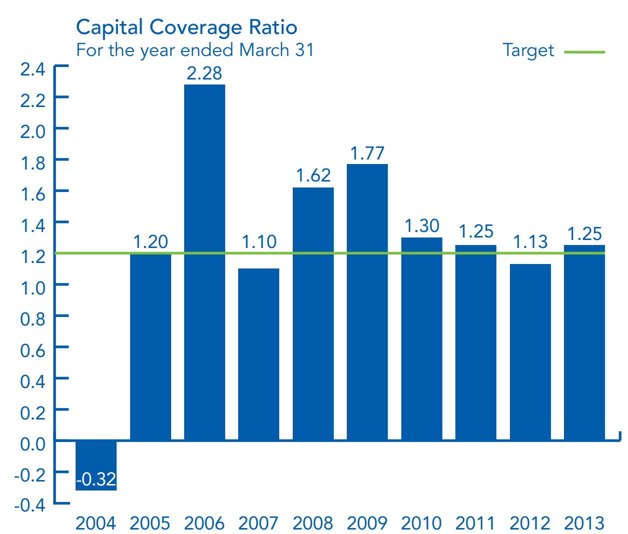
Net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's (TPC) 33% share of the Wuskwatim Power Limited Partnership's (WPLP) operating loss of $40 million in 2012-13. The WPLP has two limited partners, Manitoba Hydro and TPC, which is owned beneficially by Nisichawayasihk Cree Nation (NCN), and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro.

Net income from electricity and natural gas operations amounted to $92 million in 2012-13 compared to $61 million in the previous year. The consolidated net income increased retained earnings to $2 542 million at March 31, 2013. As indicated in the accompanying chart, net income of $92 million resulted in the equity ratio being 25% at March 31, 2013, which is consistent with the Corporation's target of 25%. The capital coverage ratio of 1.25 exceeded the target of 1.20 and the interest coverage ratio of 1.15 was slightly lower than the target of 1.20.









Financing

Cash provided from operations in 2012-13 was $589 million, an increase of $22 million from the previous year. The increase reflects higher net income than the previous year.

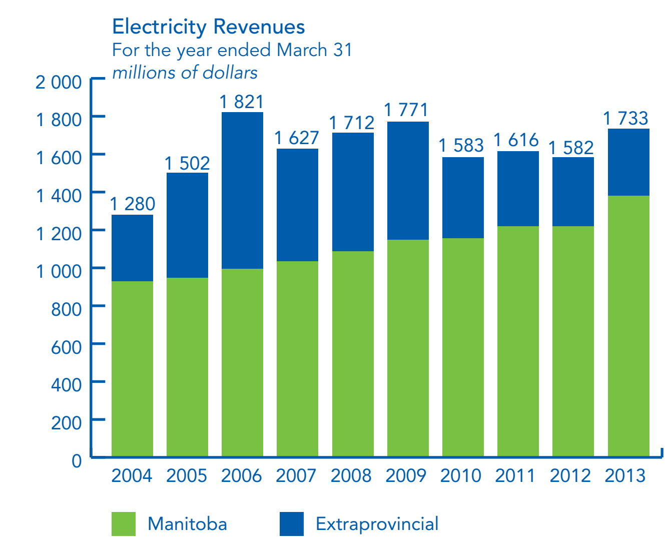
Proceeds from financing arranged by the Corporation amounted to $807 million in 2012-13 compared to $698 million in the previous year. Current year proceeds were used to fund new capital requirements and to retire long-term debt maturing during the year.

During 2012-13, the Corporation retired $242 million of debt comprised of Provincial Advances of $150 million, HydroBonds of $81 million and Manitoba Hydro-Electric Board Bonds of $11 million.

ELECTRICITY OPERATIONS

Electricity Revenues

Electricity revenues totaled $1 733 million, an increase of $151 million or 9.5% from the previous year. The increase was the result of a $161 million increase in domestic revenues partially offset by a $10 million decrease in extraprovincial revenues. The increase in domestic revenues was primarily due to rate increases and higher usage as a result of colder weather during the winter heating season. The decrease in extraprovincial revenues was primarily due to lower volumes in the U.S. markets.



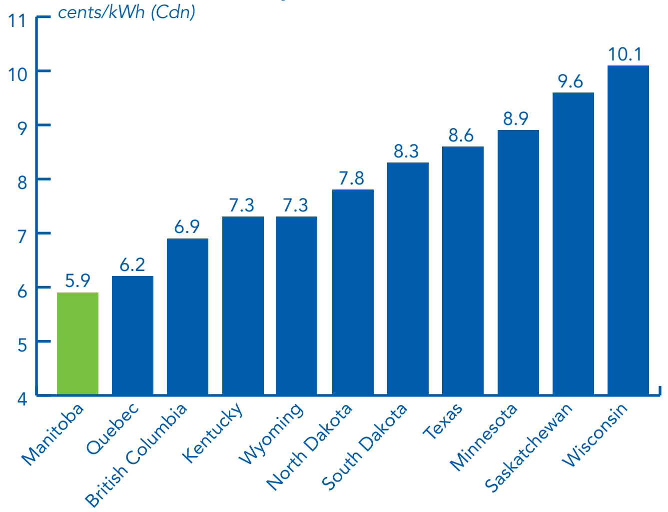
Electricity Rates

In Order 43/13, dated April 26, 2013, the Public Utilities Board (PUB) provided final approval of the 2.0% and the 2.4% rate increases that had been approved on an interim basis effective April 1, 2012 and September 1, 2012, respectively.

The PUB had directed in Order 5/12, dated January 17, 2012, that the 2.9% electricity rate increase previously approved on an interim basis effective April 1, 2010 be reduced to 1.9% and that the associated revenues were to be set aside as a regulatory deferral until further direction was provided by the PUB. The cumulative impact of the 1.0% rate reduction for 2010-11 and 2011-12 was recorded as a reduction to revenues of $23 million in 2011-12. In Order 43/13, the PUB approved the Corporation's application to reinstate the 1.0% rate deferral as revenue in the 2012-13 fiscal year. The cumulative impact of this decision was to increase revenues by $35 million in 2012-13 of which $23 million related to 2010-11 and 2011-12.

Management's Discussion and Analysis

Manitoba Hydro's domestic electricity rates continue to be the lowest overall in North America. This is illustrated in the chart below which was excerpted from utilities' annual reports and United States Department of Energy and Edison Electric Institute publications.

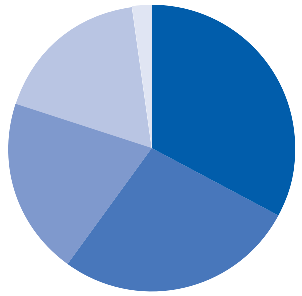


The breakdown of electricity revenues by customer segment is as follows:

Electricity Revenues and Kilowatt Hour Sales
For the year ended March 31

	2013	2012	% change	2013	2012	% change
	millions of dollars			*millions of kWh*		
Manitoba						
Residential	554	501	10.6	7 334	6 930	5.8
General service	465	432	7.6	6 877	6 660	3.3
Industrial	299	283	5.7	7 266	7 180	1.2
Other revenue	39	26	50.0	-	-	-
	1 357	1 242	9.3	21 477	20 770	3.4
1% rate deferral	23	(23)	-	-	-	-
Manitoba revenue	1 380	1 219	13.2	21 477	20 770	3.4
Extraprovincial	353	363	(2.8)	9 087	10 244	(11.3)
	1 733	1 582	9.5	30 564	31 014	(1.5)

Revenues from electricity sales in Manitoba totaled $1 380 million in 2012-13, an increase of $161 million from the previous year. Electricity consumption in Manitoba was 21 477 million kilowatt-hours, 707 million kilowatt-hours higher than the previous year. The increase in consumption was mainly due to higher heating loads as a result of colder winter weather in 2012-13.



Revenues from sales to residential customers for 2012-13 amounted to $554 million, an increase of $53 million or 10.6% from the previous year. The increase was primarily a result of a higher heating load from colder winter weather and the rate increases implemented during the year. At March 31, 2013 the number of residential customers was 480 254, an increase of 5 593 or 1.2% compared to the previous year.

Revenues from general service customers amounted to $465 million in 2012-13, an increase of $33 million or 7.6% from the previous year. The increase was mainly attributable to the rate increases implemented during the year, colder winter weather and an increase of 488 customers.

Revenues from large industrial customers amounted to $299 million, an increase of 5.7% or $16 million from the previous year. The increase was mainly the result of rate increases implemented during the year and increased consumption.

Extraprovincial revenues totaled $353 million in 2012-13, a decrease of $10 million from the previous year. The decrease reflects lower U.S. and Canadian sales volumes resulting from increased Manitoba load partially offset by higher export prices. Of the total extraprovincial revenues, $312 million or 88% was derived from the U.S. market, while $41 million or 12% was from sales to Canadian markets.

Electricity Expenses

Electricity expenses totaled $1 662 million for 2012-13, an increase of $147 million or 9.7% over the previous year. The increase in expenses was primarily the result of a $67 million increase in finance expense, a $50 million increase in operating and administrative expenses, a $41 million increase in depreciation and amortization partially offset by a $13 million decrease in power purchases.

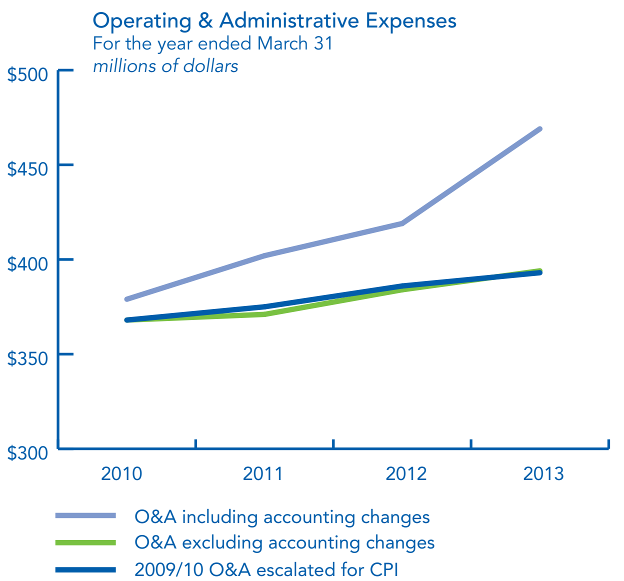
Electricity Expenses
For the year ended March 31

	2013	2012	% change
	millions of dollars		
Operating and administrative	469	419	11.9
Finance expense	452	385	17.4
Depreciation and amortization	394	353	11.6
Water rentals and assessments	118	119	(0.8)
Fuel and power purchased	133	146	(8.9)
Capital and other taxes	87	84	3.6
Corporate allocation	9	9	-
	1 662	1 515	9.7

Management's Discussion and Analysis

Operating and administrative expenses are comprised primarily of labour, material and overhead costs associated with operating, maintaining and administering the facilities and programs of the Corporation. In 2012-13, operating and administrative expenses for electric operations amounted to $469 million, an increase of $50 million over 2011-12. The increase in operating and administrative expenses attributable to accounting changes implemented during the year was $30 million and the increase in employee benefits resulting from changes in discount rates was $12 million. After adjusting for these accounting and discount rate changes, the increase in operating and administrative expenses for 2012-13 was $8 million or 1.9% as compared to the previous year.

The following graph provides a comparison of the growth in operating and administrative expenses, including and excluding accounting changes, as compared to changes in the consumer price index (CPI). This demonstrates that when excluding accounting changes Manitoba Hydro has managed its operating and administrative expenses consistent with inflation even with the in-service of the Wuskwatim generating station.



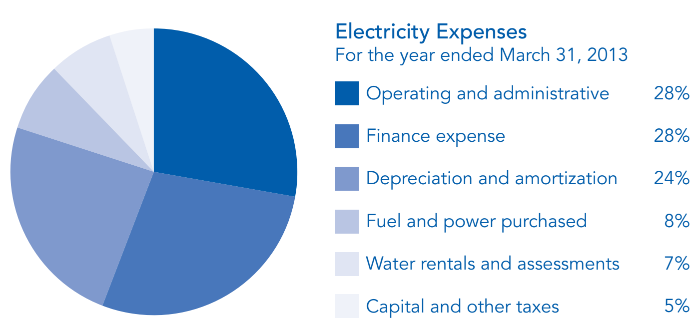
Finance expense totaled $452 million in 2012-13, an increase of $67 million or 17.4% from the previous year. The increase was primarily due to higher volumes of long-term debt to finance capital expenditures, the financing costs associated with the Wuskwatim Generating Station coming into service during the year and a weaker Canadian dollar.

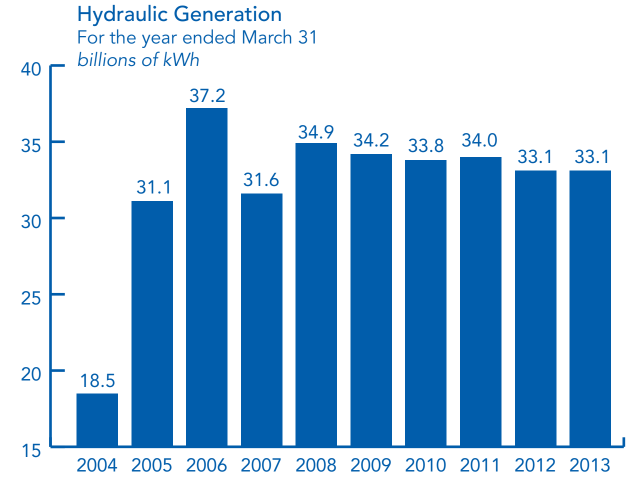
Depreciation and amortization expense amounted to $394 million in 2012-13, an increase of $41 million or 11.6% from the previous year. The increase was mainly attributable to new additions to plant and equipment coming into service, including the Wuskwatim Generating Station.

Water rentals and assessments amounted to $118 million in 2012-13, a decrease of $1 million from the previous year. The decrease reflects a small reduction in other fees and assessments. Hydraulic generation amounted to 33.1 billion kilowatt-hours in 2012-13 which is the same as 2011-12.

Fuel and power purchased includes fuel for the thermal generating stations and remote diesel sites, purchases of wind power from the independently-owned St. Leon and St. Joseph wind farms and from electricity imports. Fuel and power purchased was $133 million in 2012-13, a decrease of $13 million or 8.9% over 2011-12. The decrease in power purchased was primarily the result of lower system merchant purchases due to reduced arbitrage opportunities between markets and credits received on transmission rights due to higher than expected congestion.

Capital and other taxes amounted to $87 million in 2012-13, an increase of $3 million or 3.6% compared to the previous year. The change was mainly due to increased capital taxes related to additional capital investment.

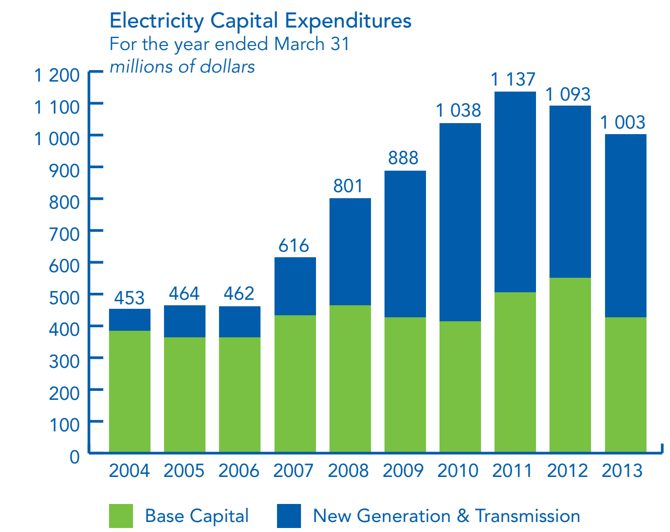




Electricity Capital Expenditures

Expenditures for capital construction totaled $1 003 million in 2012-13 compared to $1 093 million during the previous fiscal year. Capital expenditures for ongoing plant and equipment requirements, referred to as base capital, amounted to $429 million, a decrease of $124 million compared to the previous year. The decrease was attributable to lower expenditures on generation and substation upgrades.

Major new generation and transmission capital expenditures of $574 million included $169 million related to future Keeyask and Conawapa generation facilities, $109 million related to the Bipole III project, $101 million towards the Pointe du Bois Spillway replacement and station rehabilitation, $84 million for the Riel Station, $78 million related to the Wuskwatim Generating Station and transmission line and $28 million for upgrades to the Kelsey Generating Station.



NATURAL GAS OPERATIONS

Centra Gas Manitoba Inc. (Centra) is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to 244 768 residential and 25 018 commercial and industrial customers in Manitoba.

Net income in the gas sector was $8 million in 2012-13 compared to a net loss of $6 million in the previous fiscal year. The improved financial performance over the previous year was primarily attributable to increased demand due to colder weather during the winter of 2012-13 compared to warmer weather during the winter of 2011-12.

Natural Gas Revenues

Revenues from the sale and distribution of natural gas during 2012-13 were $329 million, consistent with the previous year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up by Centra, net revenues amounted to $147 million, an increase of $15 million from 2011-12. The increase in net revenue was almost entirely due to colder winter weather than the previous year. Natural gas deliveries were 2 049 million cubic metres in 2012-13 compared to 1 866 million cubic metres in 2011-12.

As directed by the PUB, $3.8 million of revenue from 2012-13 was set aside to continue a program targeted to low-income customers and qualifying seniors on fixed incomes to assist in the replacement of low efficiency furnaces with high efficiency furnaces. At March 31, 2013, there is a remaining balance of $16 million in the Furnace Replacement Program.

Natural Gas Revenues and Deliveries

For the year ended March 31

	2013	2012	% change	2013	2012	% change
	millions of dollars			*millions of cubic metres*		
Residential	174	172	1.2	602	509	18.3
Small general service	25	23	8.7	100	81	23.5
Large general service	95	96	(1.0)	523	440	18.9
Large commercial & industrial	18	20	(10.0)	133	121	9.9
Interruptible	11	12	(8.3)	93	86	8.1
T-service and other	6	6	-	598	629	(4.9)
	329	329	-	2 049	1 866	9.8

Natural Gas Rates

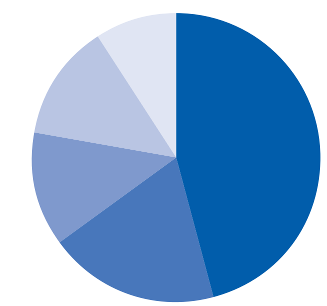
In accordance with Centra's quarterly rate-setting methodology, annualized rates for natural gas supplied to residential customers changed during 2012-13 as follows:

- May 1, 2012	8.6% decrease
- August 1, 2012	2.9% increase
- November 1, 2012	unchanged
- February 1, 2013	unchanged

The change in natural gas rates reflects the fluctuations in pricing for natural gas purchased by Centra. Centra did not apply to the PUB for a general rate increase related to non-gas costs in 2012-13.

Natural Gas Expenses

Expenses attributable to the natural gas operations, excluding cost of gas sold, amounted to $139 million in 2012-13, which was $1 million higher than the previous year. Increases of $2 million in operating and administrative expenses and $1 million in depreciation and amortization were partially offset by decreases of $1 million in each of finance expense and capital and other taxes.



Natural Gas Expenses

For the year ended March 31

	2013	2012	% change
	millions of dollars		
Operating and administrative	64	62	3.2
Finance expense	18	19	(5.3)
Depreciation and amortization	27	26	3.8
Capital and other taxes	18	19	(5.3)
Corporate allocation	12	12	-
	139	138	0.7

Centra purchased 493 million cubic metres of natural gas based on monthly Alberta indexed pricing, 235 million cubic metres under daily Alberta indexed pricing and 394 million cubic meters from a number of other supply sources. Centra also delivered natural gas on behalf of brokers to 17 418 (2012 – 17 965) customers receiving natural gas under Direct Purchase arrangements.

Centra offers a fixed rate service for primary natural gas supply which allows customers to fix their natural gas rates for terms of up to five years. The fixed rate service is offered to residential and commercial customers. At March 31, 2013 there were 396 customers (2012 – 434 customers) on Centra's fixed rate service. Total natural gas deliveries under this service were 6.0 million cubic metres (2012 – 4.0 million cubic metres).

Natural Gas Capital Expenditures

Capital expenditures in the natural gas sector were $34 million in 2012-13 compared to $31 million in the previous fiscal year. The capital expenditure program relates to new business, system improvement and other expenditures to meet the needs of the natural gas customers.

SUBSIDIARIES

In addition to Centra, Manitoba Hydro has the following wholly-owned subsidiaries involved in energy-related business enterprises:

Manitoba Hydro International Ltd. (MHI) provides professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro, Centra and other utilities.

The following table provides a summary of the financial results of the subsidiary companies excluding Centra for the fiscal year ended March 31, 2013 compared to the previous fiscal year:

	MHI		MHUS		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Revenues	43.2	31.8	4.6	5.5	1.1	0.8	48.9	38.1
Expenses	38.2	27.9	4.6	5.1	0.2	0.2	43.0	33.2
Net income	5.0	3.9	-	0.4	0.9	0.6	5.9	4.9

WUSKWATIM POWER LIMITED PARTNERSHIP

The WPLP was formed to carry on the business of developing, owning and operating the Wuskwatim Generating Station and related works, excluding the transmission facilities but including all dams, dikes, channels, excavations and roads. The WPLP has two limited partners, Manitoba Hydro and TPC, which is owned beneficially by NCN, and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro. The Wuskwatim Generating Station is located at Taskinigahp Falls on the Burntwood River approximately 45 kilometres southwest of Thompson, Manitoba.

During 2012-13, power production started at the Wuskwatim Generating Station. The first of three generating units was placed in service on June 22, 2012, the second unit on August 22, 2012 and the third unit on October 6, 2012. The WPLP reported a net loss for 2012-13 of $40 million which was consistent with expectations for the first year of operation. Manitoba Hydro's 67% share of the loss was $27 million and TPC's 33% share of the loss was $13 million. At March 31, 2013 total assets for Wuskwatim generation and transmission facilities amounted to $1.6 billion (2012 – $1.6 billion).

CORPORATE GOALS

Manitoba Hydro has the following Corporate goals:

Improve safety in the workplace
Achieving an accident-free workplace is Manitoba Hydro's most important goal and a critical component of all Corporate activities. Manitoba Hydro is committed to continuously improving its safety performance and is currently focusing on strategies that will eliminate all high-risk incidents and further instill a safety and health culture throughout the Corporation.

Provide exceptional customer value
Manitoba Hydro continually strives to provide exceptional value to customers through low energy rates, a safe and secure system, high reliability and superior service.

Strengthen working relationships with Aboriginal communities
Manitoba Hydro is one of the leading utilities in Canada with respect to Aboriginal representation in its workforce. The Corporation continues to place emphasis on building enduring working relationships with Aboriginal communities through such measures as pre-employment training programs, purchasing and employment preferences, support for Aboriginal businesses and recognition of cultural requirements in the workplace.

Maintain financial strength
Maintaining the financial strength of the Corporation will ensure that energy rates remain low, stable and predictable. A strong financial structure also assists in protecting the Corporation and its customers from a variety of risks.

Extend and protect access to North American energy markets and profitable export sales
The ability to sell surplus energy into export markets has contributed significantly to low domestic rates in Manitoba. It is important that access to profitable export markets be maintained and expanded.

Attract, develop and retain a highly skilled and motivated workforce that reflects the demographics of Manitoba
In the increasingly competitive marketplace for talented people, Manitoba Hydro must continue to attract and retain the very best in human resources while striving to attain its diversity targets.

Protect the environment in everything that we do
Manitoba Hydro is dedicated to upholding the principles of sustainable development and to preventing or mitigating any adverse impacts from our operations. Through careful management of new and existing facilities and infrastructure, Manitoba Hydro continues to operate in the most environmentally responsible manner.

Promote cost effective energy conservation and innovation
Manitoba Hydro is recognized as a Canadian leader in promoting the wise and efficient use of energy through its Power Smart brand and continues to encourage research and development of emerging energy technologies.

Be recognized as an outstanding corporate citizen and a driver of economic development in Manitoba
Manitoba Hydro and its employees continue to take leadership roles in community activities and programs throughout the province. The Corporation also works with economic development agencies to maximize wealth and jobs in Manitoba and works with customers to minimize their energy costs.

REPORT ON PERFORMANCE

The following table summarizes the progress the Corporation is making towards achieving its Corporate goals:

Goal	Measure	Target / Challenge	2013 Performance
Safety in the Workplace	High-risk incidents	0	0
	Accident severity rate (days per 200 000 hours worked)	<12	9.7
	Accident frequency rate (accidents per 200 000 hours worked)	<0.6	0.7
Exceptional Customer Value	Retail electricity rates (overall)	Lowest in North America	Lowest in North America
	System average interruption duration (minutes per year)	<113	175
	Average electric customer outage frequency (outages per year)	<1.4	1.9
	CEA Customer Service Index	Best in Canada	Ranked 2nd
Financial Strength	Debt:Equity Ratio	75:25	75:25
	Interest Coverage	>1.20	1.15
	Capital Coverage	>1.20	1.25
Diverse Work Force	Women	26%	25%
	Aboriginal – Corporate	16%	17%
	Aboriginal – Northern	45%	42%
	Persons with disabilities	6%	10%
	Visible minorities	7%	7%
Protecting the Environment	% Generation from renewable resources	>99%	99.9%
Sustainability & Energy Conservation	Electric energy saved per year	2 069 GWh	2 187 GWh
Corporate Citizenship & Economic Development	CEA Public Attitude Index	≥8.5	7.8
	Corporate Citizenship Index	≥8.2	7.6

Management's Discussion and Analysis

RISK MANAGEMENT

Manitoba Hydro faces a number of risks in the fulfillment of its mandate. These risks are managed through a systematic, proactive and integrated process designed to balance the objectives of:

- identifying threats that affect the achievement of the Corporation's mission and mandate;
- mitigating the consequences of negative occurrences; and
- taking advantage of opportunities to provide benefits to all stakeholders.

Most risk management efforts are focused on preventing or reducing the likelihood of the occurrence of negative events. However, the Corporation also has plans in place to reduce the impacts should a negative event occur. These plans are under continual assessment. In addition, all safety and reliability risks are managed through strict adherence to design, construction and operating standards and practices together with extensive public education and employee training programs. A comprehensive Emergency Response Program is also in place to ensure an effective and coordinated response to possible emergencies or natural disasters.

The financial and operational risks associated with the management of an integrated electricity and natural gas utility are significant. These risks include the impacts of weather on supply and demand, price and market uncertainties, interest, inflation and foreign exchange rates, skilled labour availability and costs, aging infrastructure maintenance and replacement, increasing regulatory, environmental and legal requirements and accelerated technological change. Manitoba Hydro manages these risks through an integrated control framework and through the maintenance of an adequate level of retained earnings.

Manitoba Hydro's major risks are quantified in the following table:

Risk	Potential Financial Impact
Infrastructure	Greater than $2.0 billion
Drought	Greater than $1.6 billion for a five year drought
Loss of export market	Greater than 30% of electricity revenue
Interest rates	Approximately $700 million for a 1% change over 10 years

STATUS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In September 2012 and February 2013, the Canadian Accounting Standards Board (AcSB) announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Manitoba Hydro meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

The Corporation expects the transition to IFRS to impact accounting, financial reporting and related information systems. To facilitate the conversion process, Manitoba Hydro has assembled a project team, engaged external advisors and established a formal project governance structure with the formation of a Steering Committee consisting of an executive sponsor and senior levels of management from throughout the Corporation. Regular reporting of the project status is provided to the Audit Committee of the Manitoba Hydro-Electric Board.

Although IFRS and Canadian Generally Accepted Accounting Principles (GAAP) are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Manitoba Hydro include property, plant and equipment, regulatory assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

On April 25, 2013, the International Accounting Standards Board (IASB) issued the Exposure Draft - Regulatory Deferral Accounts. The Exposure Draft proposes an interim standard intended to allow entities that are first–time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in changes to existing IFRS prior to the commencement of Manitoba Hydro's 2015-16 fiscal year. Manitoba Hydro continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

OUTLOOK

Manitoba Hydro ended fiscal 2012-13 with above average water storage levels. Inflows from spring runoff for 2013-14 are expected to be average, particularly in the Red, Assiniboine and Saskatchewan River basins. Manitoba Hydro experienced some year-over-year recovery to export market prices through the fourth quarter of 2012-13 largely a result of higher natural gas prices and improved economic conditions in the U.S. Based on current conditions and considering the impact on expenses of the Wuskwatim Generating Station being in-service for a full year, Manitoba Hydro expects its net income for 2013-14 to be below the level experienced in 2012-13.

Manitoba Hydro is actively planning a number of major projects such as the Bipole III transmission line and Keeyask and Conawapa generating stations in order to further improve electrical system reliability, to meet the future energy needs of the province and to take advantage of export opportunities. These plans will involve the investment of approximately $20 billion over the next 10 years which will generate significant returns for Manitobans over ensuing decades. Construction of the new generating stations will only proceed once firm export sales contracts are secured, extensive consultations with stakeholders and First Nations are concluded and environmental and regulatory approvals are received.

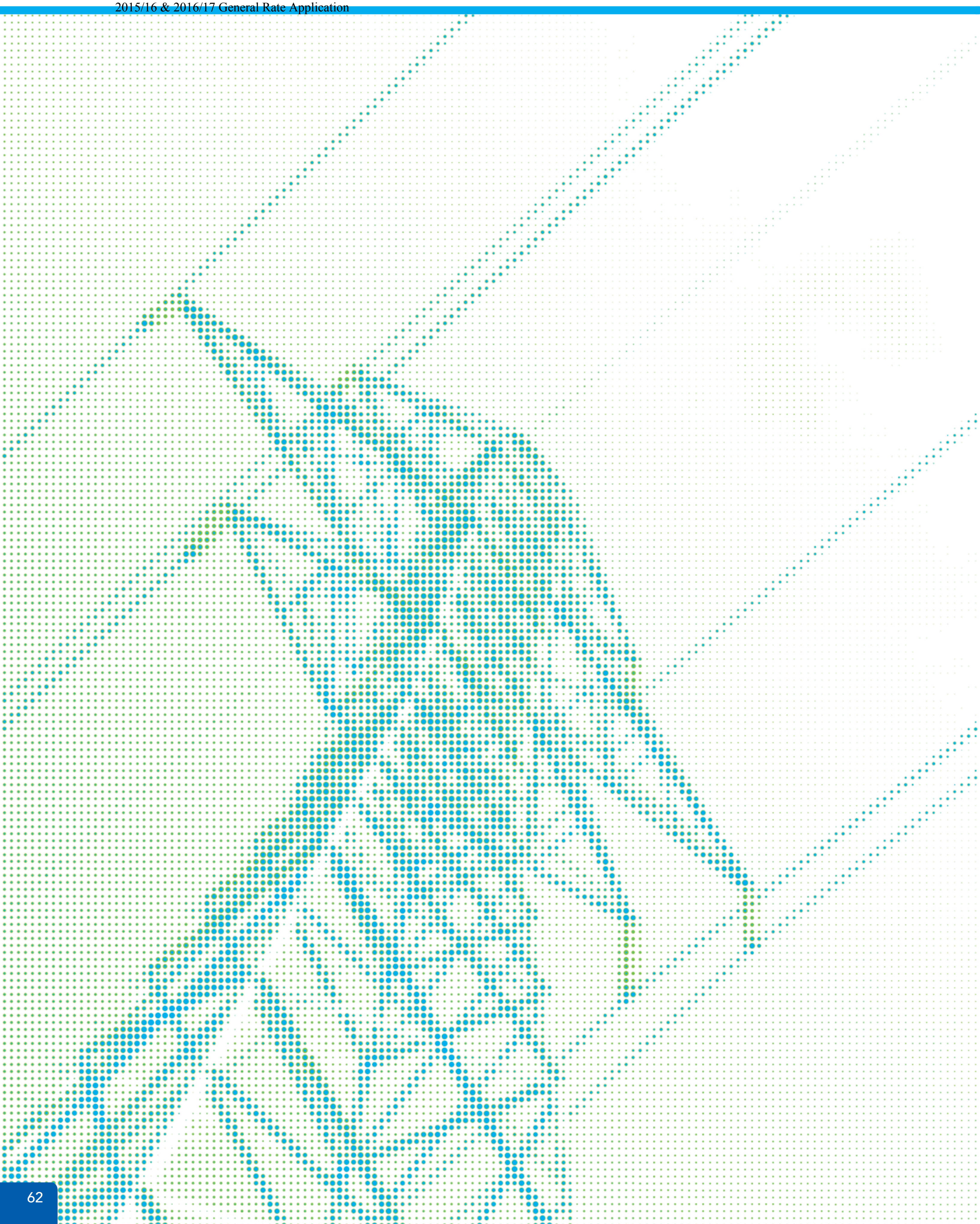
The Bipole III project involves the construction of a new 500-kV high voltage direct current transmission line along with new converter stations, one in the north and another at the southern receiving end. The project is required to improve system reliability and will also provide additional capacity for delivery of existing and proposed hydro-electric generation to southern markets. The Environmental Impact Statement related to Bipole III was filed with Manitoba Conservation in December 2011. Public hearings on the project by the Clean Environment Commission began in the fall of 2012 and concluded in early 2013 with an environmental licensing decision pending. Construction is scheduled to begin, pending regulatory approval, in the winter of 2013-14 with a scheduled in-service date of late 2017.

The proposed 695-megawatt Keeyask Generating Station would be built on the Nelson River, 30 kilometres west of Gillam, within the Split Lake Resource Management Area, in partnership with four Keeyask Cree Nations (KCN) – Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. A Keeyask Infrastructure Agreement was negotiated between Manitoba Hydro and KCN enabling an early start to the construction of the access road to the site and the construction camp. The project description was filed with the federal Major Projects Management Office in July 2011 and the Environmental Act Proposal form was filed with Manitoba Conservation in December 2011. The application for the Keeyask Project Interim Water Power License was submitted to the Province in early 2012. The Environmental Impact Statement was filed in July 2012. The Manitoba Clean Environment Commission will hold hearings commencing in late September 2013. Work is progressing on maintaining the current regulatory schedule, with a construction start date of June 2014 and an expected in-service date of 2019.

The proposed 1 485-megawatt Conawapa Generating Station would be built approximately 90 kilometres downstream of Gillam and 28 kilometres downstream of the Limestone Generating Station, in the Fox Lake Resource Management Area on the Lower Nelson River. A formal planning process is underway with the communities in the vicinity of the project, including Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation. Activities are progressing to complete the Project Description, preliminary engineering and the environmental assessment and discussions on Aboriginal participation are beginning. The Environmental Impact Statement is scheduled to be filed by the end of 2014 with the potential start of construction in December 2016, which would support an earliest in-service date of 2025.

In accordance with Manitoba Order in Council No. 128/2013, a Needs For and Alternatives To review will be undertaken by the PUB of the economic justification for Manitoba Hydro's proposed development plan including Keeyask, Conawapa, a new Manitoba to U.S. transmission interconnection and new long-term export sales. The process will start with a filing by Manitoba Hydro in August 2013 with public hearings expected to commence in early 2014.

Manitoba Hydro's Power Smart Program continues to serve residential, commercial and industrial customers with a total of 28 programs and initiatives. The highly successful Power Smart Program continues to encourage all customer sectors to use energy more efficiently. These efforts work towards making permanent shifts in the Manitoba marketplace for long-term adoption of energy efficient technologies and practices. The Power Smart Program is projected to achieve electric energy and demand savings of 3 113 GWh per year and 846 MW by 2027-28. Natural gas savings are projected to be 126 million cubic metres per year by 2027-28. The overall Power Smart Program is expected to reduce greenhouse gas emissions by over 2.3 million tonnes annually while providing Manitobans with lower energy bills from the installation of energy savings measures and the continued sale of the conserved energy on export markets.



MANAGEMENT REPORT

For the year ended March 31, 2013

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 26, 2013. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

Scott A. Thomson, CA
President and Chief Executive Officer

Darren B. Rainkie, CA, CBV
Vice-President, Finance and Regulatory

Winnipeg, Canada
June 26, 2013

AUDITORS' REPORT

To the Board of Directors of
Manitoba Hydro-Electric Board

We have audited the accompanying consolidated financial statements of **Manitoba Hydro-Electric Board**, which comprise the consolidated balance sheet as at March 31, 2013 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Manitoba Hydro-Electric Board** as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 26, 2013

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2013	2012
			millions of dollars	
Revenues				
Electric	Manitoba		1 380	1 219
	Extraprovincial	3	353	363
Gas	Commodity		182	197
	Distribution		147	132
			2 062	1 911
Cost of gas sold			182	197
			1 880	1 714
Expenses				
Operating and administrative			533	481
Finance expense		4	489	423
Depreciation and amortization			423	381
Water rentals and assessments		5	118	119
Fuel and power purchased			133	146
Capital and other taxes			105	103
			1 801	1 653
Net income before non-controlling interest			79	61
Net loss attributable to non-controlling interest		22	13	-
Net Income			92	61

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2013	2012
	millions of dollars	
Retained earnings, beginning of year	2 450	2 389
Net income	92	61
Retained earnings, end of year	2 542	2 450

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2013	2012
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	15 793	13 631
Less accumulated depreciation	6	5 252	4 984
		10 541	8 647
Construction in progress	6	1 967	3 150
		12 508	11 797
Current Assets			
Cash and cash equivalents		32	50
Accounts receivable and accrued revenue		421	328
Interest receivable		4	4
Materials and supplies, at average cost	7	93	106
		550	488
Other Assets			
Sinking fund investments	8	352	372
Goodwill and intangible assets	9	276	268
Regulated assets	10	306	310
Other long-term assets	11	550	556
		1 484	1 506
		14 542	13 791

Approved on behalf of the Board:

William C. Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

	Notes	2013	2012
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		8 977	8 729
Sinking fund investments shown as assets	8	352	372
	12	9 329	9 101
Current Liabilities			
Accounts payable and accrued liabilities	13	421	361
Accrued interest		103	104
Current portion of long-term debt	12	656	281
		1 180	746
Other Liabilities			
Asset purchase obligation	14	207	207
Other long-term liabilities	15	550	542
		757	749
Contributions in Aid of Construction		340	318
Equity			
Retained earnings		2 542	2 450
Accumulated other comprehensive income		299	327
		2 841	2 777
Non-controlling interest	22	95	100
		2 936	2 877
		14 542	13 791

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2013	2012
	millions of dollars	
Operating Activities		
Cash receipts from customers	2 015	2 008
Cash paid to suppliers and employees	(981)	(1 058)
Interest paid	(489)	(418)
Interest received	44	35
Cash provided by operating activities	589	567
Financing Activities		
Proceeds from long-term debt	807	698
Sinking fund withdrawals	129	23
Retirement of long-term debt	(242)	(25)
Other	(59)	29
Cash provided by financing activities	635	725
Investing Activities		
Property, plant and equipment, net of contributions	(1 037)	(1 124)
Sinking fund payments and deposits	(107)	(98)
Other	(98)	(90)
Cash used for investing activities	(1 242)	(1 312)
Net decrease in cash and cash equivalents	(18)	(20)
Cash and cash equivalents, beginning of year	50	70
Cash and cash equivalents, end of year	32	50

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2013	2012
	millions of dollars	
Net Income	92	61
Other Comprehensive Loss		
Unrealized foreign exchange losses on debt in cash flow hedges	(31)	(54)
Realized foreign exchange losses on debt in cash flow hedges reclassified to income	2	-
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	1	14
	(28)	(40)
Comprehensive Income	64	21

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	2013	2012
	millions of dollars	
Balance, beginning of year	327	367
Other comprehensive loss	(28)	(40)
Balance, end of year	299	327

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization - The Manitoba Hydro-Electric Board and the Manitoba Power Commission were amalgamated in 1961 by enactment of *The Manitoba Hydro Act* to form a Crown Corporation in the Province of Manitoba named Manitoba Hydro (the Corporation). Manitoba Hydro's mandate is to provide for the continuance of a supply of energy adequate for the needs of the province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy. The head office of the Corporation is located at 360 Portage Avenue, Winnipeg, Manitoba.

Basis of Presentation - These consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Consolidation - These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd., Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS) and Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the Wuskwatim Power Limited Partnership (WPLP) and its 75% ownership in the Keeyask Hydropower Limited Partnership. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate-Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. As permitted under Canadian GAAP, the Corporation applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Manitoba Hydro applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets (Note 10) or regulated liabilities (Note 13) which are generally comprised of the following:

- Power Smart programs - The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.
- Site restoration costs - Site restoration costs, other than those for which an asset retirement obligation has been established, are deferred and amortized on a straight-line basis over a period of 15 years.
- Deferred taxes - Taxes paid by Centra (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Acquisition costs - Costs associated with the acquisition of Centra (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.
- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	20 - 125 years
	- Thermal	5 - 65 years
Transmission lines		10 - 85 years
Substations		15 - 65 years
Distribution		10 - 75 years
Other		5 - 100 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

c) **Asset Retirement Obligations**
Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Materials and Supplies**
Materials and supplies are valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Employee Future Benefits**
Manitoba Hydro provides future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, the Enhanced Hydro Benefit Plan (EHBP), three Centra curtailed pension plans and the Winnipeg Civic Employee Benefits Program (WCEBP). MHUS is a matching employer under the Civil Service Superannuation Act and MHI sponsors a defined contribution group registered retirement plan.

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is based on market related values using a five-year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the consolidated financial statements as assets or liabilities.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP, which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

i) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt and interest payments in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

j) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

k) **Foreign Currency Translation**
Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) **Derivatives**
The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

m) **Hedges**
The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. Long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. A fair value hedge relationship has also been established between U.S. long-term debt balances and U.S. sinking fund investments. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

n) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

o) **Cash and Cash Equivalents**
Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

p) **Goodwill and Intangible Assets**
Goodwill represents the amount of the Corporation's investments in Centra and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

Intangible assets include computer software, application development costs, land easements and transmission rights. Intangible assets are recorded at cost. The cost of computer software and application development includes software, direct labour, materials, contracted services, a proportionate share of overhead costs and interest during development applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer software and application development	5 – 10 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by the Corporation. The transmission rights are amortized over the contractual period plus a one-term renewal.

q) **Non-Controlling Interest**
Non-controlling interest represents the outstanding ownership interests attributable to third parties in the Corporation's limited partnerships. The portion of the property, plant and equipment not owned by the Corporation is reflected as non-controlling interest within the equity section of the consolidated balance sheet. The portion of the net income or net loss not attributed to the Corporation is recorded as a non-controlling interest in the consolidated statement of income.

r) **Use of Estimates**
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Overhead Rate Estimate
Manitoba Hydro's policy is to include a proportionate share of overhead costs in property, plant and equipment based on overhead rate studies that are performed annually. In 2012, the Corporation revised its overhead rate estimate to remove information technology infrastructure and related support costs and common building depreciation and operating costs. This change in estimate was applied prospectively effective April 1, 2012 and resulted in a $32 million increase in operating and administrative expense in 2012-13.

Future Accounting Changes

International Financial Reporting Standards (IFRS)
In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Manitoba Hydro would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Manitoba Hydro include property, plant and equipment, regulatory assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus Improvements to IFRS, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Manitoba Hydro intends to apply this exemption.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – International Financial Reporting Standards, allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Manitoba Hydro meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On April 25, 2013, the IASB issued the Exposure Draft - Regulatory Deferral Accounts. The Exposure Draft proposes an interim standard intended to allow entities that are first-time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in modifications to existing IFRS prior to the commencement of Manitoba Hydro's 2015-16 fiscal year. Manitoba Hydro continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2013	2012
	millions of dollars	
United States	312	315
Canada	41	48
	353	363

U.S. extraprovincial revenues were translated into Canadian dollars at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.00 Canadian (2012 - $1.00 U.S. = $0.98 Canadian).

NOTE 4 FINANCE EXPENSE

	2013	2012
	millions of dollars	
Interest on debt	636	603
Interest capitalized	(141)	(170)
Investment income	(11)	(13)
Realized foreign exchange losses on debt in cash flow hedges	2	-
Realized losses on revaluation of dual currency bonds	3	3
	489	423

Included in interest on debt is $93 million (2012 - $85 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2012 - 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2013	2012
	millions of dollars	
Water rentals	111	111
Assessments	7	8
	118	119

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2012 - $3.34 per MWh).

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
		Accumulated	Construction		Accumulated	Construction
	In service	depreciation	in progress	In service	depreciation	in progress
			millions of dollars			
Generation						
Hydraulic	6 645	1 739	1 222	5 188	1 658	2 276
Thermal	480	277	11	475	260	11
Transmission lines	1 024	311	127	855	296	246
Substations	2 977	1 337	489	2 668	1 260	489
Distribution	3 471	1 242	95	3 268	1 193	105
Other	1 196	346	23	1 177	317	23
	15 793	5 252	1 967	13 631	4 984	3 150

During fiscal 2012-13 the 3 units of the Wuskwatim Generating Station and the associated transmission facilities were transferred from construction in progress and placed in-service. The in-service amounts are as follows: generating station - $1 356 million, transmission line - $153 million, substation and other - $174 million.

NOTE 7 MATERIALS AND SUPPLIES

	2013	2012
	millions of dollars	
Materials and supplies	72	65
Natural gas inventory	21	41
	93	106

NOTE 8 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under *The Manitoba Hydro Act* to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $107 million (2012 - $98 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2013	2012
	millions of dollars	
Canadian investments	58	129
U.S. investments	272	217
Premium on purchase of sinking fund investments	22	26
	352	372

Canadian investments have a weighted average term to maturity of 1 day (2012 - 1 day) and an effective yield to maturity of 1.1% (2012 - 1.0%). U.S. investments have a weighted average term to maturity of 4.0 years (2012 - 6.0 years) and an effective yield to maturity of 3.7% (2012 – 4.8%). U.S. investments are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date, $1.00 U.S. = $1.02 Canadian (2012 - $1.00 U.S. = $1.00 Canadian). The March 31, 2013 balance includes $29 million (2012 - $28 million) of unrealized fair value gains.

NOTE 9 GOODWILL AND INTANGIBLE ASSETS

	2013			2012		
		Accumulated			Accumulated	
	Cost	amortization	Net	Cost	amortization	Net
			millions of dollars			
Intangible Assets						
Computer software and application development	210	105	105	201	93	108
Land easements	72	13	59	64	12	52
Transmission rights	5	1	4	-	-	-
	287	119	168	265	105	160
Goodwill	108	-	108	108	-	108
	395	119	276	373	105	268

The additions to intangible assets for the year totaled $31 million (2012 - $27 million). In total, intangible assets of $23 million (2012 - $20 million) were amortized to operations during the period.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

NOTE 10 REGULATED ASSETS

		2013	2012
		millions of dollars	
Power Smart programs	- electric	172	174
	- gas	47	44
Site restoration costs		35	36
Deferred taxes		29	31
Acquisition costs		20	21
Regulatory costs		3	4
		306	310

If the Corporation was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2013 would have been increased by $4 million (2012 – decreased by $1 million).

In total, regulated assets of $46 million (2012 - $43 million) were amortized to operations during the period.

NOTE 11 OTHER LONG-TERM ASSETS

	2013	2012
	millions of dollars	
Advances to St. Joseph Windfarm Inc. (excluding current portion)	227	235
Accrued benefit asset (Note 18)	122	127
Advances to Taskinigahp Power Corporation (Note 22)	105	100
Contract receivables	81	74
Affordable Energy Fund (Note 21)	15	20
	550	556

The St. Joseph wind farm is owned by Pattern Energy and operated by St. Joseph Windfarm Inc. Financing for the wind farm was provided partly by Manitoba Hydro. In accordance with the loan agreement, Manitoba Hydro provided advances of $250 million, which will be repaid with interest over 20 years. In addition, Manitoba Hydro has provided access to a $10 million reserve loan facility. The Corporation signed a 27-year power purchase agreement with St. Joseph Windfarm Inc. in March 2010.

NOTE 12 LONG-TERM DEBT

	2013	2012
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	9 775	9 095
Manitoba HydroBonds	55	136
Manitoba Hydro-Electric Board Bonds	182	194
	10 012	9 425
Less: Current portion of long-term debt	656	281
	9 356	9 144
Adjustment to carrying value of dual currency bonds	(20)	(24)
Debt discounts and premiums	22	9
Transaction costs	(29)	(28)
	9 329	9 101

During the year, the Corporation arranged long-term financing of $807 million (2012 - $698 million). The current year financing was in the form of Provincial Advances with the majority at fixed interest rates.

Included in the current portion of long-term debt are $617 million (2012 - $177 million) of debt maturities and $39 million (2012 - $104 million) of floating-rate Manitoba HydroBonds with maturity dates in 2017. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $73 million (2012 - $74 million) issued for mitigation projects.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2013	2012
		millions of Canadian dollars				
Years of Maturity	Canadian	Cdn. Yields	U.S.	U.S. Yields	Total	Total
2014	312	3.3%	344	4.8%	656	812
2015	109	1.8%	101	2.9%	210	209
2016	313	4.6%	-	-	313	313
2017	308	3.6%	-	-	308	308
2018	331	6.9%	-	-	331	531
	1 373	5.0%	445	4.1%	1 818	2 173
2019-2023	1 737	4.6%	1 625	6.6%	3 362	2 540
2024-2028	450	6.2%	-	-	450	450
2029-2033	1 050	8.7%	-	-	1 050	1 049
2034-2038	1 025	5.0%	-	-	1 025	1 025
2039-2043	1 700	4.5%	-	-	1 700	1 400
2044-2063	607	4.3%	-	-	607	507
	7 942	5.2%	2 070	6.6%	10 012	9 144

Included in the above Canadian maturity amounts are two dual currency bonds with principal amounts repayable in Canadian currency and interest payments denominated in U.S. currency. The first dual currency bond matures in the 2013-14 fiscal year in the amount of $208 million Canadian while the second matures in the 2025-26 fiscal year in the amount of $130 million Canadian.

U.S. debt is translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.02 Canadian (2012 - $1.00 U.S. = $1.00 Canadian).

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
	millions of dollars	
Accounts payable and accrued liabilities	397	308
Regulated liabilities		
Purchased gas variance accounts	24	30
Rate reduction	-	23
	421	361

The Corporation passes all costs related to the purchase and transportation of natural gas on to its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $6 million (2012 - increased by $17 million).

In Order 5/12 dated January 17, 2012, the PUB had directed that the 2.9% electricity rate increase previously approved on an interim basis effective April 1, 2010 be reduced to 1.9% and that the associated revenues were to be set aside as a regulatory deferral until further direction was provided by the PUB. The cumulative impact of the 1.0% rate reduction for the 2010-11 and 2011-12 fiscal years was recorded as a reduction to revenues of $23 million in 2011-12 and reflected as a regulatory deferral. In Order 43/13 dated April 26, 2013, the PUB approved the Corporation's application to reinstate the 1.0% rate deferral as revenue in the 2012-13 fiscal year and as a result the balance in the deferral account as at March 31, 2013 is nil.

NOTE 14 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The asset purchase obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

Notes to the Consolidated Financial Statements
For the year ended March 31, 2013

NOTE 15 OTHER LONG-TERM LIABILITIES

	2013	2012
	millions of dollars	
Mitigation liability (Note 20)	235	251
Accrued benefit liability (Note 18)	174	156
Refundable advances from customers	96	87
Affordable Energy Fund (Note 21)	15	20
Transmission development fund	15	16
Asset retirement obligations	9	9
Other	6	3
	550	542

The Corporation recorded a liability for the transmission development fund for both the Wuskwatim transmission line and the Herblet Lake transmission line as outlined in the Wuskwatim Project Development Agreement. These funds will be used for community development purposes by eligible First Nations and small or remote northern communities in the vicinity of the transmission lines.

Asset retirement obligations continue to be recognized for the future decommissioning of the Brandon thermal generating station and for the partial decommissioning of the Pointe du Bois generating station spillway. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $17 million (2012 - $19 million), $15 million (2012 - $15 million) of which is expected to be incurred in 2024 to decommission the Brandon thermal generating station and $2 million (2012 - $4 million) is expected to be incurred by March 2015 for the partial decommissioning of the Pointe du Bois generating station spillway. No funds are being set aside to settle the asset retirement obligations.

NOTE 16 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Corporation's non-derivative financial instruments at March 31 were as follows:

	2013		2012	
Financial Instruments	Carrying value	Fair value	Carrying value	Fair value
		millions of dollars		
Held-for-trading				
Cash and cash equivalents	32	32	50	50
Loans and receivables				
Accounts receivable and accrued revenue	421	421	328	328
Interest receivable	4	4	4	4
Available-for-sale				
Sinking fund investments	352	352	372	372
Other financial liabilities				
Long-term debt (including current portion)	9 985	12 335	9 382	11 712
Accounts payable and accrued liabilities	421	421	361	361
Accrued interest	103	103	104	104
Asset purchase obligation	207	343	207	340

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of the long-term debt and the asset purchase obligation that are Level 2 measurements and certain derivative instruments of nominal value associated with wholesale power marketing activities that are Level 3 measurements. Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated balance sheet date for similar instruments available in the capital market. Level 3 measurements are based on internally developed valuation models which are consistent with valuation models developed by other market participants in the wholesale power markets. The carrying values of all other financial assets and liabilities approximate their fair values.

Notes to the Consolidated Financial Statements
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Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the Corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Manitoba Hydro-Electric Board to ensure the adequacy of the risk management framework in relation to the risks faced by the Corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments and pension fund investments. The Corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The Corporation is also exposed to credit risk related to domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export power market is mitigated by establishing credit requirements, conducting standard credit reviews of all counterparties and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to further mitigate credit risk. The maximum exposure to credit risk related to domestic and export energy sales is its fair value.

The value of the Corporation's aged accounts receivable and related bad debt provisions are presented in the following table:

	Manitoba	Extraprovincial	2013 Total	2012 Total
		millions of dollars		
Under 30 days	315	27	342	260
31 to 60 days	25	-	25	14
61 to 90 days	8	-	8	9
Over 90 days	26	-	26	28
	374	27	401	311
Provision at end of period	(9)	-	(9)	(8)
Total accounts receivable	365	27	392	303

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

To mitigate credit risk related to the use of natural gas derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. The Corporation meets its financial obligations when due through cash generated from operations, short-term borrowings, long-term borrowings advanced from the Province of Manitoba and sinking fund withdrawals.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying value	2014	2015	2016	2017	2018	2019 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	421	421	-	-	-	-	-
Asset purchase obligation	207	16	16	16	16	16	16*
Long-term debt**	10 088	1 293	822	932	916	908	14 719
		1 730	838	948	932	924	14 719
Derivative financial liabilities							
Commodity derivatives							
Fixed price swap contracts	-	-	-	-	-	-	-
		-	-	-	-	-	-
		1 730	838	948	932	924	14 719

*per year in perpetuity

**including current portion and interest payments

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. and through borrowing in U.S. markets. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

Notes to the Consolidated Financial Statements
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To mitigate annual net income impacts due to foreign exchange rate fluctuations, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2013, unrealized foreign exchange translation losses of $31 million (2012 - $54 million losses) were recognized in other comprehensive income and $2 million net losses (2012 - nil) were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

In addition to natural hedging relationships, cross currency swap arrangements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As at March 31, 2013, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $0.4 million (2012 - $0.2 million), while other comprehensive income would increase (decrease) by $177 million (2012 - $182 million).

ii. Interest Rate Risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments, floating rate long-term debt and fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2013, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $15 million (2012 - $10 million), with no impact to other comprehensive income.

Interest rate swap agreements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the Corporation are amended by the swap.

iii. Commodity Price Risk
The Corporation is exposed to electricity price risk that results from volatility of market prices and natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The Corporation mitigates commodity price risk through its limited use of derivative financial instruments restricted to contracts for differences and natural gas price swaps. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into natural gas price swaps until July 2016 to purchase 231 510 gigajoules of natural gas at a weighted average fixed price of $5.12/GJ. The weighted average forward price of the swaps per AECO at March 31, 2013 was $3.67/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

The unrealized fair value gains (losses) of financial derivative contracts as at March 31 are as follows:

	2013	2012
	millions of dollars	
Fixed price swap contracts	-	(1)
Contracts for differences	-	1

Fair values of price swaps are calculated using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2013.

Fair values of contracts for differences are calculated using the monthly forward electricity prices at pricing points specified in the contracts.

Notes to the Consolidated Financial Statements
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NOTE 17 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure that there is sufficient equity to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for capital projects and ongoing operational requirements.

The Corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2013	2012
	dollars are in millions	
Long-term debt, net of sinking fund investments	8 977	8 729
Current portion, long-term debt	656	281
Less: Cash and cash equivalents	(32)	(50)
Net debt	9 601	8 960
Retained earnings	2 542	2 450
Accumulated other comprehensive income	299	327
Contributions in aid of construction	340	318
Non-controlling interest	95	100
Total equity	3 276	3 195
Equity ratio	25%	26%

Manitoba Hydro issues debt for its capital requirements under the authority of *The Manitoba Hydro Act* and *The Loan Act*. *The Manitoba Hydro Act* grants the Corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under *The Loan Act* for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 18 EMPLOYEE FUTURE BENEFITS

Manitoba Hydro employees are eligible for pension benefits under the CSSB defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. All current employees participating in the CSSB plan are eligible for enhanced pension benefits under the EHBP. The EHBP improves the pension formula used to calculate pension for active service accrued after June 1, 2006. In addition, the former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the WCEBP in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years.

The CSSB manages the Corporation's pension funds (MH Pension Fund and EHBP) on behalf of the Corporation. The assets related to the Centra curtailed pension plans are held in trust by State Street Trust Co. of Canada. The assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's consolidated balance sheet.

MHUS employees are eligible for pension benefits under the CSSB defined benefit plan. As a matching employer under the Civil Service Superannuation Act, MHUS is required to match employee contributions at a prescribed rate into the Civil Service Superannuation Fund pool of assets. MHUS' pension expense is recognized at the time contributions are made to the fund. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the MHUS defined benefit plan.

MHI sponsors a defined contribution group registered retirement plan. MHI matches 100% of the employee contributions at prescribed contribution rates. The cost of the pension benefits is charged to pension expense as services are rendered. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements for the MHI defined contribution plan.

Notes to the Consolidated Financial Statements
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The following table presents information pertaining to the MH Pension Fund, the EHBP and the Centra curtailed pension plans:

	MH Pension Fund		Enhanced Hydro Benefit Plan		Centra curtailed pension plans		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Plan assets at fair value								
Balance at beginning of year	758	763	11	-	84	84	853	847
Actual return on plan assets	52	14	1	-	6	2	59	16
Employer contributions	26	23	2	11	12	2	40	36
Benefit payments and refunds	(44)	(42)	-	-	(5)	(4)	(49)	(46)
	792	758	14	11	97	84	903	853
Accrued benefit obligation								
Balance at beginning of year	1 012	837	11	-	98	86	1 121	923
Transfer in - other benefits	-	-	-	9	-	-	-	9
Interest on obligation	53	54	1	-	5	6	59	60
Current service cost	35	27	2	2	-	-	37	29
Benefit payments and refunds	(45)	(43)	-	-	(5)	(4)	(50)	(47)
Actuarial losses	177	137	6	-	15	10	198	147
	1 232	1 012	20	11	113	98	1 365	1 121
Deficit at end of year	(440)	(254)	(6)	-	(16)	(14)	(462)	(268)
Unamortized past service costs	-	-	-	-	1	2	1	2
Unamortized transitional balance	(1)	(2)	-	-	-	-	(1)	(2)
Unamortized net actuarial loss	521	353	6	-	57	42	584	395
Accrued benefit asset	80	97	-	-	42	30	122	127

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair value		Centra curtailed pension plans Fair value	
	2013	2012	2013	2012
	millions of dollars			
Equities	492	495	63	57
Bonds and debentures	185	181	23	22
Real estate	89	79	8	4
Infrastructure	22	-	3	-
Short-term investments	4	3	-	1
	792	758	97	84

Manitoba Hydro has $14 million (2012 - $11 million) on deposit with the CSSB for the EHBP. Manitoba Hydro does not have a separate portfolio of assets for the EHBP. The investment income earned on the EHBP funds is based on the market value rate of return that is earned by the Civil Service Superannuation Fund (CSSF). For the year ended December 31, 2012, the CSSF earned a rate of return of 10.23% on fund assets.

The return on pension fund assets for the MH Pension Fund was 7.5% (2012 - 2.1%). The return for the Centra curtailed plan fund assets was 7.3% (2012 - 2.0%). The weighted average term to maturity on fixed income investments is 8.9 years (2012 - 9.5 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2012. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans, including the EHBP will occur in December 2013. The Centra curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2012.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2013	2012
Discount rate - pensions	4.25%	5.25%
Discount rate - other benefits	4.25%	5.50%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees - MH Pensions	14 years	14 years
Expected average remaining service life of employees - Centra Pensions	10 years	10 years
Long-term inflation rate	2.0%	2.0%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Enhanced Hydro Benefit Plan		Centra curtailed pension plans	
	2013	2012	2013	2012	2013	2012
	millions of dollars					
Current service cost	35	27	2	2	-	-
Administrative fees	2	2	-	-	-	-
Canada Pension Plan	15	14	-	-	-	-
Interest on obligation	53	54	1	-	5	6
Expected return on plan assets	(58)	(58)	(1)	-	(7)	(6)
Amortization of net experience loss	13	3	-	-	2	1
Amortization of transitional gain	(1)	(1)	-	-	-	-
	59	41	2	2	-	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $1 million (2012 - $1 million) and reflect an employer contribution rate approximating 3.8% of pensionable earnings to January 2, 2013 and 4.3% of pensionable earnings thereafter. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the period. The amounts are not material.

Manitoba Hydro also provides some non-pension employee future benefits including banked incidental and vacation days, long-term disability, retiree health spending, sick leave vesting and severance.

The following table presents information concerning other employee future benefits:

	2013	2012
	millions of dollars	
Accrued benefit liability		
Balance at beginning of year	173	166
Interest on obligation	9	7
Current service cost	23	21
Benefit payments	(17)	(18)
Transfers to EHBP	-	(9)
Actuarial loss	13	6
	201	173
Unamortized past service costs	(7)	(8)
Unamortized transitional obligation	(3)	(3)
Unamortized net actuarial loss	(17)	(6)
Accrued benefit liability	174	156

NOTE 19 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1 592 million (2012 - $1 651 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal and electricity. Commitments are primarily for wind, which expire in 2038, and natural gas purchases, which expire in 2020. In addition, other outstanding commitments principally for construction, are approximately $1 592 million (2012 - $771 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as asset retirement obligations), a contingent liability exists.

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro provides guarantees to counterparties as part of its use of natural gas derivative commodity contracts. Guarantees issued at March 31, 2013 totaled $289 million (2012 - $305 million) and do not have specific maturity dates. Letters of credit in the amount of $6 million (2012 - $10 million) have been issued for energy related transactions with maturities until 2014.

NOTE 20 MITIGATION

Manitoba Hydro's mitigation program addresses past, present and ongoing adverse effects of hydro-electric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works, offsetting programs and residual monetary compensation, grew out of the experience of planning and development of the Lake Winnipeg Regulation and Churchill River Diversion Projects. The Northern Flood Agreement, signed December 16, 1977, created a process that addressed ongoing mitigation and compensation for adverse effects of hydro-electric development in five signatory First Nation communities (Nelson House, Split Lake, York Landing, Norway House and Cross Lake). The mitigation program continues to address impacts arising from past hydro-electric developments, particularly for Aboriginal people residing or engaged in resource harvesting in the project area and it is essential for operating and future development purposes.

Expenditures recorded or settlements reached to mitigate the impacts of all projects amounted to $21 million during the year (2012 - $113 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $235 million (2012 - $251 million). To March 31, 2013, $959 million (2012 - $938 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time.

Included in mitigation payments or liabilities are obligations assumed on behalf of the Province of Manitoba with respect to certain northern development projects. The Corporation has assumed obligations totaling $146 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2013 amounted to $11 million (2012 - $11 million).

NOTE 21 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act, Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund is classified as other long-term assets (Note 11) with an offsetting balance in other long-term liabilities (Note 15). Expenditures of $5 million (2012 - $7 million) during the year were charged to operations with the asset and liability accounts reduced accordingly. As at March 31, 2013, the balance remaining in the Fund amounted to $15 million (2012 - $20 million).

NOTE 22 NON-CONTROLLING INTEREST

Manitoba Hydro has entered into a partnership agreement with Taskinigahp Power Corporation (TPC) to carry on the business of developing, owning and operating the Wuskwatim generating station. TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). The generating station and associated transmission was placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $95 million (2012 - $100 million) is represented as a non-controlling interest within the equity section of the consolidated balance sheet. TPC's portion of the net loss of the WPLP during 2012-13 is $13 million (2012 – nil) and is recorded as a non-controlling interest in the consolidated statement of income.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. As at March 31, 2013, Manitoba Hydro has provided advances to TPC of $91 million (2012 - $91 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

NOTE 23 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity as well as subsidiaries providing related energy services. The gas segment represents natural gas supply and distribution activities through the operations of Centra. The Corporate segment represents the costs to acquire Centra and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Revenues*	1 733	1 582	147	132	-	-	1 880	1 714
Expenses								
Operating and administrative	469	419	64	62	-	-	533	481
Finance expense	452	385	18	19	19	19	489	423
Depreciation and amortization	394	353	27	26	2	2	423	381
Water rentals and assessments	118	119	-	-	-	-	118	119
Fuel and power purchased	133	146	-	-	-	-	133	146
Capital and other taxes	87	84	18	19	-	-	105	103
Corporate allocation	9	9	12	12	(21)	(21)	-	-
	1 662	1 515	139	138	-	-	1 801	1 653
Net income (loss) before non-controlling interest	71	67	8	(6)	-	-	79	61
Net loss attributable to non-controlling interest	13	-	-	-	-	-	13	-
Net income (loss)	84	67	8	(6)	-	-	92	61
Total assets	13 928	13 203	614	588	-	-	14 542	13 791
Total liabilities	10 848	10 196	418	400	-	-	11 266	10 596
Contributions in aid of construction	307	285	33	33	-	-	340	318
Retained earnings	2 500	2 416	42	34	-	-	2 542	2 450

*Revenues are stated net of cost of gas sold of $182 million (2012 - $197 million) and MHI project costs of $28 million (2012 - $19 million).

NOTE 24 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2012 have been reclassified in order to conform to the presentation adopted in 2013.

Financial Statistics

For the year ended March 31	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
					dollars are in millions					
Revenues										
Electrical:										
Residential	563	492	503	476	463	436	410	387	386	368
General service	778	701	697	669	664	638	614	597	553	550
Extraprovincial	353	363	398	427	623	625	592	827	554	351
Other revenue	39	26	18	11	21	13	11	10	9	11
Gas:										
Residential	174	172	205	222	292	268	258	245	244	235
Commercial / Industrial	149	151	193	225	281	254	244	267	258	252
Transportation	5	5	5	5	5	4	4	3	5	4
Other revenue	1	1	1	2	2	2	2	2	2	3
	2 062	1 911	2 020	2 037	2 351	2 240	2 135	2 338	2 011	1 774
Expenses										
Operating and administrative	533	481	463	440	429	381	381	368	357	339
Finance expense	489	423	425	410	471	440	506	503	502	487
Depreciation and amortization	423	381	393	384	368	349	332	322	311	296
Water rentals and assessments	118	119	120	121	123	124	112	131	111	71
Fuel and power purchased	133	146	106	104	176	134	226	125	135	569
Capital and other taxes	105	103	102	99	87	80	77	77	75	73
Cost of gas sold	182	197	261	316	431	386	379	397	384	375
	1 983	1 850	1 870	1 874	2 085	1 894	2 013	1 923	1 875	2 210
Net income before non-controlling interest	79	61	150	163	266	346	122	415	136	(436)
Net loss attributable to non-controlling interest	13	-	-	-	-	-	-	-	-	-
Net Income	92	61	150	163	266	346	122	415	136	(436)
Assets										
Property, plant and equipment	15 793	13 631	12 967	12 688	12 300	11 884	11 424	11 065	10 748	10 399
Less: Accumulated depreciation	5 252	4 984	4 752	4 612	4 356	4 187	3 924	3 657	3 447	3 241
Construction in progress	1 967	3 150	2 739	2 052	1 438	1 238	878	602	475	378
Sinking fund investments	352	372	282	822	666	718	630	555	562	715
Current and other assets	1 682	1 622	1 646	1 487	1 499	2 113	1 914	1 917	1 614	1 652
	14 542	13 791	12 882	12 437	11 547	11 766	10 922	10 482	9 952	9 903
Liabilities and Equity										
Long-term debt	9 329	9 101	8 617	8 228	7 668	7 218	6 822	7 051	7 048	7 114
Current and other liabilities	1 937	1 495	1 127	1 328	1 637	2 097	2 380	1 849	1 738	1 781
Contributions in aid of construction	340	318	295	295	296	300	298	297	296	274
Non-controlling interest	95	100	87	62	39	24	15	-	-	-
Retained earnings	2 542	2 450	2 389	2 239	2 076	1 822	1 407	1 285	870	734
Accumulated other comprehensive income	299	327	367	285	(169)	305	-	-	-	-
	14 542	13 791	12 882	12 437	11 547	11 766	10 922	10 482	9 952	9 903
Cash Flows										
Operating activities	589	567	595	589	688	633	443	710	433	(127)
Financing activities	635	725	674	1 124	424	487	227	77	236	753
Investing activities	1 242	1 312	1 373	1 698	1 086	988	788	677	666	650
Financial Indicators										
Equity ratio[1]	25%	26%	27%	27%	23%	27%	20%	19%	15%	13%
Interest coverage[2]	1.15	1.10	1.27	1.32	1.49	1.69	1.23	1.77	1.25	0.17
Capital coverage[3]	1.25	1.13	1.25	1.34	1.77	1.62	1.10	2.28	1.20	(0.32)

[1] Equity ratio represents equity (retained earnings plus accumulated other comprehensive income plus contributions in aid of construction plus non-controlling interest) divided by equity plus debt (long-term debt plus notes payable minus sinking fund investments and temporary investments).

[2] Interest coverage represents net income plus interest on debt divided by interest on debt.

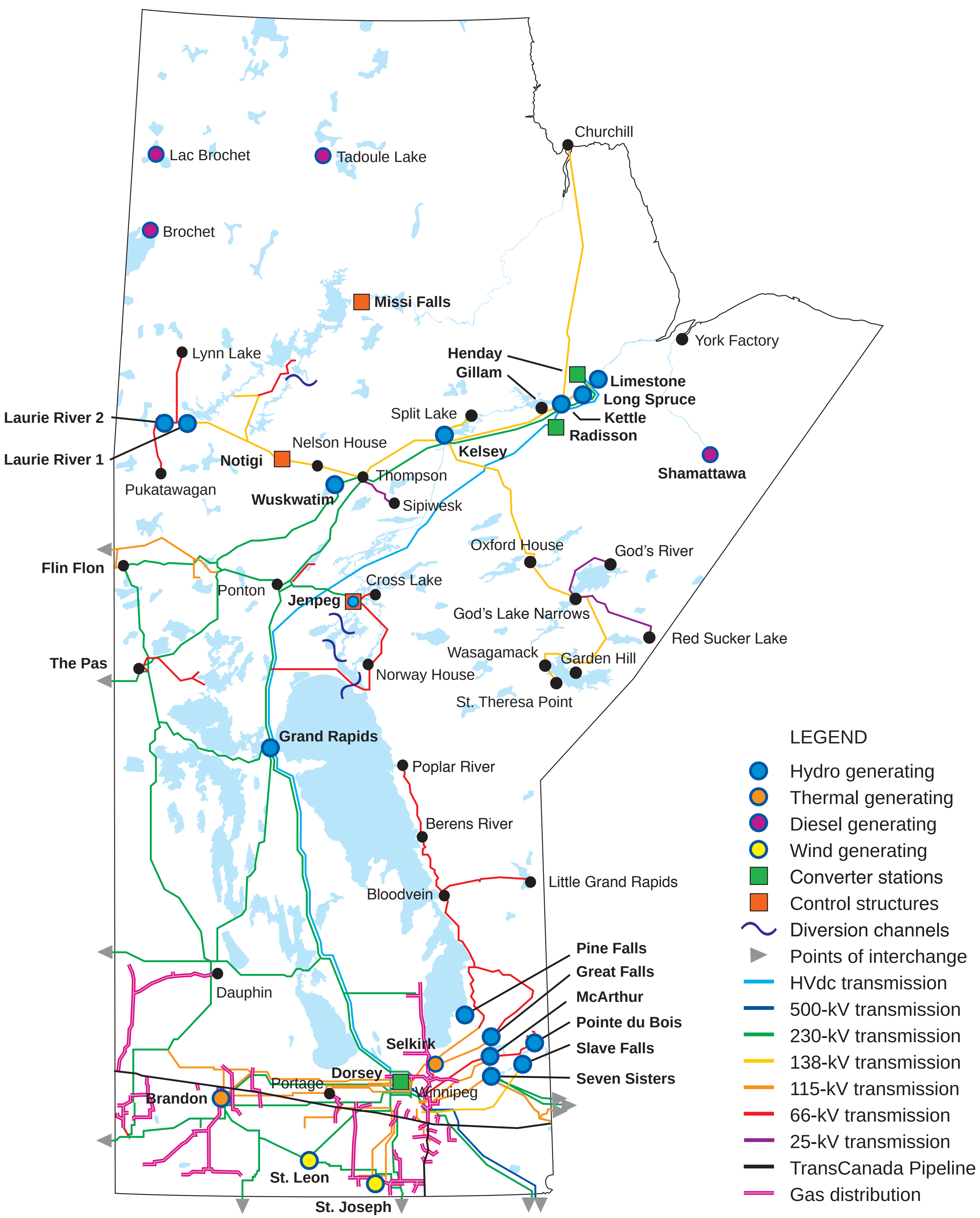
[3] Capital coverage represents internally generated funds divided by capital construction expenditures.

Operating Statistics

For the year ended March 31	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Electric System Capability										
Capability (000 kW)	5 675	5 475	5 489	5 501	5 480	5 465	5 461	5 469	5 470	5 471
Manitoba firm peak demand (000 kW)	4 535	4 343	4 261	4 359	4 477	4 273	4 184	4 054	4 169	3 959
Percent change	4.4	1.9	(2.2)	(2.6)	4.8	2.1	3.2	(2.8)	5.3	1.1
Electric System Supply										
Total energy supplied (millions of kWh)										
Generation	33 230	33 235	34 102	33 961	34 528	35 354	32 132	37 620	31 548	19 338
Isolated systems	14	14	13	13	13	12	12	12	11	11
	33 244	33 249	34 115	33 974	34 541	35 366	32 144	37 632	31 559	19 349
Electric Load at Generation (millions of kWh)										
Integrated system	24 650	23 499	23 783	23 295	24 285	23 985	23 327	22 622	22 452	21 907
Isolated system	14	14	13	13	13	12	12	12	11	11
	24 664	23 513	23 796	23 308	24 298	23 997	23 339	22 634	22 463	21 918
Percent change	4.9	(1.2)	2.1	(4.1)	1.3	2.8	3.1	0.8	2.5	(0.3)
Electric System Deliveries (millions of kWh)										
Energy delivered in Manitoba										
Residential	7 334	6 930	7 060	6 899	6 954	6 838	6 539	6 266	6 370	6 266
General service	14 143	13 840	13 727	13 587	14 256	14 223	13 965	13 669	13 365	13 014
	21 477	20 770	20 787	20 486	21 210	21 061	20 504	19 935	19 735	19 280
Extraprovincial	9 087	10 244	10 344	10 860	10 122	11 086	10 100	13 773	10 475	6 966
	30 564	31 014	31 131	31 346	31 332	32 147	30 604	33 708	30 210	26 246
Gas Deliveries (millions of cubic metres)										
Residential	602	509	591	581	696	682	653	600	681	653
Commercial / Industrial	849	728	821	803	866	856	811	782	917	893
Transportation	598	629	584	619	603	618	592	598	559	577
	2 049	1 866	1 996	2 003	2 165	2 156	2 056	1 980	2 157	2 123
Number of Customers										
Electric:										
Residential	480 254	474 661	469 635	465 055	460 804	455 430	450 823	446 370	442 840	438 953
General service	68 520	68 020	67 664	67 304	66 668	66 169	66 038	63 421	62 826	62 697
	548 774	542 681	537 299	532 359	527 472	521 599	516 861	509 791	505 666	501 650
Gas:										
Residential	244 768	242 813	241 123	239 535	239 597	237 724	236 086	234 108	231 366	229 194
Commercial / Industrial	25 018	24 886	24 838	24 766	23 411	23 435	23 483	23 709	24 559	24 437
	269 786	267 699	265 961	264 301	263 008	261 159	259 569	257 817	255 925	253 631
Full Time Equivalent (FTE)[1]	6 463	6 413	6 394	6 236	6 080	5 841	5 773	5 748	5 682	5 548

[1] Regular FTEs (the straight time hours of work for one employee) for Manitoba Hydro, including subsidiaries.

Major electric and gas facilities



Source of electrical energy generated and imported

Sources of Electrical Energy Generated and Purchased

For the Year Ended March 31, 2013

Nelson River	**75.54 %**	**Saskatchewan River**	**6.87 %**	**Thermal**	**0.24 %**
Billion kWh generated	**26.1**	**Billion kWh generated**	**2.4**	**Billion kWh generated**	**0.1**
Limestone	24.35 %	Grand Rapids	6.87 %	Brandon	0.19 %
Kettle	23.36 %			Selkirk	0.05 %
Long Spruce	19.52 %	**Laurie River**	**0.15 %**		
Kelsey	6.04 %	**Billion kWh generated**	**0.1**	**Purchases (excl. wind)**	**1.53 %**
Jenpeg	2.27 %	Laurie River #1	0.07 %	**Billion kWh purchased**	**0.5**
		Laurie River #2	0.08 %		
Winnipeg River	**10.47 %**			**Wind**	**2.46 %**
Billion kWh generated	**3.6**	**Burntwood River**	**2.74 %**	**Billion kWh purchased**	**0.9**
Seven Sisters	2.89 %	**Billion kWh generated**	**0.9 %**		
Great Falls	2.45 %	Wuskwatim	2.74 %		
Pine Falls	1.78 %				
Pointe du Bois	0.87 %				
Slave Falls	1.35 %				
McArthur	1.13 %				

Manitoba Hydro Generating Stations and Capabilities

For the Year Ended March 31, 2013

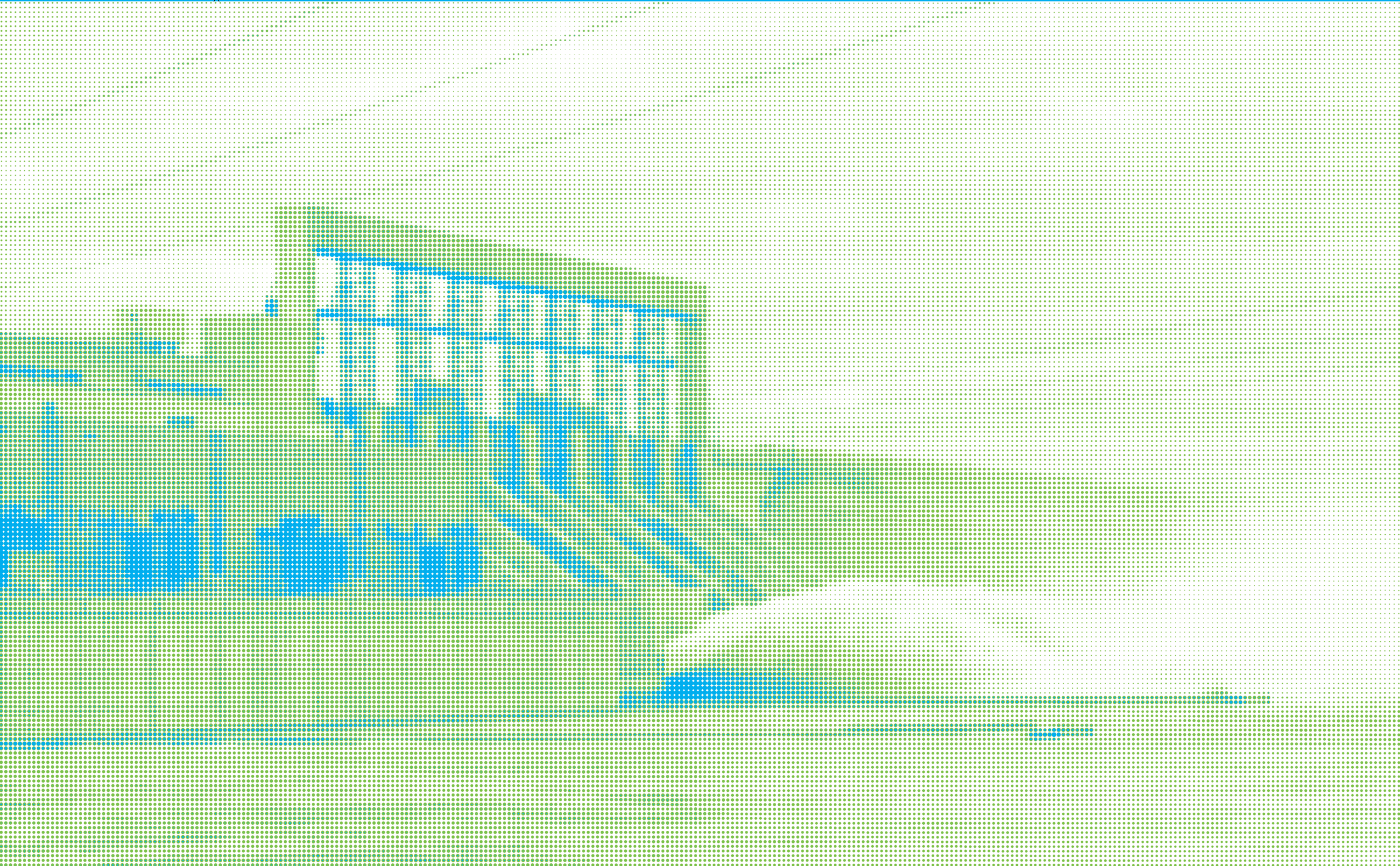
Interconnected Capabilities

Station	Location	Number of units	Net Capability (MW)
Hydraulic			
Great Falls	Winnipeg River	6	129
Seven Sisters	Winnipeg River	6	165
Pine Falls	Winnipeg River	6	88
McArthur	Winnipeg River	8	55
Pointe du Bois	Winnipeg River	16	75
Slave Falls	Winnipeg River	8	67
Grand Rapids	Saskatchewan River	4	479
Kelsey	Nelson River	7	250
Kettle	Nelson River	12	1220
Jenpeg	Nelson River	6	129
Long Spruce	Nelson River	10	1010
Limestone	Nelson River	10	1340
Laurie River (2)	Laurie River	3	10
Wuskwatim	Burntwood River	3	200
Thermal			
Brandon		3	333
Selkirk		2	125

Isolated Capabilities

Diesel			
Brochet			3
Lac Brochet			2
Shamattawa			3
Tadoule Lake			2

Total Generating Capability	5 685



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204-360-3311

The Manitoba Hydro-Electric Board

Q U A R T E R L Y   R E P O R T

for the three months ended June 30, 2013

Comments by

THE CHAIR OF THE BOARD

and by

THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

FINANCIAL OVERVIEW

Manitoba Hydro incurred a net loss on consolidated electricity and natural gas operations of $5 million for the first three months of the 2013-14 fiscal year compared to a net loss of $24 million for the same period last year. The $19 million improvement in financial results was largely attributable to increased net extraprovincial revenues resulting from higher sales volumes due to favourable water conditions and higher export prices.

The consolidated net loss was comprised of a $7 million loss in the natural gas sector and a $2 million profit in the electricity sector. The loss in the natural gas sector is the result of seasonal variations in the demand for natural gas and should be recouped over the winter heating season.

Based on current water flow and export market conditions, Manitoba Hydro is forecasting that financial results will improve over the balance of the fiscal year and net income should reach approximately $70 million by March 31, 2014.

Electricity Operations

Revenues from electricity sales within Manitoba totaled $313 million for the three-month period, which was $20 million or 7% higher than same period last year. The increase in domestic revenue was attributable to electricity rate increases and colder weather as compared to the prior year resulting in higher heating loads. Extraprovincial revenues of $114 million were $27 million or 31% higher than the same period last year reflecting higher sales volumes and higher export prices. Energy sold in the export market was 3.1 billion kilowatt-hours compared to 2.3 billion kilowatt-hours sold in the same period last year.

Expenses attributable to electricity operations totaled $430 million for the three-month period, an increase of $36 million or 9% higher than the same period last year. The increase was the result of a $15 million increase in finance expense, $8 million increase in depreciation and amortization expense, $5 million increase in fuel and power purchased, $4 million increase in water rentals and assessments, $2 million increase in operating and administrative expenses and a $2 million increase in capital and other taxes. Finance expense increased mainly as a result of the Wuskwatim Generating Station coming into service. Depreciation and amortization expense increased as a result of new additions of plant and equipment coming into service including the Wuskwatim Generating Station. Fuel and power purchased increased due to higher market prices, transmission costs and thermal generation costs. Water rentals increased due to higher hydraulic generation. Operating and administrative expenses increased due to higher pension and benefit costs related to a change in the discount rate. Capital and Other taxes increased mainly due to higher capital taxes related to additional capital investment.

The net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first three months of the 2013-14 fiscal year.

Capital expenditures for the three-month period amounted to $277 million compared to $227 million for the same period last year. Expenditures during the current period included $56 million for the Pointe du Bois projects, $55 million related to future Keeyask and Conawapa generation, $32 million for Bipole III projects, $21 million for the Riel Station, $16 million for Wuskwatim Generating Station and $6 million for demand-side management programs. The remaining capital expenditures were incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province.

Natural Gas Operations

In the natural gas sector, a net loss of $7 million was incurred for the three-month period, compared to the net loss of $10 million in the same period last year. Revenue, net of cost of gas sold, was $29 million which was $4 million higher than the same period last year. The increase in revenues was primarily attributable to increased weather-related demand over the three-month period. Delivered gas volumes were 400 million cubic metres compared to 326 million cubic metres in the prior period.

Expenses attributable to natural gas operations amounted to $36 million compared to $35 million for the same period last year.

Capital expenditures in the natural gas sector were $10 million for the current three-month period compared to $8 million for the same period last year. Capital expenditures included $8 million related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province and $2 million related to demand-side management programs.

Clean Environment Commission Recommends Bipole III Proceed

The Clean Environment Commission (CEC) released its report in early July of 2013 recommending that the environmental license for the Bipole III Transmission Project be approved. In March of 2013, the CEC concluded 35 days of hearings over five months to review the project's environmental impact statement as well as a supplemental filing on four proposed route adjustments. The Minister of Conservation and Water Stewardship will now consider the CEC recommendation in deciding whether to issue a final environmental license for the project.

The Bipole III Transmission Project includes a 1,384 kilometre, 500-kilovolt direct current transmission line, the Keewatinoow Converter Station near the site of the proposed Conawapa Generating Station downstream of Gillam and the Riel Converter Station on the east side of Winnipeg. The project is required to improve system reliability and will also provide additional capacity for delivery of existing and proposed hydroelectric generation to southern markets. The target in-service date for the project is late 2017.

Electricity Rate Increase

Electricity rates for all customer classes increased by approximately 3.5% effective May 1, 2013. The Public Utilities Board directed that 2.0% of the 3.5% increase be included in general revenues and that 1.5% of the increase be used to mitigate rate increases when Bipole III comes into service.

The rate increase was necessary to partially offset the financial impacts of lower revenue due to economic conditions, lower prices in export markets and to provide sufficient revenues for the Corporation to meet its ongoing cost of operations and support ongoing reliability of electricity services. Even with the rate increase, electricity customers in Manitoba continue to benefit from the lowest electricity rate structure in North America.

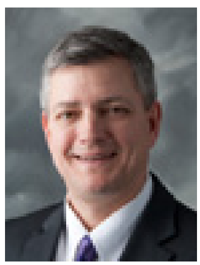
Natural Gas Rate Increase

In accordance with Manitoba Hydro's methodology to change natural gas rates every quarter depending on the price of gas purchased from Alberta, rates for residential customers increased on May 1, 2013 by 5.6% or approximately $42 per year. Rate increases for larger volume customers ranged from 6.5% to 13.0% depending on the customer class and consumption levels. The May 1, 2013 rate change was the first quarterly gas rate increase since August 1, 2012.

Manitoba Hydro named one of Canada's Greenest Employers

Manitoba Hydro received an award on Earth Day (April 22) as one of Canada's Greenest Employers. Canada's Greenest Employers competition recognizes employers that lead the nation in incorporating environmental awareness into their organizational cultures. Manitoba Hydro was recognized for several reasons including its state-of-the-art climatically responsive head office building, its environmental management system which is designed to ensure the Corporation addresses the environmental impacts of ongoing and future operations, being a power producer with virtually all electricity coming from self renewing water power generation, its promotion of classroom education and sustainable development in partnership with Manitoba Education and its participation in the annual commuter challenge with over 800 employees participating.

William Fraser, FCA
The Chair of the Board



Scott Thomson, CA
President and
Chief Executive Officer
August 15, 2013

Consolidated Statement of Income

In Millions of Dollars (Unaudited)

	Three Months Ended June 30 2013	Three Months Ended June 30 2012
Revenues		
Electric – Manitoba	313	293
– Extraprovincial	114	87
Gas – Commodity	32	22
– Distribution	29	25
	488	427
Cost of gas sold	32	22
	456	405
Expenses		
Operating and administrative	135	131
Finance expense	125	111
Depreciation and amortization	110	102
Water rentals and assessments	30	26
Fuel and power purchased	37	32
Capital and other taxes	29	27
	466	429
Net Loss before non-controlling interest	(10)	(24)
Net Loss attributable to non-controlling interest	5	-
Net Loss	(5)	(24)

Consolidated Balance Sheet

In Millions of Dollars (Unaudited)

	As at June 30 2013	As at June 30 2012
Assets		
Capital assets	12 707	11 953
Current assets	551	591
Other assets	1 120	1 120
	14 378	13 664
Liabilities and Equity		
Long-term debt (net)	8 936	9 041
Current liabilities	1 474	717
Other liabilities	773	761
Contributions in aid of construction	346	324
Non-controlling interest	90	103
Retained earnings	2 537	2 426
Accumulated other comprehensive income	222	292
	14 378	13 664

Consolidated Cash Flow Statement

In Millions of Dollars (Unaudited)

	Three Months Ended June 30	
	2013	**2012**
Operating Activities		
Cash receipts from customers	574	496
Cash paid to suppliers and employees	(289)	(295)
Net interest	(150)	(131)
	135	70
Financing Activities	188	247
Investing Activities	(333)	(244)
Net increase in cash	(10)	73
Cash at beginning of period	32	50
Cash at end of period	22	123

Consolidated Statement of Comprehensive Income

In Millions of Dollars (Unaudited)

	Three Months Ended June 30	
	2013	**2012**
Net Loss	(5)	(24)
Other Comprehensive Loss		
Unrealized foreign exchange losses on debt in cash flow hedges	(71)	(39)
Unrealized fair value (losses) gains on available-for-sale U.S. sinking fund investments	(6)	4
	(77)	(35)
Comprehensive Loss	(82)	(59)

Segmented Information

In Millions of Dollars (Unaudited)

Three Months Ended	Electricity		Gas		Total	
June 30	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue (net of cost of gas sold)	427	380	29	25	456	405
Expenses	430	394	36	35	466	429
Net Loss before non-controlling interest	(3)	(14)	(7)	(10)	(10)	(24)
Net Loss attributable to non-controlling interest	5	-	-	-	5	-
Net Income (Loss)	2	(14)	(7)	(10)	(5)	(24)
Total Assets	13 778	13 096	600	568	14 378	13 664

Generation and Delivery Statistics

	Three Months Ended June 30	
	2013	**2012**
Electricity in gigawatt-hours		
Hydraulic generation	8 536	7 257
Thermal generation	24	5
Scheduled energy imports	38	124
Wind purchases (MB)	228	218
Total system supply	8 826	7 604
Gas in millions of cubic metres		
Gas sales	201	149
Gas transportation	199	177
	400	326

For further information contact:

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Manitoba Hydro

Cover: Manitoba Hydro's 500-kilovolt transmission line runs from Dorsey Converter Station, located northwest of Winnipeg, to Forbes Station in Minnesota.

The Manitoba Hydro-Electric Board

QUARTERLY REPORT

for the six months ended September 30, 2013

Comments by
THE CHAIR OF THE BOARD

and by
THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

FINANCIAL OVERVIEW

Manitoba Hydro incurred a net loss on consolidated electricity and natural gas operations of $2 million for the first six months of the 2013-14 fiscal year compared to a net loss of $43 million for the same period last year. The $41 million improvement in financial results was attributable to increased revenues from extraprovincial and domestic electricity sales, partially offset by higher costs of operations.

The consolidated net loss was comprised of a $21 million loss in the natural gas sector and a $19 million profit in the electricity sector. The loss in the natural gas sector is the result of seasonal variations in the demand for natural gas and expected to be recouped over the winter heating season.

Based on the continuation of current water flow and export market conditions, Manitoba Hydro is forecasting that financial results will improve over the balance of the fiscal year and net income should exceed $100 million by March 31, 2014.

Electricity Operations

Revenues from electricity sales within Manitoba totaled $606 million for the six-month period, which was $31 million or 5% higher than same period last year. The increase in domestic revenue was attributable to electricity rate increases, colder weather as compared to the prior year resulting in higher heating loads and more customers, partially offset by a decrease in the average use of customers. Extraprovincial revenues of $245 million were $38 million or 18% higher than the same period last year primarily due to higher sales volumes reflecting favourable water conditions and higher export prices. Energy sold in the export market was 7.1 billion kilowatt-hours compared to 6.0 billion kilowatt-hours sold in the same period last year.

Expenses attributable to electricity operations totaled $843 million for the six-month period, an increase of $41 million or 5% higher than the same period last year. The increase was the result of a $15 million increase in depreciation and amortization expense, $9 million increase in fuel and power purchased, $6 million increase in water rentals and assessments, $6 million increase in operating and administrative expenses and a $5 million increase in capital and other taxes. Depreciation and amortization expense increased as a result of new additions of plant and equipment coming into service including the Wuskwatim Generating Station. Fuel and power purchased increased due to higher market prices, transmission costs and thermal generation costs partially offset by lower volumes purchased due to higher hydraulic generation. Water rentals and assessments increased due to higher hydraulic generation. Operating and administrative expenses increased due to higher pension and benefit costs related to a change in the discount rate. Capital and other taxes increased mainly due to higher capital taxes related to additional capital investment.

The net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first six months of the 2013-14 fiscal year.

Capital expenditures for the six-month period amounted to $645 million compared to $484 million for the same period last year. Expenditures during the current period included $157 million related to future Keeyask and Conawapa generation, $126 million for the Pointe du Bois projects, $75 million for Bipole III projects, $45 million for the Riel Station, $20 million for Wuskwatim Generating Station and $11 million for demand-side management programs. The remaining capital expenditures were incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province.

Natural Gas Operations

In the natural gas sector, a net loss of $21 million was incurred for the six-month period, compared to the net loss of $25 million in the same period last year. Revenue, net of cost of gas sold, was $49 million which was $4 million higher than the same period last year. The increase in revenues was primarily attributable to increased weather-related demand over the six-month period. Delivered gas volumes were 643 million cubic metres compared to 534 million cubic metres in the prior period.

Expenses attributable to natural gas operations amounted to $70 million which was consistent with the same period last year.

Capital expenditures in the natural gas sector were $20 million for the current six-month period compared to $18 million for the same period last year. Capital expenditures included $17 million related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province and $3 million related to demand-side management programs.

Manitoba Hydro Files NFAT Submission with Public Utilities Board

On August 16, Manitoba Hydro filed its Needs For and Alternatives To (NFAT) submission with the Manitoba Public Utilities Board (PUB). The submission details Manitoba Hydro's Preferred Development Plan for meeting the province's growing electricity needs, with new sources of generation required by about 2023 to supply Manitobans.

The Preferred Development Plan includes a construction start for the 695-megawatt Keeyask Generating Station in June 2014 for a 2019 in-service date, and construction of the 1 485-megawatt Conawapa Generating Station for a 2026 in-service date. It also includes construction of domestic transmission facilities associated with Keeyask and Conawapa and construction of a new transmission line to the U.S. to provide additional capacity for new export sales and imports during droughts, enhancing reliability of supply to Manitobans and expansion of electricity exports.

The submission provides a detailed and comprehensive review of future options for meeting Manitoba's electricity demand including 15 different plans over 27 scenarios involving more than 400 cases. Alternative supply options examined included increased energy conservation, natural gas, wind, improvements to existing generation, imports and new hydro power.

The submission concludes that Manitoba Hydro should proceed with the Preferred Development Plan because it provides lower long-term rates for Manitobans, greater reliability and security of supply, superior environmental and socio-economic benefits and job creation for the province compared to other options and alternatives. The Preferred Development Plan has the flexibility to accommodate modifications should future conditions suggest that it is prudent to do so. In particular, the timing of Conawapa will be regularly reviewed until the construction start scheduled for 2018.

The PUB will conduct an independent public review of the NFAT submission as requested by the Manitoba government and will provide a report including recommendations on the needs for the Preferred Development Plan and an overall assessment as to whether or not the plan is in the best long-term interest of the province of Manitoba when compared to other options and alternatives. The PUB will hold public hearings on the plan in the winter-spring of 2014 and will issue a report to the Manitoba government by June 2014.

Province Issues Licence for Bipole III

On August 14, the Minister of Conservation and Water Stewardship issued the Environment Act Licence for Bipole III. The licence is for the construction, operation and maintenance of the Bipole III Transmission Project. The project consists of a new 500-kilovolt (kV) HVdc transmission line, which connects two new converter stations, two new ground electrodes which connect to each of the new converter stations and new 230-kV ac transmission collector lines to connect the new northern converter station to existing northern converter stations.

Bipole III is required to improve system reliability and will also provide additional capacity for delivery of existing and proposed hydroelectric generation to southern markets. The target in-service date for the project is late 2017.

Natural Gas Rate Changes

Manitoba Hydro's natural gas rates changed effective August 1, 2013. The annual bill for the typical residential customer decreased by approximately 0.2%, or $2 per year, as a result of the rate changes. For larger volume customers, annualized bill impacts range from a decrease of 10.8% to an increase of 0.2% depending on the rate class and level of consumption.

The bill impacts are the net result of reductions in the price that Manitoba Hydro pays for gas from Alberta, partially offset by an approximate 1% increase in general revenues required as a result of higher costs to operate the natural gas utility. The portion of natural gas rates associated with utility operating costs is adjusted periodically through general rate applications with the last such change occurring on May 1, 2010.

William Fraser, FCA
The Chair of the Board

Scott Thomson, CA
President and
Chief Executive Officer
November 15, 2013

Consolidated Statement of Income

In Millions of Dollars (Unaudited)

	Six Months Ended September 30		Three Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Revenues				
Electric – Manitoba	606	575	293	282
– Extraprovincial	245	207	131	120
Gas – Commodity	45	34	13	12
– Distribution	49	45	20	20
	945	861	457	434
Cost of gas sold	45	34	13	12
	900	827	444	422
Expenses				
Operating and administrative	273	266	138	135
Finance expense	229	230	104	119
Depreciation and amortization	222	207	112	105
Water rentals and assessments	63	57	33	31
Fuel and power purchased	68	59	31	27
Capital and other taxes	58	53	29	26
	913	872	447	443
Net Loss before non-controlling interest	(13)	(45)	(3)	(21)
Net Loss attributable to non-controlling interest	11	2	6	2
Net Income (Loss)	(2)	(43)	3	(19)

Consolidated Balance Sheet

In Millions of Dollars (Unaudited)

	As at September 30	As at September 30
	2013	**2012**
Assets		
Capital assets	13 000	12 124
Current assets	516	767
Other assets	1 105	1 131
	14 621	14 022
Liabilities and Equity		
Long-term debt (net)	9 419	9 103
Current liabilities	1 220	983
Other liabilities	765	742
Contributions in aid of construction	355	325
Non-controlling interest	84	103
Retained earnings	2 540	2 407
Accumulated other comprehensive income	238	359
	14 621	14 022

Consolidated Cash Flow Statement

In Millions of Dollars (Unaudited)

	Six Months Ended September 30		Three Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Operating Activities				
Cash receipts from customers	1 088	925	514	429
Cash paid to suppliers and employees	(503)	(498)	(214)	(203)
Net interest	(346)	(250)	(196)	(119)
	239	177	104	107
Financing Activities	568	636	380	389
Investing Activities	(781)	(536)	(448)	(292)
Net increase in cash	26	277	36	204
Cash at beginning of period	32	50	22	123
Cash at end of period	58	327	58	327

Consolidated Statement of Comprehensive Income

In Millions of Dollars (Unaudited)

	Six Months Ended September 30		Three Months Ended September 30	
	2013	**2012**	**2013**	**2012**
Net Income (Loss)	(2)	(43)	3	(19)
Other Comprehensive Income (Loss)				
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(25)	29	40	68
Realized foreign exchange gains on debt in cash flow hedges reclassified to income	(14)	-	(8)	-
Unrealized fair value gains (losses) on available-for-sale U.S. sinking fund investments	(9)	3	(3)	(1)
Realized gains on redemption of U.S. sinking fund investments	(13)	-	(13)	-
	(61)	32	16	67
Comprehensive Income (Loss)	(63)	(11)	19	48

Segmented Information

In Millions of Dollars (Unaudited)

Six Months Ended	**Electricity**		**Gas**		**Total**	
September 30	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue (net of cost of gas sold)	851	782	49	45	900	827
Expenses	843	802	70	70	913	872
Net Income (Loss) before non-controlling interest	8	(20)	(21)	(25)	(13)	(45)
Net Income attributable to non-controlling interest	11	2	-	-	11	2
Net Income (Loss)	19	(18)	(21)	(25)	(2)	(43)

Three Months Ended	**Electricity**		**Gas**		**Total**	
September 30	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue (net of cost of gas sold)	424	402	20	20	444	422
Expenses	413	408	34	35	447	443
Net Income (Loss) before non-controlling interest	11	(6)	(14)	(15)	(3)	(21)
Net Income attributable to non-controlling interest	6	2	-	-	6	2
Net Income (Loss)	17	(4)	(14)	(15)	3	(19)
Total Assets	14 026	13 443	595	579	14 621	14 022

Generation and Delivery Statistics

	Six Months Ended September 30		*Three Months Ended September 30*	
	2013	**2012**	**2013**	**2012**
Electricity in gigawatt-hours				
Hydraulic generation	17 725	16 285	9 189	9 029
Thermal generation	44	32	20	27
Scheduled energy imports	77	128	39	4
Wind purchases (MB)	382	400	154	182
Total system supply	18 228	16 845	9 402	9 242
Gas in millions of cubic metres				
Gas sales	277	231	76	82
Gas transportation	366	303	167	126
	643	534	243	208

For further information contact:

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Cover: *The Pinawa Channel of the Winnipeg River was one of the earliest sources of hydroelectricity in Manitoba.*

The Manitoba Hydro-Electric Board

QUARTERLY REPORT

for the nine months ended December 31, 2013

Comments by

THE CHAIR OF THE BOARD

and by

THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

FINANCIAL OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations was $72 million for the first nine months of the 2013-14 fiscal year compared to a net loss of $38 million for the same period last year. The improvement in financial results was attributable to increased revenues from domestic and extraprovincial electricity sales, partially offset by higher costs of operations.

The consolidated net income was comprised of a $78 million profit in the electricity sector and a $6 million loss in the natural gas sector. The loss in the natural gas sector is the result of seasonal variations in the demand for natural gas and expected to be recouped over the winter heating season.

Based on the continuation of current water flow and export market conditions, Manitoba Hydro is forecasting that financial results will improve over the balance of the fiscal year and net income should exceed $130 million by March 31, 2014.

Electricity Operations

Revenues from electricity sales within Manitoba totaled $990 million for the nine-month period, which was $84 million or 9% higher than the same period last year. The increase in domestic revenue was attributable to electricity rate increases, colder weather as compared to the prior year resulting in higher heating loads and more customers, partially offset by a decrease in the average use of customers. Extraprovincial revenues of $338 million were $58 million or 21% higher than the same period last year primarily due to higher sales volumes reflecting favourable water conditions and higher export prices. Energy sold in the export market was 9.2 billion kilowatt-hours compared to 7.6 billion kilowatt-hours sold in the same period last year.

Expenses attributable to electricity operations totaled $1 267 million for the nine-month period, an increase of $49 million or 4% higher than the same period last year. The increase was the result of a $19 million increase in operating and administrative expenses, $18 million increase in depreciation and amortization expense, $9 million increase in fuel and power purchased, $8 million increase in water rentals and assessments and a $5 million increase in capital and other taxes. This was partially offset by a $10 million decrease in finance expense. Operating and administrative expenses increased due to higher pension and benefit costs primarily related to a change in the discount rate. Depreciation and amortization expense increased as a result of new additions of plant and equipment coming into service including the Wuskwatim Generating Station. Fuel and power purchased increased due to higher market prices and transmission costs. Water rentals and assessments increased due to higher hydraulic generation. Capital and other taxes increased mainly due to higher capital taxes as a result of additional capital investment. Finance expense decreased primarily due to the gain resulting from the sale of sinking fund investments related to the maturity of debt issues.

The net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first nine months of the 2013-14 fiscal year.

Capital expenditures for the nine-month period amounted to $1 056 million compared to $733 million for the same period last year. Expenditures during the current period included $240 million related to future Keeyask and Conawapa generation, $201 million for the Pointe du Bois projects, $125 million for Bipole III projects, $61 million for the Riel Station and $19 million for demand-side management programs. The remaining capital expenditures were incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province.

Natural Gas Operations

In the natural gas sector, a net loss of $6 million was incurred for the nine-month period, compared to the net loss of $14 million in the same period last year. Revenue, net of cost of gas sold, was $99 million which was $8 million higher than the same period last year. The increase in revenues was primarily attributable to increased weather-related demand over the nine-month period. Delivered gas volumes were 1 362 million cubic metres compared to 1 207 million cubic metres in the prior period.

Expenses attributable to natural gas operations amounted to $105 million which was consistent with the same period last year.

Capital expenditures in the natural gas sector were $32 million for the current nine-month period compared to $29 million for the same period last year. Capital expenditures included $26 million related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province and $6 million related to demand-side management programs.

Keeyask Clean Environment Commission Hearings

The Clean Environment Commission (CEC) began public hearings to review the Keeyask Generating Station project's environmental impact statement and supplemental information on September 24, 2013. The public hearing was completed in January of 2014 and the CEC will file a report with the Minister of Conservation and Water Stewardship that outlines the results of its review and provides recommendations for the Minister's consideration.

The $6.2 billion, 695-megawatt (MW) Keeyask Generating station is being developed by Manitoba Hydro in partnership with the four Keeyask Cree Nations, Tataskweyak Cree Nation, War Lake First Nation, Fox Lake First Nation and York Factory First Nation. Pending regulatory approvals, construction is expected to commence later in 2014 for a planned in-service date of 2019.

New Power Sale to Saskatchewan

Manitoba Hydro has reached an agreement with SaskPower to sell an additional $100 million of electricity over the next eight years. This is the single-largest power sale agreement between Manitoba and Saskatchewan. Manitoba Hydro and SaskPower also announced they have signed a memorandum of understanding on a potential 500-MW sale which would commence after 2020.

New Agreement with Great River Energy

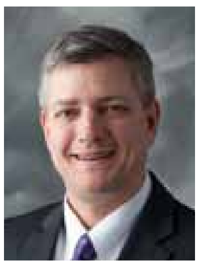
Manitoba Hydro has signed a 200-MW seasonal diversity exchange with Great River Energy of Minnesota, extending an existing 150-MW arrangement that has been in place between the two utilities since 1995. The new agreement will run until 2030.

Seasonal diversity exchanges take advantage of the fact that Manitoba Hydro's load peaks during winter, due to the demand for heating, while most U.S. utilities like Great River Energy experience their peak loads in the summer, due to higher air conditioning use. The diversity exchange means Manitoba Hydro will provide 200-MW of renewable hydroelectric capacity to Great River Energy in the summer to meet their energy needs, while Great River Energy will provide Manitoba Hydro with 200-MW of capacity during the winter. This is a good mechanism for both utilities to share capacity and diversify sources of supply.

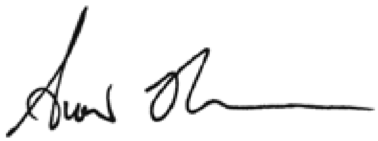
Natural Gas Rate Increase

In accordance with Manitoba Hydro's methodology to change natural gas rates every quarter depending on the price of gas purchased from Alberta, rates for residential customers increased on November 1, 2013 by 1.4% or approximately $11 per year. Rate increases for larger volume customers ranged from 1.6% to 3.2% depending on the customer class and consumption levels. The bill impacts are the result of an increase in the price that Manitoba Hydro pays for gas from Alberta.

William Fraser, FCA
The Chair of the Board



Scott Thomson, CA
President and
Chief Executive Officer
February 12, 2014



Consolidated Statement of Income

In Millions of Dollars (Unaudited)

	Nine Months Ended December 31		Three Months Ended December 31	
	2013	**2012**	**2013**	**2012**
Revenues				
Electric – Manitoba	990	906	384	331
– Extraprovincial	338	280	93	73
Gas – Commodity	126	98	81	64
– Distribution	99	91	50	46
	1 553	1 375	608	514
Cost of gas sold	126	98	81	64
	1 427	1 277	527	450
Expenses				
Operating and administrative	405	384	132	118
Finance expense	349	361	120	131
Depreciation and amortization	334	316	112	109
Water rentals and assessments	95	87	32	30
Fuel and power purchased	105	96	37	37
Capital and other taxes	84	79	26	26
	1 372	1 323	459	451
Net Income (Loss) before non-controlling interest	55	(46)	68	(1)
Net Loss attributable to non-controlling interest	17	8	6	6
Net Income (Loss)	72	(38)	74	5

Consolidated Balance Sheet

In Millions of Dollars (Unaudited)

	As at December 31	As at December 31
	2013	**2012**
Assets		
Capital assets	13 323	12 297
Current assets	798	614
Other assets	1 100	1 130
	15 221	14 041
Liabilities and Equity		
Long-term debt (net)	10 187	8 886
Current liabilities	978	1 227
Other liabilities	825	750
Contributions in aid of construction	369	328
Non-controlling interest	78	99
Retained earnings	2 613	2 412
Accumulated other comprehensive income	171	339
	15 221	14 041

Consolidated Cash Flow Statement

In Millions of Dollars (Unaudited)

	Nine Months Ended December 31		Three Months Ended December 31	
	2013	**2012**	**2013**	**2012**
Operating Activities				
Cash receipts from customers	1 614	1 384	526	459
Cash paid to suppliers and employees	(728)	(741)	(225)	(243)
Net interest	(434)	(299)	(88)	(49)
	452	344	213	167
Financing Activities	1 082	581	514	(55)
Investing Activities	(1 289)	(838)	(508)	(302)
Net increase (decrease) in cash	245	87	219	(190)
Cash at beginning of period	32	50	58	327
Cash at end of period	277	137	277	137

Consolidated Statement of Comprehensive Income

In Millions of Dollars (Unaudited)

	Nine Months Ended December 31		Three Months Ended December 31	
	2013	**2012**	**2013**	**2012**
Net Income (Loss)	72	(38)	74	5
Other Comprehensive Income (Loss)				
Unrealized foreign exchange gains (losses) on debt in cash flow hedges	(85)	8	(60)	(21)
Realized foreign exchange losses (gains) on debt in cash flow hedges reclassified to income	(20)	1	(6)	1
Unrealized fair value gains (losses) on available-for-sale U.S. sinking fund investments	(11)	3	(2)	-
Realized gains on redemption of U.S. sinking fund investments	(13)	-	-	-
	(129)	12	(68)	(20)
Comprehensive Income (Loss)	(57)	(26)	6	(15)

Segmented Information

In Millions of Dollars (Unaudited)

Nine Months Ended December 31	**Electricity 2013**	**Electricity 2012**	**Gas 2013**	**Gas 2012**	**Total 2013**	**Total 2012**
Revenue (net of cost of gas sold)	1 328	1 186	99	91	1 427	1 277
Expenses	1 267	1 218	105	105	1 372	1 323
Net Income (Loss) before non-controlling interest	61	(32)	(6)	(14)	55	(46)
Net Loss attributable to non-controlling interest	17	8	-	-	17	8
Net Income (Loss)	78	(24)	(6)	(14)	72	(38)
Three Months Ended December 31						
Revenue (net of cost of gas sold)	477	404	50	46	527	450
Expenses	424	416	35	35	459	451
Net Income (Loss) before non-controlling interest	53	(12)	15	11	68	(1)
Net Loss attributable to non-controlling interest	6	6	-	-	6	6
Net Income (Loss)	59	(6)	15	11	74	5
Total Assets	14 578	13 425	643	616	15 221	14 041

Generation and Delivery Statistics

	Nine Months Ended December 31		*Three Months Ended December 31*	
	2013	**2012**	**2013**	**2012**
Electricity in gigawatt-hours				
Hydraulic generation	26 715	24 421	8 990	8 136
Thermal generation	80	72	36	40
Scheduled energy imports	212	335	135	207
Wind purchases (MB)	639	622	257	222
Total system supply	27 646	25 450	9 418	8 605
Gas in millions of cubic metres				
Gas sales	767	680	490	449
Gas transportation	595	527	229	224
	1 362	1 207	719	673

For further information contact:

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Manitoba Hydro

Cover: *Forty-two Manitoba Hydro employees travelled to Toronto during the 2013 holiday season to help restore power after an ice storm.*

The Manitoba Hydro-Electric Board

QUARTERLY REPORT

for the nine months ended December 31, 2014

Comments by
THE CHAIR OF THE BOARD

and by
THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

FINANCIAL OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations was $42 million for the first nine months of the 2014-15 fiscal year compared to a net income of $72 million for the same period last year. The decrease in net income was primarily attributable to higher financing expenses partially offset by increased revenues from domestic electricity sales.

Consolidated net income was comprised of a $53 million profit in the electricity sector and an $11 million loss in the natural gas sector. The loss in the natural gas sector is the result of seasonal variations in the demand for natural gas and is expected to be recouped over the winter heating season.

Based on the continuation of current water flow and export market conditions and assuming normal winter weather, Manitoba Hydro is forecasting that financial results will improve over the balance of the fiscal year and net income should exceed $120 million by March 31, 2015.

Electricity Operations

Revenues from electricity sales within Manitoba totaled $991 million for the nine-month period, which was $27 million or 3% higher than same period last year. The increase in domestic revenue was primarily attributable to electricity rate increases and an increase in customers, partially offset by warmer weather compared to the prior year, which reduced the heating load. Extraprovincial revenues of $318 million were $14 million or 4% lower than the same period last year reflecting lower sales volumes as a result of a U.S. transmission line outage partially offset by favourable foreign exchange rates on U.S. sales. Energy sold in the export market was 8.2 billion kilowatt-hours compared to 9.2 billion kilowatt-hours sold in the same period last year.

Expenses attributable to electricity operations totaled $1 322 million for the nine-month period, an increase of $38 million or 3% higher than the same period last year. The increase was the result of a $46 million increase in finance expense, a $10 million increase in fuel and power purchased costs and a $6 million increase in capital and other taxes, partially offset by an $11 million decrease in depreciation and amortization expense, a $9 million decrease in operating and administrative expenses, a $3 million decrease in water rental and assessments and a $1 million decrease in other expenses. Finance expense increased primarily as a result of higher debt levels to finance capital asset additions as well as lower realized foreign exchange gains on U.S. debt and gains on the sale of U.S. sinking fund investments compared to the prior year. Fuel and power purchased increased as a result of higher system merchant costs due to increased arbitrage opportunities between markets and an increase in wind generation purchases. Capital and other taxes increased primarily as a result of higher capital taxes due to additions to capital assets. Depreciation and amortization expense decreased primarily as a result of revised depreciation rates partially offset by the Riel 230 kilovolt (kV) station and the Pointe du Bois spillway coming into service in the current year. Operating and administrative expenses decreased due to a greater focus on capital requirements relating to investment in new and existing infrastructure partially offset by costs required for storm restoration activities.

The net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's 33% share of the Wuskwatim Power Limited Partnership's operating results for the first nine months of the 2014-15 fiscal year.

Capital expenditures for the nine-month period amounted to $1 372 million compared to $1 037 million for the same period last year. Expenditures during the current period included $553 million related to future Keeyask generation, $207 million for Bipole III projects, $127 million for Pointe du Bois projects, $31 million for future Conawapa generation and $31 million for the Riel Station. The remaining capital expenditures were incurred for ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province. The Corporation also incurred $23 million for electric demand-side management (DSM) programs.

Natural Gas Operations

In the natural gas sector, a net loss of $11 million was incurred for the nine-month period, compared to the net loss of $6 million in the same period last year. Revenue, net of cost of gas sold, was $97 million which is $2 million lower than the same period last year. The decrease in net revenues was primarily related to warmer weather compared to the prior year which reduced the heating load. Delivered gas volumes were 1 249 million cubic metres compared to 1 362 million cubic metres in the prior year.

Expenses attributable to natural gas operations amounted to $108 million as compared to $105 million for the same period last year. The increase was the result of a $2 million increase in operating and administrative expenses and a $1 million increase in depreciation and amortization expense. Operating and administrative expenses increased due to greater activity in various programs such as customer inspections and distribution maintenance. Depreciation and amortization increased as a result of additions to capital assets.

Capital expenditures in the natural gas sector were $25 million for the current nine-month period compared to $26 million for the same period last 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 gas DSM programs.

New Riel Terminal Station Improves Reliability of Electricity Supply in Manitoba

Enhancements to the reliability and security of Manitoba's electricity supply were made with the completion of Manitoba Hydro's new Riel Terminal Station, located just east of Winnipeg, which was placed in service in October of 2014.

Riel Station will improve the reliability of the transmission system serving Winnipeg and southern Manitoba by providing a second location where electricity imported from the U.S. on an existing 500 kV transmission line can be fed into Manitoba Hydro's power grid. The transmission line to the U.S. is an important component of Manitoba Hydro's system as it delivers surplus electricity for sale to the U.S. and provides access to an alternate supply of energy for import in the event of an emergency or prolonged drought. The 500 kV transmission line runs from Dorsey Converter Station, northwest of Winnipeg, to Minnesota. Construction of Riel Station began after studies concluded it was necessary to reduce dependence on the existing end-point of the line at Dorsey.

Manitoba Hydro Wins Conservation Award for Top Performance in North America

Manitoba Hydro won a prestigious achievement award in October of 2014 for generating energy savings for natural gas customers. Awarded by E Source, an independent U.S. firm that provides research and advisory services to utilities on DSM and improving customer service, Manitoba Hydro was ranked as achieving the highest natural gas savings per customer among 53 utilities across North America.

Customers across Manitoba continue to reap the benefits of Manitoba Hydro's Power Smart* initiatives, such as the Home Insulation Program. The average residential customer participating in the Power Smart Home Insulation Program saves nearly 530 cubic metres in natural gas or $154 on their energy bill per year based on current rates. Total energy savings for Manitoba Hydro's customers last year under this program alone was nearly 717 000 cubic metres, which represents a reduction of over $209 000 in their energy bills.

Customers who heat with electricity also see major savings with the Power Smart Home Insulation Program. The average electrically-heated home saves about 4 300 kilowatt hours per year once they take advantage of this program, which works out to a saving of about $300 annually. In total, participating customers who heat with electricity saved over $327 000 last year.

The E Source award confirms Manitoba Hydro's commitment to aggressive energy conservation. This commitment is being continued through investments in the utility's Power Smart programs that will more than double over the next three years.

By 2017 cumulative energy savings since the inception of Power Smart will equal 905 megawatts of capacity and 3 358 gigawatt hours of electricity — equivalent to about half the current electrical needs of all residential and commercial customers in the city of Winnipeg. Over the same period natural gas use will be reduced by 133 million cubic metres — equivalent to twice the current natural gas needs of Brandon's commercial and residential customers.

Natural Gas Rate Increase

In accordance with Manitoba Hydro's methodology to change natural gas rates every quarter depending on the price of gas purchased from Alberta, rates for residential customers increased on November 1, 2014 by 5.0% or approximately $43 per year. Rate changes for larger volume customers ranged from an increase of 3.2% to 12.5% depending on the customer class and consumption levels. The bill impacts are the result of an increase in the price that Manitoba Hydro pays for gas from Alberta as well as the implementation of rate adjustments associated with gas costs that resulted from extreme weather and market circumstances experienced over the 2014 winter.

William Fraser, FCA
Chair of the Board

Scott Thomson, CA
President and
Chief Executive Officer
February 13, 2015

*Manitoba Hydro is a licensee of the Trademark and Official Mark.

Consolidated Statement of Income

In Millions of Dollars (Unaudited)

	Nine Months Ended December 31		*Three Months Ended December 31*	
	2014	**2013**	**2014**	**2013**
Revenues				
Electric – Manitoba	991	964	379	375
– Extraprovincial	318	332	77	90
– Other	48	49	19	16
Gas – Commodity	154	126	96	81
– Distribution	97	99	47	50
	1 608	1 570	618	612
Cost of gas sold	154	126	96	81
	1 454	1 444	522	531
Expenses				
Operating and administrative	398	405	134	132
Finance expense	395	349	137	120
Depreciation and amortization	324	334	96	112
Water rentals and assessments	92	95	30	32
Fuel and power purchased	109	99	43	34
Capital and other taxes	90	84	30	26
Other expenses	22	23	9	7
	1 430	1 389	479	463
Net Income before non-controlling interest	24	55	43	68
Net Loss attributable to non-controlling interest	18	17	5	6
Net Income	42	72	48	74

Consolidated Balance Sheet

In Millions of Dollars (Unaudited)

	As at December 31 **2014**	*As at December 31* **2013**
Assets		
Capital assets	14 819	13 323
Current assets	939	798
Other assets	1 190	1 100
	16 948	15 221
Liabilities and Equity		
Long-term debt (net)	11 641	10 187
Current liabilities	1 009	956
Other liabilities	1 006	847
Contributions in aid of construction	420	369
Non-controlling interest	107	78
Retained earnings	2 758	2 613
Accumulated other comprehensive income	7	171
	16 948	15 221

Consolidated Cash Flow Statement

In Millions of Dollars (Unaudited)

	Nine Months Ended December 31		Three Months Ended December 31	
	2014	**2013**	**2014**	**2013**
Operating Activities				
Cash receipts from customers	1 724	1 608	529	520
Cash paid to suppliers and employees	(923)	(723)	(267)	(220)
Net interest	(354)	(327)	(45)	(37)
	447	558	217	263
Financing Activities	1 150	976	265	464
Investing Activities	(1 360)	(1 289)	(410)	(508)
Net increase in cash	237	245	72	219
Cash at beginning of period	142	32	307	58
Cash at end of period	379	277	379	277

Consolidated Statement of Comprehensive Income

In Millions of Dollars (Unaudited)

	Nine Months Ended December 31		Three Months Ended December 31	
	2014	**2013**	**2014**	**2013**
Net Income (Loss)	42	72	48	74
Other Comprehensive Income (Loss)				
Unrealized foreign exchange losses on debt in cash flow hedges	(86)	(85)	(60)	(60)
Realized foreign exchange gains on debt in cash flow hedges reclassified to income	(3)	(20)	(3)	(6)
Unrealized fair value losses on available-for-sale U.S. sinking fund investments	-	(11)	-	(2)
Realized gains on redemption of U.S. sinking fund investments	-	(13)	-	-
	(89)	(129)	(63)	(68)
Comprehensive Income (Loss)	(47)	(57)	(15)	6

Segmented Information

In Millions of Dollars (Unaudited)

Nine Months Ended	Electricity		Gas		Total	
December 31	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue (net of cost of gas sold)	1 357	1 345	97	99	1 454	1 444
Expenses	1 322	1 284	108	105	1 430	1 389
Net Income (Loss) before non-controlling interest	35	61	(11)	(6)	24	55
Net Loss attributable to non-controlling interest	18	17	-	-	18	17
Net Income (Loss)	53	78	(11)	(6)	42	72
Three Months Ended						
December 31						
Revenue (net of cost of gas sold)	475	481	47	50	522	531
Expenses	443	428	36	35	479	463
Net Income before non-controlling interest	32	53	11	15	43	68
Net Loss attributable to non-controlling interest	5	6	-	-	5	6
Net Income	37	59	11	15	48	74
Total Assets	16 221	14 578	727	643	16 948	15 221

Generation and Delivery Statistics

	Nine Months Ended December 31		*Three Months Ended December 31*	
	2014	**2013**	**2014**	**2013**
Electricity in gigawatt-hours				
Hydraulic generation	25 949	26 715	8 392	8 990
Thermal generation	30	80	14	36
Scheduled energy imports	136	212	97	135
Wind purchase (MB)	698	639	278	257
Total system supply	26 813	27 646	8 781	9 418
Gas in millions of cubic metres				
Gas sales	730	767	447	490
Gas transportation	519	595	206	229
	1 249	1 362	653	719

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Manitoba Hydro

Cover: Recruits at Manitoba Hydro's Stonewall Training Centre.

Financial Information MFR 5

A table, which details the debt to equity ratio, capital coverage ratio and interest coverage ratio, net assets, net income, total debt and retained earnings, DBRS bond ratings, total Provincial Debt and total MH debt to total Manitoba debt in each year since 1992.

Please see the table on the following page which shows consolidated information. Information relating to the Province of Manitoba was provided by the Province.

Financial History

	Debt/Equity Ratio	Capital Coverage Ratio	Interest Coverage Ratio	Total MH Assets	MH Net Income	Total MH Debt	MH Retained Earnings	DBRS Bond Rating *	Total Province of MB Debt	Total MH Debt to Total MB Debt
2014	76:24	1.35	1.28	15,639	174	10,868	2,716	A (high)	32,629	33.3%
2013	75:25	1.25	1.15	14,542	92	9,985	2,542	A (high)	30,563	32.7%
2012	74:26	1.13	1.10	13,791	61	9,382	2,450	A (high)	28,698	32.7%
2011	73:27	1.25	1.27	12,882	150	8,647	2,389	A (high)	25,617	33.8%
2010	73:27	1.30	1.32	12,437	163	8,538	2,239	A (high)	24,431	34.9%
2009	77:23	1.77	1.48	11,547	266	8,187	2,076	A (high)	22,727	36.0%
2008	73:27	1.62	1.69	11,766	346	7,571	1,822	A (high)	22,056	34.3%
2007	80:20	1.10	1.23	10,922	122	7,227	1,407	A (high)	20,476	35.3%
2006	81:19	2.28	1.77	10,482	415	7,169	1,285	A (high)	19,828	36.2%
2005	85:15	1.20	1.25	9,952	136	7,204	870	A (high)	19,410	37.1%
2004	87:13	(0.32)	0.17	9,903	(436)	7,390	734	A (high)	18,206	40.6%
2003	80:20	1.10	1.14	10,234	71	7,268	1,170	A (high)	17,810	40.8%
2002	77:23	1.67	1.42	10,405	214	7,661	1,302	A	20,682	37.0%
2001	80:20	1.18	1.62	9,966	270	7,464	1,088	A	20,459	36.5%
2000	83:17	1.28	1.35	8,692	152	6,770	818	A	19,878	34.1%
1999	84:16	1.22	1.23	7,866	100	5,883	666	A	18,278	32.2%
1998	86:14	1.13	1.25	7,617	111	5,548	566	A	17,378	31.9%
1997	88:12	1.12	1.23	7,133	101	5,175	455	A	16,886	30.6%
1996	91:09	1.00	1.16	6,737	70	5,284	354	A	16,763	31.5%
1995	92:08	1.00	1.13	6,449	56	5,034	284	A	16,481	30.5%
1994	93:07	n/a	1.16	6,543	70	5,406	228	A	15,670	34.5%
1993	95:05	n/a	0.95	6,025	(24)	4,971	159	A	14,127	35.2%
1992	94:06	n/a	1.04	6,505	18	5,441	183	A	12,776	42.6%

* The DBRS long term credit rating for the period from 1992-2014 is the same for both the Manitoba Hydro-Electric Board and the Province of Manitoba.

Financial Information MFR 6

A table, which details the debt to equity ratio, capital coverage ratio and interest coverage ratio, net assets, net income, total debt and retained earnings for each of the years in the 20-year electric IFF.

Please see the following table for the requested information related to electric operations.

Fiscal Year Ended	Debt/ Equity Ratio	Capital Coverage Ratio	Interest Coverage Ratio	Total Assets	Net Income	Total Debt	Retained Earnings
2015	78:22	0.98	1.16	16 993	102	11 854	2 717
2016	82:18	1.02	1.16	18 866	115	14 046	2 778
2017	84:16	0.94	1.07	21 801	59	16 822	2 837
2018	85:15	1.09	1.06	24 961	64	19 747	2 902
2019	86:14	0.88	0.92	26 585	(90)	21 366	2 812
2020	87:13	0.80	0.91	27 668	(116)	22 549	2 696
2021	88:12	0.82	0.86	28 299	(178)	23 194	2 518
2022	89:11	0.94	0.85	27 727	(206)	23 130	2 312
2023	90:10	1.09	0.86	27 788	(187)	23 378	2 126
2024	90:10	1.22	0.91	27 965	(124)	23 672	2 001
2025	90:10	1.27	0.96	27 914	(53)	23 668	1 948
2026	90:10	1.31	0.98	28 063	(24)	23 832	1 924
2027	90:10	1.48	1.06	28 316	84	23 991	2 007
2028	89:11	1.58	1.11	28 533	155	24 044	2 161
2029	88:12	1.70	1.20	28 884	266	24 106	2 427
2030	86:14	1.94	1.30	29 191	400	24 009	2 826
2031	84:16	2.04	1.42	29 030	536	23 292	3 361
2032	81:19	2.20	1.53	29 675	647	23 263	4 008
2033	78:22	2.29	1.61	30 366	725	23 227	4 732
2034	75:25	2.41	1.71	31 189	826	23 221	5 557

Financial Information MFR 7

Details of the determination of each of the financial targets for the last five fiscal years and for each of the years in the 20 year forecast

Please see the following tables for the details of the financial targets for 2009/10-2033/34.

Debt Ratio
Manitoba Hydro (Electric only)
($ millions)

	A	B	C	D (A-B-C)	E	F	G (E-F)	H	I	J	K	L	M	(J-K+L-M) / (D+G+H+I+J-K+L-M)
Fiscal Year Ended	Retained Earnings Consolidated	Retained Earnings Gas	Retained Earnings Subs	Retained Earnings	Unamortized Customer Contributions Consolidated	Unamortized Customer Contributions Gas	Unamortized Customer Contributions	Accumulated Other Comprehensive Income	Non-Contolling Interest	Long-Term Debt	Sinking Fund Investment	Short-Term Debt	Short-Term Investments	Debt Ratio
2010	2 239	33	16	2 190	295	32	263	285	62	8 241	822	-	174	0.72
2011	2 389	40	21	2 328	295	33	262	367	87	8 350	282	-	70	0.72
2012	2 450	34	26	2 390	318	33	285	327	100	9 084	372	-	50	0.74
2013	2 542	42	32	2 468	340	33	307	299	95	9 690	352	-	32	0.75
2014	2 716	62	39	2 615	381	42	339	96	73	10 563	111	-	142	0.77
2015				2 717			461	94	117	11 717	125	137	-	0.78
2016				2 778			527	(399)	132	13 832	308	214	-	0.82
2017				2 837			595	(409)	164	16 691	475	130	-	0.84
2018				2 902			665	(363)	212	19 564	711	183	-	0.85
2019				2 812			710	(328)	241	21 162	504	204	-	0.86
2020				2 696			691	(278)	258	22 426	538	124	-	0.87
2021				2 518			672	(287)	255	23 170	506	24	-	0.88
2022				2 312			654	(298)	41	23 057	148	73	-	0.89
2023				2 126			690	(305)	42	23 180	236	198	-	0.90
2024				2 001			727	(305)	45	23 473	467	200	-	0.90
2025				1 948			764	(304)	50	23 465	441	204	-	0.90
2026				1 924			802	(304)	52	23 798	608	34	-	0.90
2027				2 007			839	(304)	55	23 991	886	-	14	0.90
2028				2 161			876	(304)	60	23 983	1 177	61	-	0.89
2029				2 427			914	(304)	67	24 106	1 420	-	149	0.88
2030				2 826			952	(304)	77	24 009	1 633	-	328	0.86
2031				3 361			990	(304)	89	23 292	1 254	-	585	0.84
2032				4 008			1 029	(304)	87	23 263	1 539	-	963	0.81
2033				4 732			1 069	(304)	85	23 227	1 818	-	1 390	0.78
2034				5 557			1 109	(304)	82	23 221	2 139	-	1 844	0.75

Calculation of Long-Term Debt for input into Debt:Equity Ratio

	A	B	C	D	E	F	G
			(A-B)			**(D-E)**	**(C+F)**
Fiscal Year Ended	MHEB Long-Term Debt	Gas Long-Term Debt	Long-Term Debt	MHEB Current Portion of Long-Term Debt	Gas Current Portion of Long-Term Debt	Current Portion of Long-Term Debt	Long-Term Debt
2010	8 228	297	7 931	310	0	310	8 241
2011	8 617	297	8 320	30	0	30	8 350
2012	9 101	235	8 866	281	63	218	9 084
2013	9 329	295	9 034	656	0	656	9 690
2014	10 460	270	10 190	408	35	373	10 563
2015	11 705	300	11 405	347	35	312	11 717
2016	13 808	310	13 498	334	0	334	13 832
2017	16 681	320	16 361	330	0	330	16 691
2018	18 689	320	18 369	1 195	0	1 195	19 564
2019	21 177	330	20 847	315	0	315	21 162
2020	21 906	330	21 576	850	0	850	22 426
2021	22 792	340	22 452	718	0	718	23 170
2022	22 955	340	22 615	441	0	441	23 057
2023	23 250	360	22 890	310	20	290	23 180
2024	23 441	370	23 071	412	10	402	23 473
2025	23 395	380	23 015	450	0	450	23 465
2026	24 198	400	23 798	0	0	0	23 798
2027	24 401	410	23 991	0	0	0	23 991
2028	24 343	420	23 923	60	0	60	23 983
2029	24 476	440	24 036	70	0	70	24 106
2030	23 749	440	23 309	730	30	700	24 009
2031	23 739	460	23 279	13	0	13	23 292
2032	23 743	480	23 263	0	0	0	23 263
2033	23 737	490	23 247	10	30	(20)	23 227
2034	23 381	500	22 881	360	20	340	23 221

Interest Coverage
Electric
($ millions)

	A	B	C	D	E	F	G	H	I	
				(A-B-C)				**(E-F-G)**		**(D+H+I)/(H+I)**
Fiscal Year Ended	Consolidated Net Income	Gas Net Income	Subs Net Income	**Electric Net Income**	Consolidated Finance Expense	Gas Finance Expense	Gas Corporate Allocation	**Electric Finance Expense**	**Electric Capitalized Interest**	**Electric Interest Coverage**
2010	163	(1)	4	**160**	410	19	12	**379**	**102**	**1.33**
2011	150	7	4	**139**	425	18	12	**395**	**139**	**1.26**
2012	61	(6)	5	**62**	423	19	12	**392**	**171**	**1.11**
2013	92	8	6	**78**	489	18	12	**459**	**141**	**1.13**
2014	174	20	7	**147**	471	16	12	**443**	**142**	**1.25**
2015				**102**				**495**	**146**	**1.16**
2016				**115**				**510**	**207**	**1.16**
2017				**59**				**548**	**316**	**1.07**
2018				**64**				**581**	**437**	**1.06**
2019				**(90)**				**752**	**388**	**0.92**
2020				**(116)**				**887**	**341**	**0.91**
2021				**(178)**				**1 194**	**112**	**0.86**
2022				**(206)**				**1 326**	**12**	**0.85**
2023				**(187)**				**1 334**	**14**	**0.86**
2024				**(124)**				**1 349**	**17**	**0.91**
2025				**(53)**				**1 351**	**20**	**0.96**
2026				**(24)**				**1 348**	**24**	**0.98**
2027				**84**				**1 338**	**25**	**1.06**
2028				**155**				**1 337**	**17**	**1.11**
2029				**266**				**1 321**	**20**	**1.20**
2030				**400**				**1 301**	**20**	**1.30**
2031				**536**				**1 263**	**24**	**1.42**
2032				**647**				**1 197**	**25**	**1.53**
2033				**725**				**1 161**	**27**	**1.61**
2034				**826**				**1 116**	**38**	**1.71**

Capital Coverage Ratio
Excluding Major Generation
Electric
($ millions)

	A	**B**	**C**	**D**	**E**	**F**	**C/F**
			(A-B)			**(D-E)**	
Fiscal Year Ended	Consolidated Funds from Operations	Gas Funds from Operations	**Electric Funds from Operations**	Consolidated Capital Expenditures	Gas Capital Expenditures	**Electric Capital Expenditures**	**Electric Capital Coverage**
2010	589	61	**528**	439	25	**414**	**1.28**
2011	595	45	**550**	477	27	**450**	**1.22**
2012	567	49	**518**	503	31	**472**	**1.10**
2013	589	35	**554**	472	34	**438**	**1.26**
2014	690	29	**661**	511	35	**476**	**1.39**
2015			**558**			**571**	**0.98**
2016			**587**			**577**	**1.02**
2017			**571**			**610**	**0.94**
2018			**598**			**547**	**1.09**
2019			**482**			**547**	**0.88**
2020			**441**			**548**	**0.80**
2021			**469**			**573**	**0.82**
2022			**522**			**555**	**0.94**
2023			**613**			**563**	**1.09**
2024			**699**			**571**	**1.22**
2025			**787**			**621**	**1.27**
2026			**818**			**624**	**1.31**
2027			**943**			**637**	**1.48**
2028			**1024**			**649**	**1.58**
2029			**1146**			**675**	**1.70**
2030			**1288**			**665**	**1.94**
2031			**1432**			**703**	**2.04**
2032			**1561**			**711**	**2.20**
2033			**1655**			**724**	**2.29**
2034			**1775**			**735**	**2.41**

Financial Information MFR 8

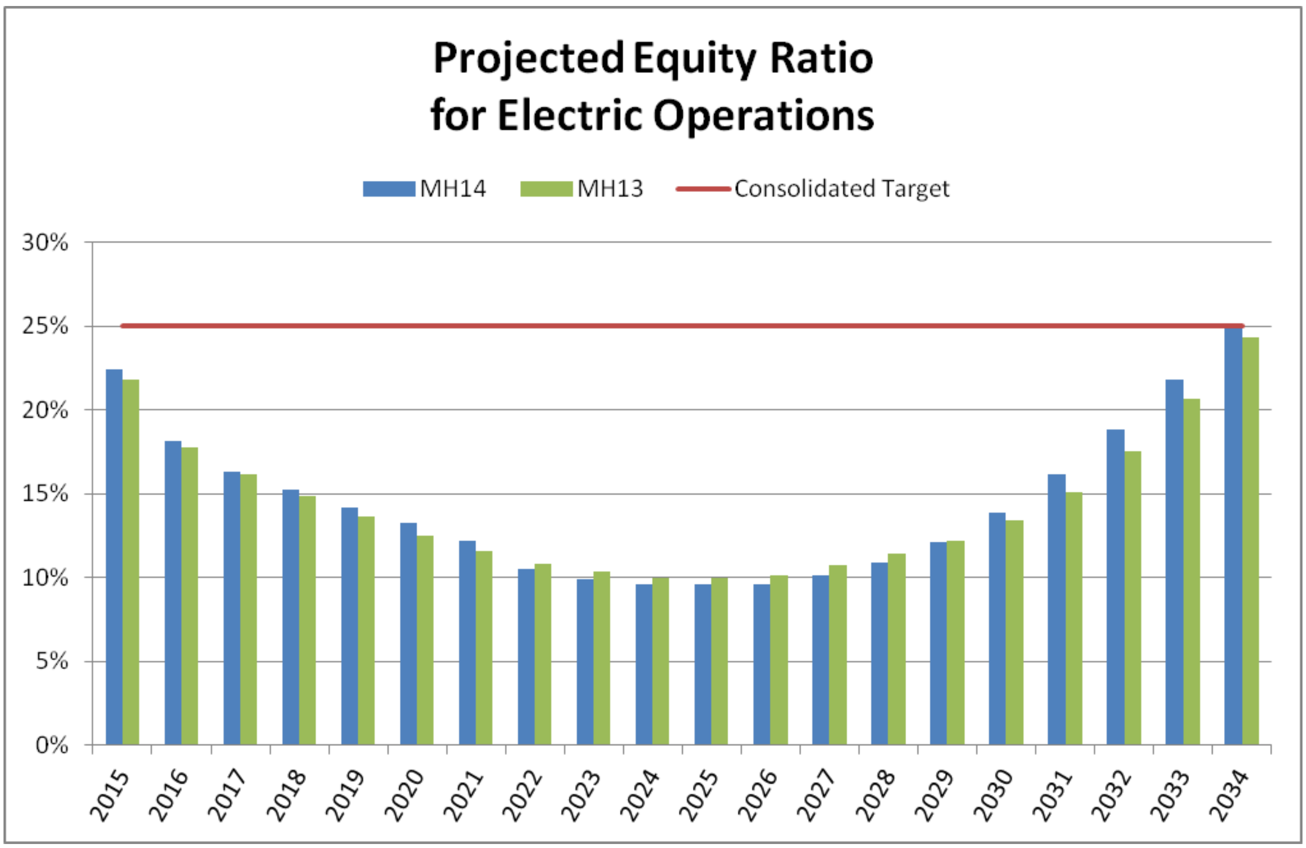
Charts and respective data tables for each of the financial targets similar to PUB/MH I-30 (2012 GRA).

ANSWER:

Equity Ratio

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
MH14	22%	18%	16%	15%	14%	13%	12%	11%	10%	10%
MH13	22%	18%	16%	15%	14%	12%	12%	11%	10%	10%
Consolidated Target	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%

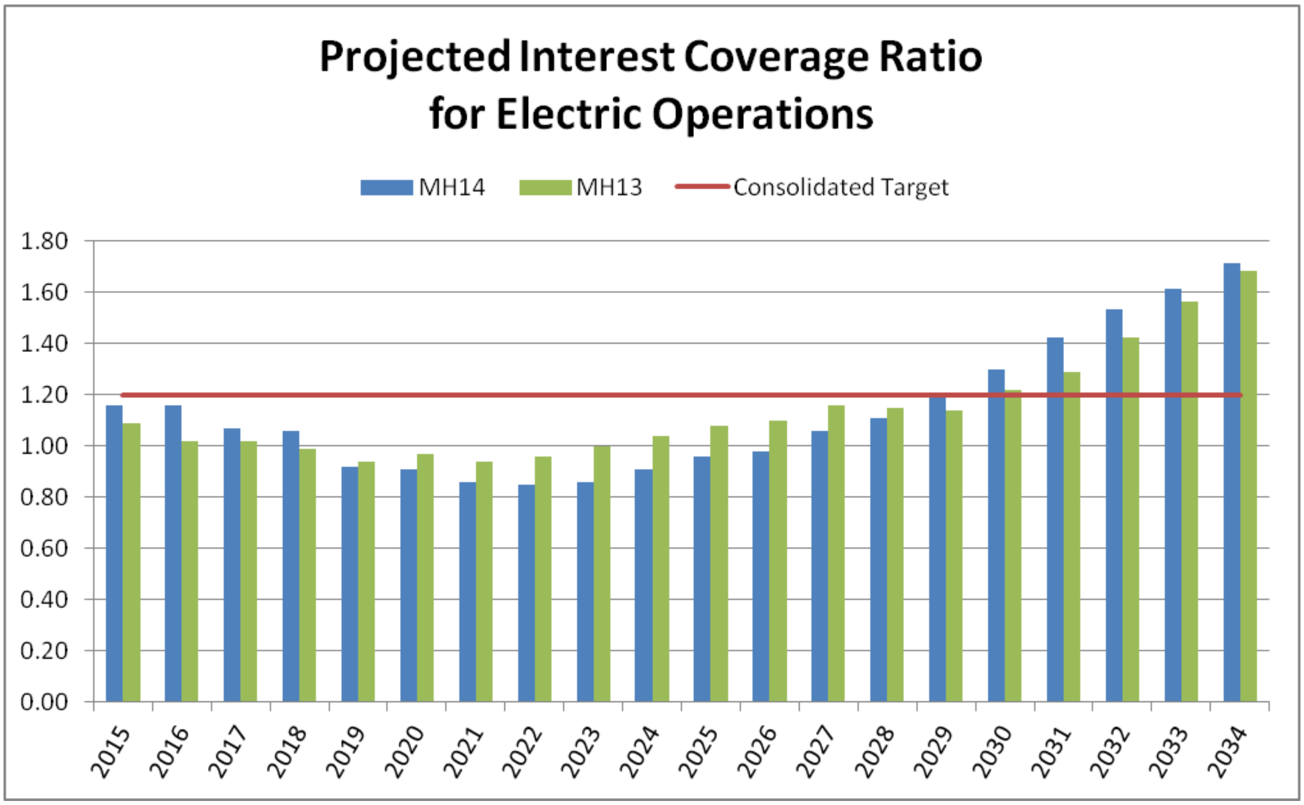
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
MH14	10%	10%	10%	11%	12%	14%	16%	19%	22%	25%
MH13	10%	10%	11%	11%	12%	13%	15%	18%	21%	24%
Consolidated Target	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%



Interest Coverage Ratio

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
MH14	1.16	1.16	1.07	1.06	0.92	0.91	0.86	0.85	0.86	0.91
MH13	1.09	1.02	1.02	0.99	0.94	0.97	0.94	0.96	1.00	1.04
Consolidated Target	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20

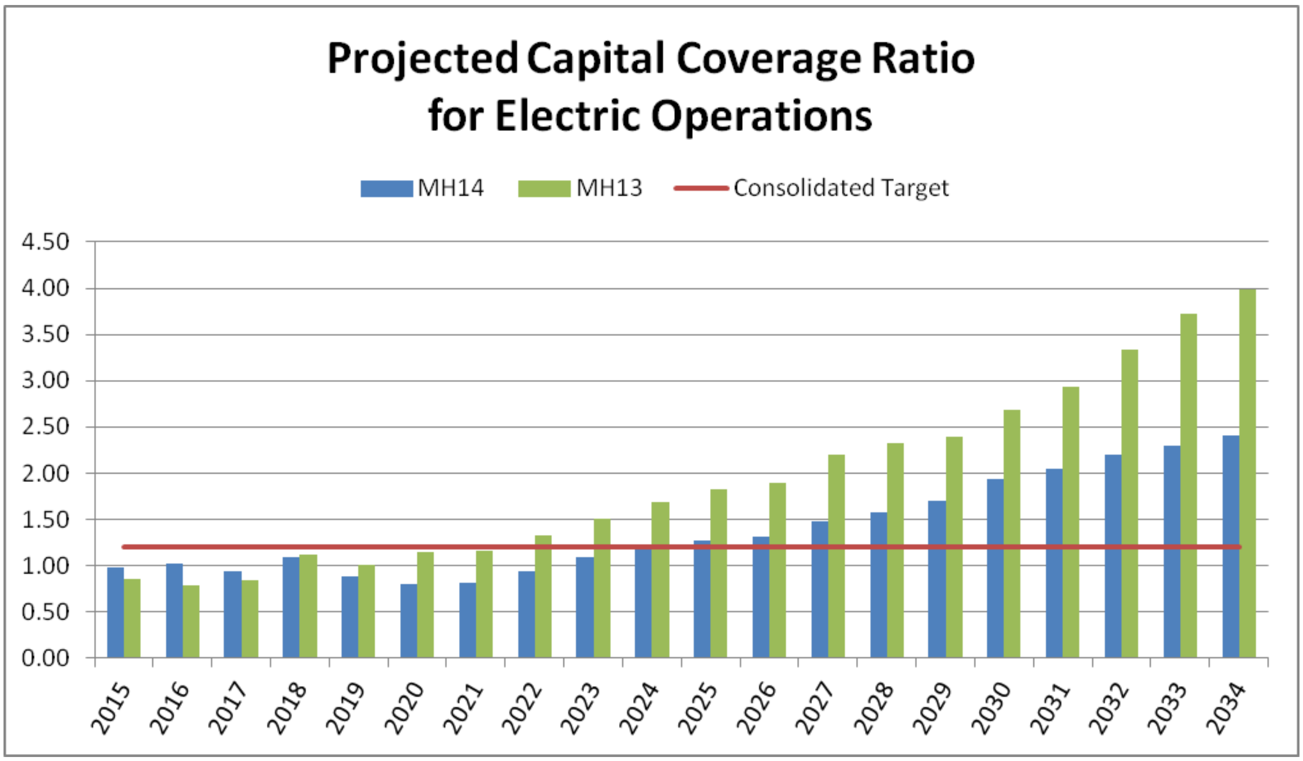
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
MH14	0.96	0.98	1.06	1.11	1.20	1.30	1.42	1.53	1.61	1.71
MH13	1.08	1.10	1.16	1.15	1.14	1.22	1.29	1.42	1.56	1.68
Consolidated Target	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20



Capital Coverage Ratio

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
MH14	0.98	1.02	0.94	1.09	0.88	0.80	0.82	0.94	1.09	1.22
MH13	0.86	0.78	0.84	1.12	1.01	1.14	1.16	1.32	1.51	1.68
Consolidated Target	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
MH14	1.27	1.31	1.48	1.58	1.70	1.94	2.04	2.20	2.29	2.41
MH13	1.82	1.89	2.20	2.33	2.40	2.68	2.94	3.34	3.72	3.99
Consolidated Target	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20



Financial Information MFR 9

File 20 year 1FF scenarios of revenue requirements/energy depicting post 2003 actual years to date plus future forecast cost components (Finance/ Depreciation/ Operating/ Water Rentals/ F&PP/ Taxes) for:
- 750 MW US Intertie project (CDN & US portions)
- Keeyask generating station
- Bipole Ill and Riel station
- Pointe du Bois spillway & powerhouse
- Wuskwatim overall project
- Base Case (non-major) G+T+D revenue requirement

ANSWER:

Manitoba Hydro understands that in past proceedings, the PUB has expressed an interest in understanding the costs related to Major New Generation and Transmission projects. To assist the PUB's understanding, Manitoba Hydro estimated the carrying and operating costs of forecast Major New Generation and Transmission projects in NFAT Exhibit MH-211. The schedule below has been updated for IFF14 Major New Generation & Transmission, as well as the addition of DSM and Major and Base Capital Expenditures.

However, the most reliable measure of Manitoba Hydro's revenue requirement is the additional General Consumers indicated on the electric operations projected operating statement (Appendix 3.3, pages 37 and 38) which is derived based on balancing the costs of the integrated hydro-electric system, for new asset additions as well as existing assets, with maintaining minimum financial ratios as well as rate stability and affordability for customers.

Costs such as depreciation expense, water rentals, and operating, maintenance and administrative expenses may be directly attributable to a Major New Generation and Transmission asset; however, finance expense, capital taxes and benefits are not. Reliance on the estimated carrying and operating costs in the attached schedule as a representation of revenue requirement must be weighed with the inherent limitations of the analysis, estimation assumptions and methods described below.

1) Manitoba Hydro issues debt based on the consolidated cash requirements of the Corporation and does not assign specific debt issues on a project-by-project basis. As such, finance expense attributable to a specific project is estimated for the purposes of this analysis by applying Manitoba Hydro's average cost of debt to the asset's net book value (projected in-service cost net of accumulated depreciation). Using the net book value as the principal outstanding for debt associated with an asset assumes that

annual depreciation expense approximates revenues available to reduce debt over the life of the asset. This estimation method does not consider that extraprovincial revenues partially offset the costs. As a result, the implied impacts to customers for each project may not be representative.

2) Capital taxes are estimated by applying a fixed 0.5% capital tax rate to construction work in progress until the asset is in-service and the net book value thereafter. Similar to finance expense, the use of net book value as paid up capital to estimate capital taxes may result in implied impacts to customers for each project that are not representative.

3) Manitoba Hydro operates the integrated hydro-electric system to optimize the efficient use of water resources and maximize overall Corporate revenues for the benefit of customers. The output of one facility may not be maximized on its own but contributes to the maximization of the system as a whole. The assumption that depreciation expense approximates the revenue attributable to a project may be reasonable for understanding costs but does not reflect the value of a particular asset to the integrated system and should not be used for resource planning purposes.

4) The analysis considers only the prospective costs of asset additions and does not address the ability of revenues at current PUB approved rates to cover ongoing carrying and operating costs of existing assets. Current domestic rates are lower than what they otherwise would have been due to extraprovincial revenues partially offsetting costs. In years of low water flow or low opportunity export prices, domestic revenues are not sufficient to cover the resulting reduction in extraprovincial revenues.

5) The analysis does not consider contributions to reserves in order to maintain Manitoba Hydro's self-supporting status and affordable, predictable rates for customers.

Thus, the summation of total costs in the attached schedule may not accurately reflect the overall revenue requirement for Manitoba Hydro or how a particular asset contributes to the overall revenue requirement.

If one accepts the estimated carrying and operating costs in the attached schedule with its inherent limitations, cumulative rate increases that would be required to cover the costs of forecast additions in the 10 year forecast period to 2023/24 are up to 75 percentage points higher (117%) compared to the proposed and indicative cumulative rate increases of 42%

over the same time period in MH14. Annual rate increases are between 4% and 20% in the period 2014/15 to 2021/22 with minimal rate adjustments thereafter to 2033/34.

Even if it is assumed that all extraprovincial revenues (net of water rentals and fuel and power purchases) are allocated to offset the prospective costs of additions, the cumulative rate increases that would still be required are up to 37 percentage points higher (79%) compared to the projected 42% cumulative rate increase in MH14 by 2023/24. Annual rate increases are between 4% and 12% in the period 2014/15 to 2021/22 with minimal rate adjustments thereafter.

Whether or not extraprovincial revenues offset the costs, the annual rate increases required in the period to 2021/22 in the attached schedule are considerably higher than the proposed and indicative 3.95% rate increases in MH14. The lower overall revenue requirements in the integrated system analysis shown in additional General Consumers in MH14 compared to this analysis demonstrates that extraprovincial revenues have a key role in offsetting the costs of investments and reducing the compounding effects of the higher carrying costs over time. The annual differences in rate increases compared to MH14's smoothed 3.95% rate increases also show that there is not a direct flow through of costs in each year to customers. Customers benefit directly from Manitoba Hydro's approach in smoothing rate increases while Manitoba Hydro deviates from its financial targets during the capital build-out and then gradually returns to a position of financial strength.

KEEYASK (ISD 2019/20)
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	-	-	-	-	-	80	271	378	371	366	361	355	349	343	338	330	326	305	297	287
OM&A Costs	-	-	-	-	-	5	14	14	14	15	15	15	15	15	15	15	14	15	15	15
Depreciation	-	-	-	-	-	6	65	90	90	90	90	90	90	90	90	90	90	90	90	90
Capital Tax	8	12	17	23	28	31	32	32	31	31	30	30	29	29	29	28	28	27	27	26
Water Rentals	-	-	-	-	-	2	13	15	15	15	15	15	15	15	15	15	15	15	15	15
	8	12	17	23	28	124	395	528	521	517	511	505	498	492	486	479	473	452	443	434

MANITOBA-MINNESOTA TRANSMISSION PROJECT (Formerly Dorsey-U.S. Border New 500 kV Transmission Line)
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	-	-	-	-	-	-	11	20	20	20	19	19	18	18	18	17	17	16	15	15
OM&A Costs	-	-	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	-	-	-	-	-	-	5	6	6	6	6	6	6	6	6	6	6	6	6	6
Transmission Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Tax	0	0	1	1	1	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1
	0	0	1	1	1	2	17	28	27	27	27	26	26	26	25	25	24	23	23	22

GREAT NORTHERN TRANSMISSION LINE
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	-	-	-	-	-	-	34	48	46	44	42	41	39	37	35	34	32	29	27	25
OM&A Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	16	21	21	21	21	21	21	21	21	21	21	21	21	21
Transmission Charges	-	-	-	-	-	-	16	16	15	15	15	15	14	14	13	13	17	17	17	16
Capital Tax	0	0	0	1	2	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2
	0	0	0	1	2	3	68	87	84	82	80	78	76	74	72	69	72	69	66	64

WUSKWATIM
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	98	95	95	95	93	93	93	91	88	87	86	84	82	81	79	77	75	70	68	66
OM&A Costs	13	12	12	12	12	13	13	13	13	13	14	14	14	14	15	11	11	11	11	11
Depreciation	27	27	27	27	27	27	27	27	28	28	28	28	28	28	28	28	28	28	28	28
Capital Tax	8	8	8	8	8	8	8	8	7	7	7	7	7	7	7	6	6	6	6	6
Water Rentals	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	151	147	148	148	146	146	146	144	141	140	139	137	136	134	133	127	125	120	118	116

BIPOLE III & RIEL STATION
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	13	23	19	15	132	249	246	241	234	228	222	216	210	204	197	190	185	171	163	156
OM&A Costs	-	-	-	-	8	12	12	12	13	13	13	13	14	14	14	15	15	15	15	16
Depreciation	7	11	12	12	70	100	100	100	100	100	100	100	100	100	99	99	99	99	99	99
Amortization of BPIII Reserve	-	-	-	-	-	(54)	(54)	(54)	-	-	-	-	-	-	-	-	-	-	-	-
Capital Tax	7	11	17	22	23	23	23	23	22	22	21	21	20	20	19	19	18	18	17	17
	27	46	48	49	234	330	328	323	369	363	357	351	344	338	330	322	317	303	295	287

FINANCING IMPACTS OF THE SUNK COSTS RELATING TO CONAWAPA
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	-	-	11	22	21	21	20	20	19	18	17	16	16	15	14	13	12	11	10	9
Amortization	-	-	8	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13
	-	-	19	36	35	34	34	33	32	31	30	30	29	28	27	26	26	24	23	22

POINTE DU BOIS SPILLWAY
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	14	29	32	32	31	31	31	31	30	30	29	29	28	27	27	26	26	24	23	23
OM&A Costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Depreciation	4	7	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
Capital Tax	3	3	3	3	3	3	3	3	3	2	2	2	2	2	2	2	2	2	2	2
	20	39	42	42	41	41	41	40	40	39	39	38	37	37	36	35	35	33	33	32

DSM
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	11	11	13	16	19	21	23	23	23	22	21	20	18	17	17	16	16	15	15	16
OM&A Costs	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2
Amortization	32	35	38	41	45	51	55	60	63	65	68	67	66	63	60	55	52	50	49	50
Capital Tax	1	1	1	1	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1
	44	49	53	60	66	75	81	86	89	90	91	90	87	83	79	74	71	68	68	69

SUSTAINING CAPITAL
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Finance Expense	17	50	86	120	150	180	215	242	261	286	311	334	362	389	412	433	456	457	472	494
Depreciation	8	25	43	63	81	100	117	134	149	163	179	193	206	222	236	251	264	279	295	309
Capital Tax	5	8	11	13	16	18	20	22	24	26	28	31	33	35	37	39	41	44	46	48
	31	82	140	196	246	298	352	398	434	475	519	558	601	646	686	723	762	780	813	851

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Incremental Revenue Requirement (without Net Extraprovincial Revenues)	281	375	468	556	800	1 052	1 460	1 668	1 738	1 765	1 793	1 814	1 834	1 858	1 874	1 880	1 904	1 872	1 882	1 897
Annual Rate Increase/(Decrease)	19.56%	5.20%	4.98%	4.11%	11.79%	10.66%	15.82%	6.72%	1.78%	0.42%	0.36%	0.12%	0.12%	0.22%	0.00%	-0.38%	0.12%	-1.46%	-0.32%	-0.15%
Cumulative Rate Increase	19.56%	25.78%	32.04%	37.47%	53.68%	70.05%	96.95%	110.19%	113.93%	114.82%	115.59%	115.85%	116.11%	116.59%	116.59%	115.77%	116.04%	112.88%	112.19%	111.88%
Net Extraprovincial Revenues	(150)	(181)	(147)	(142)	(160)	(195)	(459)	(554)	(569)	(588)	(586)	(521)	(528)	(505)	(496)	(491)	(469)	(449)	(427)	(414)
Total Incremental Revenue Requirement (with Net Extraprovincial Revenues)	131	194	321	413	640	857	1 001	1 114	1 169	1 177	1 208	1 292	1 306	1 353	1 378	1 389	1 435	1 424	1 455	1 483
Annual Rate Increase/(Decrease)	9.10%	3.88%	7.64%	4.82%	11.81%	9.86%	6.00%	4.27%	1.73%	-0.02%	0.72%	2.65%	0.08%	1.20%	0.46%	-0.12%	1.04%	-0.87%	0.49%	0.38%
Cumulative Rate Increase	9.10%	13.34%	22.00%	27.87%	42.97%	57.06%	66.49%	73.61%	76.60%	76.58%	77.85%	82.56%	82.70%	84.90%	85.75%	85.53%	87.45%	85.82%	86.74%	87.46%
IFF14 Annual Rate Increase	0.00%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	2.00%	2.00%	2.00%
IFF14 Cumulative Rate Increase	0.00%	3.95%	8.06%	12.32%	16.76%	21.37%	26.17%	31.15%	36.33%	41.72%	47.31%	53.13%	59.18%	65.47%	72.01%	78.80%	85.86%	89.58%	93.37%	97.24%

<u>Financial Information MFR 10</u>

A schedule detailing General Consumer Revenue for 2005 through the test years detailing rate increases granted in similar format to PUB/MH 1-53 (2012 GRA).

Please see the following table for the requested information.

MANITOBA HYDRO
GENERAL CONSUMERS REVENUE

(000's)

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
Residential - Base Rates	$ 373 737	$ 360 363	$ 381 532	$ 397 742	$ 405 896	$ 401 304	$ 411 995	$ 390 436	$ 437 224	$ 457 637	$ 433 366	$ 437 595	$ 443 132
General Service - Base Rates	534 958	555 836	570 078	581 124	583 448	563 954	571 525	584 748	604 273	603 547	607 977	614 178	612 878
Base Rates	908 694	916 198	951 610	978 865	989 345	965 258	983 520	975 183	1 041 497	1 061 184	1 041 343	1 051 772	1 056 010
2004/05 Approved Rate Increase (5.0% August 1, 2004)	30 260	45 810	47 580	48 943	49 467	48 263	49 176	48 759	52 075	53 059	52 067	52 589	52 800
2005/06 Approved Rate Increase (2.25% April 1, 2005)	-	21 645	22 482	23 126	23 373	22 804	23 236	23 039	24 605	25 070	24 602	24 848	24 948
2006/07 Approved Rate Increase (2.25% March 1, 2007)	-		1 941	23 646	23 899	23 317	23 758	23 557	25 159	25 635	25 155	25 407	25 510
2008/09 Approved Rate Increase (5.0% July 1, 2008)	-	-	-	-	40 728	52 982	53 984	53 527	57 167	58 247	57 158	57 731	57 963
2009/10 Approved Rate Increase (2.9% April 1, 2009)	-	-	-	-	-	32 266	32 877	32 598	34 815	35 473	34 809	35 158	35 300
2010/11 Interim Rate Increase (2.9% April 1, 2010)	-	-	-	-	-	-	33 830	33 543	35 824	36 501	35 819	36 178	36 323
2011/12 Approved Rate Increase (2.0% April 1, 2011)	-	-	-	-	-	-	-	23 804	25 423	25 903	25 419	25 674	25 777
2012/13 Approved Rate Increase (2.0% April 1, 2012	-	-	-	-	-	-	-	-	25 931	26 421	25 927	26 187	26 293
2012/13 Approved Rate Increase (2.4% September 1, 2012)									18 515	32 340	31 735	32 053	32 182
2013/14 Approved Rate Increase (3.5% May 1, 2013)										44 293	47 391	47 866	48 059
2014/15 Approved Rate Increase (2.75% May 1, 2014)											35 316	38 925	39 082
Interim & Approved Rate Increases	30 260	67 455	72 003	95 715	137 468	179 633	216 861	238 827	299 514	362 943	395 400	402 615	404 238
2010/11 (1% rate rollback)	-	-	-	-	-	-	-	(22 894)	-	-	-	-	-
Deferred Revenue from 1% rate rollback	-	-	-	-	-	-	-	(22 894)	-	-	-	-	-
Additional General Consumers Revenue (3.95% April 1, 2015)	-	-	-	-	-	-	-	-	-	-		57 377	57 680
Additional General Consumers Revenue (3.95% April 1, 2016)													59 958
Additional General Consumers Revenue	-	-	-	-	-	-	-	-	-	-	-	57 377	117 638
Bipole III Reserve Account	-	-	-	-	-	-	-	-	-	(18 826)	(29 997)	(32 360)	(33 773)
Bipole III Reserve Account	-	-	-	-	-	-	-	-	-	(18 826)	(29 997)	(32 360)	(33 773)
Total General Consumer Revenue	$ 938 954	$ 983 653	$ 1 023 613	$ 1 074 580	$ 1 126 812	$ 1 144 891	$ 1 200 381	$ 1 191 117	$ 1 341 011	$ 1 405 301	$ 1 406 745	$ 1 479 405	$ 1 544 112
Rate increase requested	3.00%	2.50%	2.25%	n/a	2.90%	3.90%	2.90%	2.90%	3.50%	3.50%	3.95%	3.95%	3.95%
Rate increase granted	5.00%	2.25%	2.25%	n/a	5.00%	2.90%	1.90%	2.00%	2.0%/2.4%	3.50%	2.75%	n/a	n/a

MANITOBA HYDRO
EXTRAPROVINCIAL REVENUE

(000's)

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
Extraprovincial Revenue	$ 553 727	$ 826 766	$ 592 245	$ 624 971	$ 622 646	$ 426 641	$ 398 306	$ 363 044	$ 352 633	$ 439 182	$ 408 892	$ 434 157	$ 449 738
Water Rentals and Assessments	(135 456)	(124 841)	(226 212)	(134 887)	(176 383)	(103 973)	(106 169)	(145 632)	(133 292)	(125 517)	(124 469)	(122 847)	(112 167)
Fuel and Power Purchased	(111 521)	(131 020)	(112 497)	(123 767)	(123 000)	(121 033)	(120 163)	(119 301)	(117 864)	(177 113)	(134 189)	(130 432)	(190 933)
Net Extraprovincial Revenue	$ 306 750	$ 570 905	$ 253 536	$ 366 316	$ 323 264	$ 201 635	$ 171 974	$ 98 111	$ 101 477	$ 136 552	$ 150 234	$ 180 878	$ 146 637

Financial Information MFR 11

A schedule detailing the statement of Income (Schedule 5.1.0, 2012 GRA) with five years historical through the forecast test years. The schedule should provide two columns for the compound annual growth rate for the historical period and for the forecast period using the final year historical as a starting period. (On a similar basis as PUB/MH 1-52 (a) (2012 GRA)

Please see the following table for the requested information.

MANITOBA HYDRO
STATEMENT OF INCOME

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	Compounded Annual Growth (2008/09 to 2013/14)
Revenue						
General Consumers	1 144 891	1 200 381	1 192 797	1 341 011	1 424 127	5.6
Bipole III Reserve					(18 826)	
Extraprovincial	426 641	398 306	363 044	352 633	439 182	0.7
Other	6 226	6 438	13 848	29 854	21 758	36.7
Total Revenue	$ 1 577 758	$ 1 605 126	$ 1 569 689	$ 1 723 497	$ 1 866 241	4.3
Expenses						
Operating, Maintenance and Administrative	377 551	396 946	412 035	462 952	480 717	6.2
Finance Expense	373 267	388 043	385 044	452 367	435 402	3.9
Depreciation and Amortization	358 179	364 727	353 376	391 923	410 834	3.5
Water Rentals and Assessments	121 033	120 163	119 300	117 864	125 517	0.9
Fuel and Power Purchased	103 973	106 169	145 632	133 292	177 113	14.2
Capital and Other Taxes	75 819	81 322	82 888	86 399	96 750	6.3
Corporate Allocation	8 035	8 892	8 880	9 074	9 074	3.1
Other Expenses	-	-	1 180	4 750	6 294	
Total Expenses	1 417 857	1 466 262	1 508 334	1 658 621	1 741 700	5.3
Non-controlling Interest**	-	-	-	13 160	22 005	
Net Income	$ 159 901	$ 138 863	$ 61 354	$ 78 037	$ 146 545	(2.2)

	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	Compounded Annual Growth (2013/14 to 2016/17)
Revenue					
General Consumers*	1 424 127	1 436 742	1 511 765	1 577 885	3.5
Bipole III Reserve	(18 826)	(29 997)	(32 360)	(33 773)	
Extraprovincial	439 182	408 892	434 157	449 738	0.8
Other	21 758	15 223	13 870	13 999	(13.7)
Total Revenue	$ 1 866 241	$ 1 830 860	$ 1 927 432	$ 2 007 849	2.5
Expenses					
Operating, Maintenance and Administrative	480 717	485 755	541 740	551 675	4.7
Finance Expense	435 402	494 852	510 423	547 521	7.9
Depreciation and Amortization	410 834	404 590	400 866	422 404	0.9
Water Rentals and Assessments	125 517	124 469	122 847	112 167	(3.7)
Fuel and Power Purchased	177 113	134 189	130 432	190 933	2.5
Capital and Other Taxes	96 750	99 170	107 156	120 534	7.6
Corporate Allocation	9 074	8 659	8 393	8 396	(2.6)
Other Expenses	6 294	2 311	2 355	2 402	(27.5)
Total Expenses	1 741 700	1 753 995	1 824 211	1 956 032	3.9
Non-controlling Interest**	22 005	25 452	12 126	7 580	
Net Income	$ 146 545	$ 102 317	$ 115 347	$ 59 397	(26.0)

*General Consumers Revenue includes rate increases of 3.95% April 1, 2015 and April 1, 2016

**Non-controlling interest represents NCN’s share of the net income/loss from WPLP.

Financial Information MFR 12

A schedule detailing the actual MH Electric Operations financial statements (i.e. Operating Statement, Balance Sheet and Cash Flow Statement) for last five fiscal years in the same format as the IFF, including the actual electric financial ratios. (PUB/MH 1-51 2012 GRA)

ANSWER:

The financial statements and ratios for 2009/10 through 2013/14 are attached.

Electric Operations
Statement of Income

(millions of dollars)

For the year ended March 31:	**2010**	**2011**	**2012**	**2013**	**2014**
Revenues					
General consumers revenue	1 145	1 200	1 193	1 341	1 405
Extraprovincial	427	399	363	352	440
Other	6	6	13	30	22
	1 578	1 605	1 569	1 723	1 867
Cost of Gas sold					
	1 578	1 605	1 569	1 723	1 867
Expenses					
Operating and administrative	378	397	412	463	481
Finance expense	373	388	385	452	435
Depreciation and amortization	358	365	353	392	411
Water rentals and assessments	121	120	119	118	126
Fuel and power purchased	104	106	146	133	177
Capital and other taxes	76	81	83	86	97
Other Expenses	0	0	1	5	6
Corporate allocation	8	9	9	9	9
	1 418	1 466	1 508	1 658	1 742
Net income before non-controlling interest	160	139	61	65	125
Non-controlling interest	0	0	0	13	22
Net Income (Loss)	160	139	61	78	147
Financial Ratios					
Debt Ratio	0.72	0.72	0.74	0.75	0.77
Interest Coverage	1.33	1.26	1.11	1.13	1.25
Capital Coverage	1.28	1.22	1.10	1.26	1.39

Electric Operations
Balance Sheet

(millions of dollars)

As at March 31:	2010	2011	2012	2013	2014
Assets					
Plant in service	12 088	12 350	12 994	15 132	15 506
Accumulated depreciation	4 402	4 534	4 760	5 020	5 266
Net plant in service	7 686	7 816	8 234	10 112	10 240
Construction in progress	2 051	2 738	3 148	1 965	2 939
Current and other assets	2 011	1 627	1 713	1 743	1 663
Goodwill	108	108	108	108	108
	11 856	12 289	13 203	13 928	14 950
Liabilities and Retained Earnings					
Long-term debt	7 931	8 320	8 866	9 034	10 190
Current and other liabilities	1 109	904	1 209	1 693	1 598
Contributions in aid of construction	263	262	285	307	339
Non-controlling interest	62	87	100	95	73
Share capital	0	0	0	0	0
Retained earnings	2 206	2 349	2 416	2 500	2 654
Accumulated other comprehensive income (loss)	285	367	327	299	96
	11 856	12 289	13 203	13 928	14 950

Electric Operations
Statement of Cash Flows

(millions of dollars)

For the year ended March 31:	2010	2011	2012	2013	2014
Operating Activies					
Cash receipts from customers	1 604	1 626	1 610	1 721	1 880
Cash paid to suppliers and employees	(655)	(705)	(729)	(742)	(799)
Interest paid	(455)	(402)	(398)	(469)	(492)
Interest received	34	31	35	44	72
	528	550	518	554	661
Financing Activities					
Proceeds from long-term debt	1 425	915	698	807	1 320
Sinking fund withdrawals	263	646	23	192	415
Retirement of long-term debt	(452)	(723)	(25)	(302)	(623)
Other	(89)	(158)	35	(71)	(29)
	1 147	680	731	626	1 083
Investing Activities					
Property, plant & equipment, net of contributions	(1 043)	(1 139)	(1 093)	(1 003)	(1 348)
Sinking fund payment	(537)	(119)	(98)	(107)	(197)
Other	(80)	(76)	(78)	(88)	(89)
	(1 660)	(1 334)	(1 269)	(1 198)	(1 634)
Net increase (decrease) in cash	15	(104)	(20)	(18)	110
Cash at beginning of year	159	174	70	50	32
Cash at end of year	174	70	50	32	142

Export & Domestic Revenues MFR 1

File average unit revenue/cost calculation for 20 year IFF13 & IFF14 adding actual results for 2008/09, 2009/10, 2010/11, 2011/12, 2012/13 & 2013/14

Please see the following tables for the requested information.

ACTUAL AVERAGE PRICE CALCULATION

VOLUMES (in GW.h)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Firm Export Sales to Canada	0	0	0	0	0	0
Opportunity Export Sales to Canada	417	373	905	887	760	722
Total Export Sales to Canada	**417**	**373**	**905**	**887**	**760**	**722**
Firm Export Sales to USA	4087	3263	3377	3742	3636	3479
Opportunity Export Sales to USA	5622	7224	6062	5615	4691	6336
Total Export Sales to USA	**9709**	**10487**	**9439**	**9357**	**8327**	**9815**
Purchased Energy	**981**	**1320**	**1154**	**1634**	**1583**	**1823**
REVENUE/COST (in millions of dollars)						
Firm Export Revenues to Canada	0.000	0.000	0.000	0.000	0.000	0.000
Opportunity Export Revenues to Canada	45.389	40.971	35.728	34.416	33.475	20.352
Total Export Revenues to Canada	**45.389**	**40.971**	**35.728**	**34.416**	**33.475**	**20.352**
Firm Export Revenues to USA	233.457	185.966	172.362	174.870	177.049	181.674
Opportunity Export Revenues to USA	236.298	155.346	145.276	117.455	112.744	182.353
Total Export Revenues to USA	**469.755**	**341.312**	**317.638**	**292.325**	**289.793**	**364.027**
Total Export Sales to USA (includes net Trans & Enviro charges)	**491.283**	**324.289**	**296.831**	**270.903**	**265.331**	**339.392**
Total Import Energy	**56.309**	**32.074**	**34.676**	**78.079**	**70.897**	**98.031**
AVERAGE PRICE ($/MW.h))						
Firm Export Sales to Canada	0	0.00	0.00	0.00	0.00	0.00
Opportunity Export Sales to Canada	49.46	33.99	27.76	29.65	36.70	40.11
Total Export Sales to Canada	**49.46**	**33.99**	**27.76**	**29.65**	**36.70**	**40.11**
Firm Export Sales to USA	57.12	56.99	51.09	46.79	48.69	52.22
Opportunity Export Sales to USA	43.24	22.28	24.44	21.13	23.55	27.63
Total Export Sales to USA	**48.83**	**32.95**	**33.71**	**31.23**	**34.48**	**36.46**
Total Export Sales	**48.85**	**32.99**	**33.31**	**31.10**	**34.64**	**36.71**
Import Energy Including Wind	**50.75**	**31.58**	**36.71**	**47.33**	**51.98**	**58.92**

AVERAGE UNIT REVENUE/COST CALCULATION IFF14

	FORECAST ->																			
VOLUMES (in GW.h)	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
Demand:																				
Manitoba Domestic Energy Sales	22214	22458	22458	22881	23009	23250	23318	23458	23664	23868	24099	24336	24572	24807	25041	25325	25617	25917	26226	26546
Domestic energy Losses	3108	3297	3264	3302	2987	3013	2982	2919	2947	2976	3007	3040	3072	3107	3140	3178	3219	3260	3302	3345
Firm & Opportunity Export Sales to Canada	851	481	860	833	856	870	753	744	602	583	565	489	471	513	502	491	519	513	495	485
Firm & Opportunity Export Sales to US	9184	8596	6444	6192	6143	6289	9464	10232	10207	10017	9789	9462	9410	8960	8780	8559	8200	7870	7501	7258
Net Transmission Losses	958	933	665	632	630	648	927	991	970	949	919	884	877	840	819	793	764	727	692	664
Total Demand Volumes:	**36315**	**35764**	**33691**	**33841**	**33624**	**34071**	**37444**	**38345**	**38389**	**38394**	**38379**	**38211**	**38401**	**38227**	**38281**	**38347**	**38319**	**38287**	**38217**	**38297**
Supply:																				
MH Hydraulic Generation	35116	34418	31084	31129	30907	31456	34535	35275	35251	35253	35138	35078	35243	35141	35144	35146	35224	35125	35133	35157
MH Thermal Generation	101	121	326	349	350	298	151	142	147	140	148	148	155	122	118	120	108	107	106	108
Purchased Energy	1098	1226	2281	2363	2367	2316	2758	2927	2991	3000	3094	2984	3004	2964	3019	3082	2987	3056	2979	3031
Total Supply Volumes:	**36315**	**35764**	**33691**	**33841**	**33624**	**34071**	**37444**	**38345**	**38389**	**38393**	**38379**	**38211**	**38401**	**38227**	**38281**	**38347**	**38319**	**38287**	**38217**	**38297**

REVENUE/COST (in milions of dollars)	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
Total Manitoba Domestic Energy Sales:																				
Manitoba Domestic Energy Sales @ Approved Rates	1 436.742	1 454.388	1 460.247	1 482.604	1 490.283	1 501.465	1 505.896	1 513.421	1 525.486	1 537.543	1 551.384	1 565.461	1 579.532	1 593.283	1 607.122	1 623.939	1 641.157	1 658.777	1 677.031	1 695.791
Additional Domestic Revenue	0.000	57.448	117.638	182.720	249.787	320.910	394.053	471.445	554.231	641.409	734.027	831.780	934.799	1 043.117	1 157.220	1 279.663	1 409.139	1 485.929	1 565.867	1 648.967
Manitoba Domestic Sales	**1 436.742**	**1 511.836**	**1 577.885**	**1 665.324**	**1 740.070**	**1 822.375**	**1 899.949**	**1 984.866**	**2 079.717**	**2 178.952**	**2 285.411**	**2 397.241**	**2 514.331**	**2 636.400**	**2 764.342**	**2 903.602**	**3 050.296**	**3 144.706**	**3 242.898**	**3 344.758**
Extraprovincial Revenue:																				
Total Export Sales to Canada	28.748	16.104	43.626	43.531	47.304	51.022	46.615	48.502	36.226	37.180	37.246	32.888	32.290	37.764	37.507	37.947	41.842	42.826	42.202	42.644
Total Export Sales to USA	343.003	380.033	379.506	386.312	403.741	435.497	741.684	866.129	892.952	920.218	928.219	864.490	879.933	851.215	849.642	855.646	835.028	823.503	805.418	804.815
Other Non-Energy Related Revenues	19.698	15.880	2.765	2.820	2.876	2.934	2.990	3.046	3.104	3.163	3.223	3.285	3.347	3.411	3.475	3.542	3.609	3.677	3.747	3.818
Transmission Credits	17.443	22.140	23.841	24.294	24.755	24.824	25.296	25.776	26.266	26.765	27.274	27.792	28.320	28.858	29.406	29.965	30.534	31.114	31.706	32.308
Extraprovincial Revenue	**408.892**	**434.157**	**449.738**	**456.958**	**478.677**	**514.277**	**816.584**	**943.454**	**958.548**	**987.327**	**995.962**	**928.454**	**943.890**	**921.247**	**920.031**	**927.099**	**911.013**	**901.120**	**883.073**	**883.586**
Water Rentals & Assessments:																				
MH Water Rentals	117.417	115.049	103.902	104.051	103.310	105.144	115.437	117.912	117.830	117.838	117.451	117.252	117.802	117.462	117.474	117.479	117.738	117.408	117.434	117.516
Assessments	4.934	5.683	6.165	6.329	6.499	6.567	6.742	6.923	7.108	7.300	7.496	7.696	7.903	8.115	8.334	8.558	8.789	9.026	9.269	9.521
Other Costs	2.118	2.115	2.100	2.118	2.137	2.154	2.172	2.190	6.870	7.330	7.595	7.458	7.654	7.858	8.033	8.362	8.715	8.991	9.368	9.765
Water Rentals & Assessments:	**124.469**	**122.847**	**112.167**	**112.499**	**111.946**	**113.866**	**124.351**	**127.024**	**131.808**	**132.467**	**132.541**	**132.407**	**133.359**	**133.435**	**133.841**	**134.399**	**135.243**	**135.425**	**136.071**	**136.802**
Fuel & Power Purchased:																				
MH Thermal Generation	6.179	6.582	19.875	22.437	23.634	21.194	12.914	12.716	13.672	13.493	14.642	15.258	16.653	13.745	13.878	14.658	13.923	14.300	14.763	15.729
Purchased Energy	70.910	73.771	114.268	120.552	123.099	123.490	140.962	153.485	159.405	168.054	176.726	171.822	177.022	179.097	185.295	194.239	194.241	202.792	204.118	214.221
Other Non-Energy related Costs	14.142	12.663	8.777	9.148	9.453	9.568	12.076	29.249	16.313	16.730	17.215	17.686	18.198	18.556	19.048	19.579	20.064	20.610	21.174	21.773
Transmission Charges	42.958	37.416	48.013	50.034	50.985	51.131	67.564	67.344	67.969	68.612	69.275	70.213	70.914	71.636	72.378	73.141	78.423	79.229	80.057	80.908
Fuel & Power Purchased	**134.189**	**130.432**	**190.933**	**202.172**	**207.171**	**205.383**	**233.516**	**262.795**	**257.359**	**266.890**	**277.858**	**274.979**	**282.786**	**283.033**	**290.599**	**301.616**	**306.651**	**316.932**	**320.113**	**332.631**

AVERAGE UNIT REVENUE/COST ($/MW.h))	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**
Manitoba Domestic Energy Sales @ Approved Rates	$ 64.68	$ 64.76	$ 65.02	$ 64.80	$ 64.77	$ 64.58	$ 64.58	$ 64.52	$ 64.47	$ 64.42	$ 64.38	$ 64.33	$ 64.28	$ 64.23	$ 64.18	$ 64.12	$ 64.07	$ 64.00	$ 63.94	$ 63.88
Additional Domestic Revenue	-	2.56	5.24	7.99	10.86	13.80	16.90	20.10	23.42	26.87	30.46	34.18	38.04	42.05	46.21	50.53	55.01	57.33	59.71	62.12
Total Manitoba Domestic Energy Sales @ meter	64.68	67.32	70.26	72.78	75.62	78.38	81.48	84.61	87.89	91.29	94.83	98.51	102.32	106.28	110.39	114.65	119.07	121.34	123.65	126.00
Total Export Sales to Canada	35.86	41.32	56.73	58.67	61.85	65.44	70.39	74.22	70.89	75.53	78.53	82.67	85.02	89.47	91.24	94.72	97.80	101.37	104.39	108.31
Total Export Sales to USA (includes Net Trans Credits)	34.57	42.44	55.14	58.23	61.46	65.06	73.90	80.58	83.40	87.68	90.53	86.88	88.98	90.23	91.87	94.92	96.00	98.52	100.92	104.20
Total Export Sales	34.67	42.39	55.31	58.28	61.50	65.11	73.67	80.20	82.80	87.12	89.98	86.71	88.83	90.19	91.84	94.91	96.09	98.66	101.10	104.41
MH Hydraulic Generation (Water Rentals)	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34
MH Thermal Generation	61.39	54.56	61.03	64.31	67.54	71.04	85.53	89.55	92.72	96.07	99.18	103.09	107.44	112.66	117.70	122.43	129.03	134.10	139.75	145.03
Purchased Energy (Including Assessments)	69.06	64.81	52.79	53.70	54.76	56.15	53.55	54.80	55.67	58.46	59.54	60.15	61.57	63.15	64.14	65.81	67.96	69.31	71.64	73.81

AVERAGE UNIT REVENUE/COST CALCULATION IFF13

VOLUMES (in GW.h)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Demand:																				
Manitoba Domestic Energy Sales	21994	22305	22557	22783	22988	23292	23603	23912	24236	24560	24893	25235	25576	25910	26243	26616	26986	27351	27709	28067
Domestic energy Losses	3198	3237	3122	3140	2831	2874	2901	2900	2929	2994	3045	3115	3184	3222	3342	3381	3448	3489	3544	3595
Firm & Opportunity Export Sales to Canada	690	765	580	586	597	588	583	448	449	444	448	427	435	402	587	780	761	779	771	760
Firm & Opportunity Export Sales to US	9998	8921	6583	6437	6600	6192	6315	9210	9831	9663	9286	8855	8374	9807	12273	12947	12555	12266	12044	11720
Net Transmission Losses	925	913	648	628	640	593	606	868	920	901	861	807	761	926	1206	1277	1233	1210	1183	1147
Total Demand Volumes:	**36806**	**36140**	**33490**	**33574**	**33656**	**33538**	**34007**	**37338**	**38365**	**38561**	**38532**	**38439**	**38330**	**40267**	**43652**	**45001**	**44983**	**45096**	**45251**	**45289**
Supply:																				
MH Hydraulic Generation	35143	34321	30910	30875	30854	30612	31146	34298	35124	35265	35208	34905	34852	37263	40974	42011	41934	42142	42213	42210
MH Thermal Generation	114	132	348	350	357	372	333	230	233	238	229	256	228	249	223	229	229	210	213	210
Purchased Energy	1548	1687	2232	2348	2444	2555	2529	2810	3008	3059	3095	3278	3250	2755	2456	2761	2820	2744	2825	2869
Total Supply Volumes:	**36805**	**36140**	**33490**	**33574**	**33656**	**33538**	**34007**	**37338**	**38365**	**38561**	**38532**	**38439**	**38330**	**40267**	**43652**	**45001**	**44983**	**45096**	**45251**	**45289**

REVENUE/COST (in milions of dollars)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Total Manitoba Domestic Energy Sales:																				
Manitoba Domestic Energy Sales @ Approved Rates	1 396.088	1 407.672	1 423.207	1 438.093	1 452.299	1 470.697	1 489.539	1 508.397	1 527.644	1 547.533	1 567.628	1 588.388	1 609.069	1 629.119	1 649.283	1 671.588	1 693.740	1 715.486	1 736.903	1 758.320
Additional Domestic Revenue	0.000	55.603	114.654	177.234	243.420	314.334	389.773	469.880	555.015	645.577	741.712	843.962	952.279	1 066.579	1 187.578	1 317.211	1 454.288	1 598.904	1 751.418	1 912.502
Manitoba Domestic Sales	**1 396.088**	**1 463.275**	**1 537.861**	**1 615.327**	**1 695.719**	**1 785.031**	**1 879.312**	**1 978.277**	**2 082.659**	**2 193.110**	**2 309.340**	**2 432.350**	**2 561.348**	**2 695.698**	**2 836.861**	**2 988.799**	**3 148.028**	**3 314.390**	**3 488.321**	**3 670.822**
Extraprovincial Revenue:																				
Total Export Sales to Canada	24.182	23.524	19.281	22.107	25.464	27.799	29.371	22.785	24.158	24.914	26.918	26.325	28.023	25.746	40.709	57.274	58.127	62.156	63.938	65.628
Total Export Sales to USA	350.452	329.129	320.587	345.425	392.816	396.894	430.767	712.902	812.871	829.979	828.623	814.539	740.286	923.100	1 168.842	1 258.488	1 254.391	1 249.818	1 264.261	1 263.869
Other Non-Energy Related Revenues	15.587	11.423	2.416	2.461	2.550	2.599	2.648	2.698	2.750	2.802	2.855	2.909	2.965	3.021	3.078	3.137	3.196	3.257	3.319	3.382
Transmission Credits	18.206	18.834	19.290	19.754	20.568	21.000	21.399	21.805	22.220	22.642	23.072	23.510	23.957	24.412	24.876	25.349	25.830	26.321	26.821	27.331
Extraprovincial Revenue	**408.426**	**382.910**	**361.574**	**389.747**	**441.398**	**448.292**	**484.185**	**760.191**	**861.999**	**880.336**	**881.468**	**867.284**	**795.231**	**976.280**	**1 237.506**	**1 344.248**	**1 341.544**	**1 341.552**	**1 358.339**	**1 360.210**
Water Rentals & Assessments:																				
MH Water Rentals	117.480	114.725	103.321	103.204	103.132	102.323	104.108	114.646	117.407	117.875	117.687	116.672	116.496	124.556	136.958	140.427	140.168	140.862	141.100	141.092
Assessments	5.207	5.543	5.721	5.900	6.188	6.365	6.535	6.708	6.886	7.069	7.258	7.451	7.649	7.853	8.063	8.278	8.499	8.727	8.960	9.200
Other Costs	2.213	2.266	2.239	2.258	2.277	2.297	2.317	2.338	2.359	2.380	2.402	2.425	2.447	2.470	2.494	2.518	2.543	2.568	2.593	2.619
Water Rentals & Assessments:	**124.900**	**122.534**	**111.281**	**111.362**	**111.598**	**110.985**	**112.960**	**123.691**	**126.652**	**127.325**	**127.347**	**126.548**	**126.592**	**134.880**	**147.515**	**151.224**	**151.210**	**152.157**	**152.653**	**152.911**
Fuel & Power Purchased:																				
MH Thermal Generation	6.495	8.221	21.990	23.134	25.270	27.652	26.887	21.095	22.250	23.527	23.565	27.130	25.545	28.939	27.230	29.230	30.467	29.450	31.036	31.789
Purchased Energy	81.197	82.788	103.001	110.745	119.348	126.894	129.239	140.533	154.137	161.424	171.888	184.913	183.786	165.823	154.233	172.355	180.289	179.185	189.121	197.346
Other Non-Energy related Costs	11.353	8.768	6.804	7.045	7.304	7.560	7.822	8.951	9.402	9.690	9.987	10.294	10.610	10.937	11.273	11.620	11.978	12.347	12.728	13.121
Transmission Charges	45.311	42.530	41.717	47.648	50.630	51.692	52.674	79.572	78.916	78.419	78.065	77.843	77.741	77.726	77.768	77.866	78.020	78.230	78.495	78.814
Fuel & Power Purchased	**144.355**	**142.306**	**173.511**	**188.572**	**202.552**	**213.798**	**216.622**	**250.151**	**264.704**	**273.060**	**283.506**	**300.180**	**297.682**	**283.425**	**270.504**	**291.071**	**300.754**	**299.212**	**311.379**	**321.069**

AVERAGE UNIT REVENUE/COST ($/MW.h))	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Manitoba Domestic Energy Sales @ Approved Rates	$ 63.48	$ 63.11	$ 63.09	$ 63.12	$ 63.18	$ 63.14	$ 63.11	$ 63.08	$ 63.03	$ 63.01	$ 62.98	$ 62.94	$ 62.91	$ 62.88	$ 62.85	$ 62.80	$ 62.76	$ 62.72	$ 62.68	$ 62.65
Additional Domestic Revenue	-	2.49	5.08	7.78	10.59	13.50	16.51	19.65	22.90	26.29	29.80	33.44	37.23	41.16	45.25	49.49	53.89	58.46	63.21	68.14
Total Manitoba Domestic Energy Sales @ meter	63.48	65.60	68.18	70.90	73.77	76.64	79.62	82.73	85.93	89.30	92.77	96.39	100.15	104.04	108.10	112.29	116.65	121.18	125.89	130.79
Total Export Sales to Canada	35.87	34.97	39.38	44.63	50.28	55.95	59.63	63.79	67.41	70.47	75.44	78.24	81.51	82.83	82.00	83.12	86.75	90.38	94.03	98.08
Total Export Sales to USA (includes Net Trans Credits)	32.34	34.24	45.29	49.33	54.97	59.14	63.26	71.13	76.92	80.12	83.31	85.85	81.98	88.69	90.92	93.15	95.76	97.66	100.68	103.45
Total Export Sales	32.56	34.29	44.88	49.00	54.63	58.91	63.00	70.86	76.59	79.78	83.02	85.58	81.97	88.51	90.58	92.64	95.30	97.27	100.32	103.16
MH Hydraulic Generation (Water Rentals)	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34	$ 3.34
MH Thermal Generation	56.84	62.18	63.19	66.13	70.71	74.37	80.85	91.64	95.49	99.00	102.86	105.98	112.22	116.31	122.26	127.54	132.83	139.93	145.46	151.44
Purchased Energy (Including Assessments)	55.83	52.36	48.71	49.67	51.35	52.16	53.69	52.40	53.53	55.08	57.88	58.68	58.90	63.03	66.09	65.43	66.95	68.49	70.11	72.00

Export and Domestic Revenue MFR 3 (Revised)

Re-file Dec 2013 Revised PUB/MH 1-009 (NFAT) updated to end of 2014

- **Monthly NEB data on firm/interruptible by export permit number plus imports**
- **Separately summarizes summer and winter components for each year**

Please see the tables below.

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Apr-08	144	17,554	1,331,013	7.6						
	155	21,063	1,081,235	5.1						
	224	175,438	9,140,552	5.2						
	259	523	33,718	6.4						
	269				674,057	38,710,758	5.7			
								498	56,930	11.4
May-08	35	81,724	3,401,427	4.2						
	144	17,600	1,282,846	7.3						
	155	21,120	1,087,816	5.2						
	224	175,500	9,220,917	5.3						
	259	396	28,906	7.3						
	269				699,599	31,370,396	4.5			
								500	47,713	9.5
Jun-08	33	19,490	697,220	3.6						
	34	14,617	522,897	3.6						
	35	73,902	3,379,308	4.6						
	144	16,407	1,233,972	7.5						
	155	19,866	1,068,185	5.4						
	224	162,001	8,977,792	5.5						
	259	475	31,630	6.7						
	269				494,860	24,520,507	5.0			
								4,897	744,598	15.2
Jul-08	33	70,400	2,535,990	3.6						
	34	52,800	1,901,992	3.6						
	35	96,900	5,633,561	5.8						
	144	18,380	1,375,994	7.5						
	155	22,055	1,157,066	5.2						
	224	183,686	9,799,722	5.3						
	259	366	28,736	7.9						
	269				799,886	37,260,178	4.7			
								1,106	134,304	12.1
Aug-08	33	67,200	2,507,804	3.7						
	34	50,400	1,880,853	3.7						
	35	108,900	4,898,303	4.5						
	144	16,788	1,314,433	7.8						
	155	20,160	1,125,657	5.6						
	224	168,000	9,583,228	5.7						
	259	383	29,647	7.7						
	269				859,734	34,817,392	4.0			
								2,356	254,097	10.8

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Sep-08	33	19,210	705,067	3.7						
	34	14,407	536,282	3.7						
	35	106,950	3,584,400	3.4						
	144	17,428	1,354,954	7.8						
	155	21,120	1,159,702	5.5						
	224	173,640	9,762,961	5.6						
	259	357	28,666	8.0						
	269				795,097	23,433,570	2.9			
								492	52,767	10.7
Oct-08	35	111,600	4,153,724	3.7						
	144	18,400	1,633,552	8.9						
	155	22,080	1,373,405	6.2						
	224	184,000	11,635,701	6.3						
	259	384	29,688	7.7						
	269				694,487	24,144,820	3.5			
								1,199	82,222	6.9
Nov-08	144	15,994	1,465,977	9.2						
	155	19,200	1,265,540	6.6						
	224	160,000	10,819,982	6.8						
	259	642	39,378	6.1						
	269				614,926	24,241,549	3.9			
								300	8,925	3.0
Dec-08	144	18,381	1,642,812	8.9						
	155	22,080	1,382,550	6.3						
	224	158,320	10,639,551	6.7						
	259	854	52,411	6.1						
	269				197,415	13,641,499	6.9			
								48,883	1,682,653	3.4
Jan-09	144	17,600	1,595,364	9.1						
	155	21,117	1,352,687	6.4						
	224	161,779	10,888,078	6.7						
	259	1,192	68,796	5.8						
	269				123,830	7,442,112	6.0			
								61,915	2,559,045	4.1
Feb-09	144	16,000	1,506,201	9.4						
	155	19,200	1,301,862	6.8						
	224	156,110	10,944,203	7.0						
	259	833	50,946	6.1						
	269				173,600	8,571,553	4.9			
								6,749	344,517	5.1
Mar-09	144	17,568	1,623,272	9.2						
	155	21,120	1,378,863	6.5						
	224	172,308	11,550,659	6.7						
	259	833	50,946	6.1						
	269				194,748	8,194,807	4.2			
								19,095	719,180	3.8

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Apr-09	144	17,541	1,536,031	8.8						
	155	21,049	1,303,354	6.2						
	224	175,418	11,070,661	6.3						
	259	639	40,227	6.3						
	269				466,954	11,164,381	2.4			
								500	61,317	12.3
May-09	33	47,217	629,505	1.3						
	34	35,430	469,493	1.3						
	35	52,174	1,046,940	2.0						
	144	16,588	1,445,711	8.7						
	155	9,928	587,038	5.9						
	224	287,476	11,604,608	4.0						
	259	481	35,977	7.5						
	269				448,634	10,411,481	2.3			
								813	33,550	4.1
Jun-09	33	86,711	2,357,030	2.7						
	34	6,588	1,805,106	27.4						
	35	7,200	308,462	4.3						
	144	17,600	1,617,138	9.2						
	155	16,078	758,261	4.7						
	224	303,767	13,019,826	4.3						
	259	461	35,204	7.6						
	269				434,693	11,286,387	2.6			
								1,851	32,292	1.7
Jul-09	33	119,319	2,928,700	2.5						
	34	89,632	2,197,587	2.5						
	35	2,250	58,679	2.6						
	144	18,400	1,562,504	8.5						
	155	14,731	680,137	4.6						
	224	358,969	12,602,626	3.5						
	259	394	32,545	8.3						
	269				521,232	10,303,089	2.0			
								1,851	160,870	8.7
Aug-09	33	132,126	3,214,448	2.4						
	34	9,063	2,410,700	26.6						
	35	1,650	43,737	2.7						
	144	16,800	1,463,074	8.7						
	155	13,800	653,061	4.7						
	224	362,391	12,705,102	3.5						
	259	425	33,766	7.9						
	269				512,427	11,298,361	2.2			
								495	34,035	6.9
Sep-09	33	28,367	961,127	3.4						
	34	21,352	724,358	3.4						
	144	16,888	1,437,114	8.5						
	155	15,644	682,116	4.4						
	224	176,859	9,980,692	5.6						
	259	320	29,621	9.3						
	269				721,192	13,904,731	1.9			
								437	41,672	9.5

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Oct-09	35	77,706	2,358,613	3.0						
	144	17,358	1,480,174	8.5						
	155	10,416	596,508	5.7						
	224	173,876	10,162,359	5.8						
	269				866,924	20,512,094	2.4			
	345	527	37,820	7.2						
								0	0	0.0
Nov-09	144	16,800	1,410,645	8.4						
	155	10,080	572,268	5.7						
	224	168,000	9,756,683	5.8						
	269				652,817	15,208,111	2.3			
	345	503	36,853	7.3						
								12,766	291,376	2.3
Dec-09	144	18,337	1,510,887	8.2						
	155	11,002	602,185	5.5						
	224	178,620	10,045,274	5.6						
	269				180,369	7,233,228	4.0			
	345	785	50,708	6.5						
								96,983	2,446,474	2.5
Jan-10	144	16,800	1,420,784	8.5						
	155	10,080	576,381	5.7						
	224	157,869	9,449,930	6.0						
	269				294,690	12,031,863	4.1			
	345	1,004	61,779	6.2						
								78,020	1,928,233	2.5
Feb-10	144	1,600	1,344,224	84.0						
	155	9,600	550,946	5.7						
	224	159,086	9,384,649	5.9						
	269				238,998	9,492,286	4.0			
	345	948	58,242	6.1						
								43,325	1,060,605	2.4
Mar-10	144	18,389	1,469,898	8.0						
	155	11,033	585,515	5.3						
	224	183,900	9,935,043	5.4						
	269				496,047	14,153,374	2.9			
	345	684	46,670	6.8						
								1,107	15,147	1.4
Apr-10	144	17,111	1,371,751	8.0						
	155	10,308	556,029	5.4						
	224	171,379	9,453,481	5.5						
	269				502,793	11,922,854	2.4			
	345	455	34,287	7.5						
								1,175	19,334	1.6
May-10	35	53,700	1,874,870	3.5						
	155	10,080	573,486	5.7						
	224	167,000	9,737,141	5.8						
	269				194,547	7,894,406	4.1			
	345	357	25,898	7.3						
								122,179	2,634,286	2.2

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Jun-10	33	37,900	1,460,750	3.9						
	34	28,495	1,098,260	3.9						
	35	82,651	2,570,108	3.1						
	155	10,560	599,904	5.7						
	224	171,412	10,026,035	5.8						
	269				461,086	13,150,740	2.9			
	273	4	515	12.9						
	345	356	25,910	7.3						
								5,241	60,258	1.1
Jul-10	33	56,900	2,127,711	3.7						
	34	42,672	1,595,671	3.7						
	35	106,253	3,410,437	3.2						
	155	10,511	580,139	5.5						
	224	175,324	9,869,728	5.6						
	269				738,392	19,473,860	2.6			
	345	424	28,688	6.8						
								3,755	218,864	5.8
Aug-10	33	55,590	2,149,228	3.9						
	34	41,765	1,614,724	3.9						
	35	110,249	3,928,184	3.6						
	155	10,403	595,507	5.7						
	224	173,783	10,146,551	5.8						
	269				748,854	22,321,983	3.0			
	345	374	25,689	6.9						
								1,660	56,302	3.4
Sep-10	33	25,000	935,573	3.7						
	34	18,600	696,067	3.7						
	35	97,125	2,254,630	2.3						
	155	21,600	801,336	3.7						
	224	175,000	9,865,613	5.6						
	269				656,585	13,486,571	2.1			
	345	395	28,650	7.3						
								1,654	56,879	3.4
Oct-10	33	639	23,658	3.7						
	34	484	17,919	3.7						
	35	107,046	2,616,994	2.4						
	155	10,069	557,502	5.5						
	224	167,819	9,501,757	5.7						
	269				788,954	18,110,622	2.3			
	345	389	27,656	7.1						
								2,192	100,023	4.6
Nov-10	33									
	34									
	35									
	155	10,560	580,559	5.5						
	224	167,297	9,553,709	5.7						
	269									
	345	545	37,269	6.8						
	355				547,247	12,127,472	2.2			
								10,623	554,475	5.2

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Dec-10	155	11,040	580,475	5.3						
	224	153,546	8,774,516	5.7						
	345	786	51,282	6.5						
	355				303,045	8,939,053	2.9			
								25,018	682,532	2.7
Jan-11	155	10,080	548,832	5.4						
	224	112,447	7,386,342	6.6						
	345	1,191	71,423	6.0						
	352	8	915	11.4						
	355				245,554	7,812,197	3.2			
								24,152	721,794	3.0
Feb-11	155	9,596	515,658	5.4						
	224	121,398	7,485,752	6.2						
	345	936	60,466	6.5						
	355				330,931	7,867,230	2.4			
								7,413	203,037	2.7
Mar-11	155	11,032	566,877	5.1						
	224	167,830	9,063,793	5.4						
	345	858	57,603	6.7						
	355				502,988	11,600,765	2.3			
								6,029	189,946	3.2
Apr-11	155	15,572	606,291	3.9						
	224	164,230	8,726,760	5.3						
	345	579	39,945	6.9						
	355				618,224	14,188,453	2.3			
								3,256	109,433	3.4
May-11	35	42,777	792,209	1.9						
	155	16,324	648,972	4.0						
	224	173,679	9,311,462	5.4						
	345	368	28,018	7.6						
	355				797,049	15,842,119	2.0			
								5,182	(1,351)	0.0
Jun-11	33	41,459	1,464,428	3.5						
	34	31,095	1,098,347	3.5						
	35	107,501	2,191,176	2.0						
	155	15,915	636,843	4.0						
	224	174,716	9,303,831	5.3						
	345	363	26,742	7.4						
	352	4	598	15.0						
	355				646,648	12,969,331	2.0			
								8,705	393,106	4.5
Jul-11	33	50,289	1,756,982	3.5						
	34	37,717	1,317,745	3.5						
	35	111,478	3,815,718	3.4						
	155	10,055	528,715	5.3						
	224	164,093	8,878,007	5.4						
	345	429	29,265	6.8						
	355				875,740	24,180,464	2.8			
								639	71,427	11.2

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Aug-11	33	51,800	1,856,449	3.6						
	34	38,850	1,392,337	3.6						
	35	110,100	3,291,117	3.0						
	155	11,040	576,490	5.2						
	224	180,211	9,631,375	5.3						
	345	362	25,789	7.1						
	355				793,003	19,359,907	2.4			
								1,264	132,285	10.5
Sep-11	33	30,775	1,171,140	3.8						
	34	23,090	878,688	3.8						
	35	98,726	2,285,351	2.3						
	155	15,629	675,726	4.3						
	224	164,376	9,640,954	5.9						
	345	383	27,659	7.2						
	355				486,600	10,262,974	2.1			
								9,098	199,844	2.2
Oct-11	35	108,181	2,373,741	2.2						
	155	13,777	603,480	4.4						
	224	166,825	9,306,310	5.6						
	345	347	28,276	8.1						
	355				510,915	9,244,684	1.8			
								3,209	77,832	2.4
Nov-11	35	91,504	2,321,519	2.5						
	155	10,417	585,995	5.6						
	224	163,189	9,575,319	5.9						
	345	494	35,603	7.2						
	355				298,541	7,194,432	2.4			
								23,347	491,168	2.1
Dec-11	35	73,016	2,086,927	2.9						
	155	10,560	580,752	5.5						
	224	119,976	7,829,309	6.5						
	345	684	46,526	6.8						
	352	6	813	13.6						
	355				159,283	4,441,916	2.8			
								45,055	1,041,320	2.3
Jan-12	35	70,101	1,685,321	2.4						
	155	10,560	574,013	5.4						
	224	112,150	7,458,255	6.7						
	345	966	62,509	6.5						
	355				178,927	4,636,174	2.6			
								45,241	716,312	1.6
Feb-12	35	68,150	1,666,184	2.4						
	155	10,080	545,463	5.4						
	224	147,786	8,572,594	5.8						
	345	826	55,996	6.8						
	355				93,295	3,015,205	3.2			
								95,568	1,766,968	1.8

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Mar-12	35	68,747	1,455,483	2.1						
	155	10,514	568,790	5.4						
	224	172,839	9,572,792	5.5						
	345	651	45,895	7.0						
	355				230,778	5,366,606	2.3			
								75,530	1,022,020	1.4
Apr-12	35	55,841	1,221,903	2.2						
	155	9,315	517,831	5.6						
	224	156,012	8,877,846	5.7						
	345	453	32,264	7.1						
	355				236,123	5,873,395	2.5			
								52,158	531,110	1.0
May-12	35	76,063	2,221,192	2.9						
	224	184,000	10,579,446	5.7						
	345	341	27,081	7.9						
	355				464,857	13,582,975	2.9			
								31,231	768,543	2.5
Jun-12	33	40,012	1,529,924	3.8						
	34	30,006	1,147,328	3.8						
	35	86,734	2,207,808	2.5						
	224	165,407	9,726,511	5.9						
	345	376	28,743	7.6						
	352	4	603	15.1						
	355				535,127	11,377,035	2.1			
								25,972	593,308	2.3
Jul-12	33	52,764	1,982,477	3.8						
	34	39,572	1,486,820	3.8						
	35	105,142	3,420,647	3.3						
	224	171,959	9,802,259	5.7						
	345	455	31,292	6.9						
	355				837,601	21,851,425	2.6			
								1,076	155,753	14.5
Aug-12	33	54,842	2,029,482	3.7						
	34	41,127	1,521,945	3.7						
	35	110,079	2,538,456	2.3						
	224	182,292	10,030,869	5.5						
	345	356	25,882	7.3						
	355				861,775	16,724,262	1.9			
								965	131,401	13.6
Sep-12	33	25,700	948,547	3.7						
	34	19,276	711,447	3.7						
	35	106,275	2,112,887	2.0						
	224	159,207	9,166,095	5.8						
	345	373	28,105	7.5						
	355				721,490	13,980,585	1.9			
								1,054	5,994	0.6

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Oct-12	35	83,081	2,206,126	2.7						
	224	182,081	10,148,590	5.6						
	345	440	38,755	8.8						
	355				344,967	10,007,508	2.9			
								14,646	152,582	1.0
Nov-12	35	67,050	1,927,256	2.9						
	224	159,745	9,274,114	5.8						
	345	576	39,686	6.9						
	355				225,082	6,652,755	3.0			
								37,599	843,016	2.2
Dec-12	35	61,875	2,123,564	3.4						
	224	129,155	8,179,452	6.3						
	345	729	51,157	7.0						
	352	11	1,300	11.8						
	355				84,723	3,604,653	4.3			
								132,654	3,112,020	2.3
Jan-13	35	66,150	2,181,518	3.3						
	224	169,751	9,694,967	5.7						
	345	1,172	76,021	6.5						
	355				86,194	3,545,803	4.1			
								121,703	3,513,341	2.9
Feb-13	35	66,150	2,076,848	3.1						
	224	155,269	9,453,748	6.1						
	345	1,157	75,852	6.6						
	355				153,549	5,156,723	3.4			
								55,965	1,849,321	3.3
Mar-13	35	86,700	2,820,083	3.3						
	224	168,000	9,789,201	5.8						
	345	771	55,660	7.2						
	355				352,598	11,406,112	3.2			
								10,005	374,131	3.7
Apr-13	35	103,820	3,357,126	3.2						
	224	171,343	9,831,099	5.7						
	345	672	47,102	7.0						
	355				354,939	11,822,526	3.3			
								17,123	495,957	2.9
May-13	35	111,440	3,163,407	2.8						
	224	183,788	10,749,558	5.8						
	345	341	27,081	7.9						
	355				464,857	13,582,975	2.9			
								2,505	87,170	3.5
Jun-13	33	32,938	1,322,307	4.0						
	34	24,702	991,670	4.0						
	35	107,636	2,945,708	2.7						
	224	158,794	9,953,623	6.3						
	345	414	31,011	7.5						
	352	9	1,175	13.1						
	355				852,421	20,994,789	2.5			
								1,686	91,559	5.4

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Jul-13	33	60,366	2,371,542	3.9						
	34	45,275	1,778,676	3.9						
	35	111,334	3,463,052	3.1						
	224	183,917	10,700,422	5.8						
	345	434	32,283	7.4						
	355				955,531	25,629,741	2.7			
								2,474	186,819	7.6
Aug-13	33	54,620	2,201,290	4.0						
	34	41,003	1,652,499	4.0						
	35	111,495	3,339,358	3.0						
	224	174,750	10,617,822	6.1						
	345	376	28,247	7.5						
	379	80,023	2,216,928	2.8						
	355				902,359	22,540,778	2.5			
								2,469	433,454	17.6
Sep-13	33	20,789	816,559	3.9						
	34	15,585	612,154	3.9						
	35	80,035	2,134,183	2.7						
	224	130,146	8,644,370	6.6						
	345	376	30,511	8.1						
	379	57,526	1,435,549	2.5						
	355				651,033	15,711,517	2.4			
								2,679	104,702	3.9
Oct-13	35	106,105	3,045,103	2.9						
	224	183,718	10,840,420	5.9						
	345	415	32,481	7.8						
	379	53,097	1,701,338	3.2						
	355				752,750	19,523,112	2.6			
								738	24,482	3.3
Nov-13	35	83,290	2,287,598	2.7						
	224	153,190	9,815,402	6.4						
	345	696	49,473	7.1						
	379	25,132	796,919	3.2						
	355				310,592	8,792,251	2.8			
								21,725	539,951	2.5
Dec-13	35	52,414	2,191,693	4.2						
	224	136,243	9,517,567	7.0						
	345	893	64,070	7.2						
	352	16	1,926	12.0						
	355				89,619	4,554,245	5.1			
								73,075	2,707,912	3.7
Jan-14	35	20,400	883,602	4.3						
	224	179,829	11,397,041	6.3						
	345	1,339	88,923	6.6						
	355				90,736	7,153,983	7.9			
								176,865	8,488,522	4.8
Feb-14	35	4,500	250,082	5.6						
	224	158,243	10,464,053	6.6						
	355				105,955	7,341,754	6.9			
								143,638	6,065,761	4.2

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Mar-14	35	44,100	1,594,046	3.6						
	224	166,631	10,791,002	6.5						
	355				269,824	11,669,319	4.3			
								70,686	2,883,423	4.1
Apr-14	35	93,413	2,858,196	3.1						
	224	171,075	10,874,752	6.4						
	345	646	50,353	7.8						
	355				425,204	13,256,983	3.1			
								15,591	704,819	4.5
May-14	35	62,597	2,133,036	3.4						
	224	153,376	10,113,960	6.6						
	345	492	36,654	7.5						
	355				500,883	14,512,390	2.9			
	379	56,897	1,596,704	2.8						
								1,039	96,058	9.2
Jun-14	33	34,004	1,392,207	4.1						
	34	25,503	1,044,156	4.1						
	35	104,869	3,049,172	2.9						
	224	166,910	10,475,140	6.3						
	345	393	31,252	8.0						
	352	15	1,789	11.9						
	355				744,637	18,443,973	2.5			
	379	74,512	1,889,520	2.5						
								1,724	157,335	9.1
Jul-14	33	54,236	2,265,066	4.2						
	34	40,693	1,699,468	4.2						
	35	109,930	3,097,594	2.8						
	224	177,986	11,135,017	6.3						
	345	411	32,095	7.8						
	355				805,822	20,458,853	2.5			
	379	76,895	2,050,328	2.7						
								2,682	99,522	3.7
Aug-14	33	53,572	2,230,761	4.2						
	34	40,179	1,673,071	4.2						
	35	111,535	3,459,257	3.1						
	224	167,840	10,691,381	6.4						
	345	446	33,090	7.4						
	355				842,745	23,057,388	2.7			
	379	77,556	2,244,478	2.9						
								4,954	294,238	5.9
Sep-14	33	28,101	1,207,856	4.3						
	34	21,070	905,645	4.3						
	35	101,590	2,599,528	2.6						
	224	162,724	10,822,131	6.7						
	345	362	29,507	8.2						
	355				574,335	12,918,717	2.2			
	379	69,976	1,550,750	2.2						
								1,302	54,496	4.2

		FIRM			INTERRUPTIBLE			IMPORT		
Month	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
Oct-14	35	39,011	937,722	2.4						
	224	135,671	9,749,090	7.2						
	345									
	355				159,474	4,219,443	2.6			
	393	453	31,108	6.9						
								426	8,820	2.1
Nov-14	224	159,835	10,910,455	6.8						
	355				386,148	12,020,955	3.1			
	393	683	51,383	7.5						
								61,354	1,580,745	2.6
Dec-14	224	183,763	12,111,995	6.6						
	352	19	2,262	11.9						
	355				323,436	10,594,264	3.3			
	393	828	61,108	7.4						
								29,342	1,174,253	4.0

Table below is broken into Winter and Summer Season. Summer is considered to include the months of May to October. Winter includes April and November to March.

		FIRM			INTERRUPTIBLE			IMPORT		
Season	**NEB Permit No.**	**MWh**	**Revenue (CAN$)**	**¢/KWh**	**MWh**	**Revenue (CAN$)**	**¢/KWh**	**MWh**	**Revenue (CAN$)**	**¢/KWh**
2008/09										
Winter	144	103,097	9,164,639	8.9						
	155	123,780	7,762,737	6.3						
	224	983,955	63,983,025	6.5						
	259	4,877	296,195	6.1						
	269				1,978,576	100,802,278	5.1			
								137,440	5,371,250	3.9
2008/09	33	176,300	6,446,081	3.7						
Summer	34	132,224	4,842,024	3.7						
	35	579,976	25,050,723	4.3						
	144	105,003	8,195,751	7.8						
	155	126,401	6,971,831	5.5						
	224	1,046,827	58,980,321	5.6						
	259	2,361	177,273	7.5						
	269				4,343,663	175,546,863	4.0			
								10,550	1,315,701	12.5
2009/10										
Winter	144	89,467	8,692,469	9.7						
	155	72,844	4,190,649	5.8						
	224	1,022,893	59,642,240	5.8						
	259	639	40,227	6.3						
	269				2,329,875	69,283,243	3.0			
	345	3,924	254,252	6.5						
								232,701	5,803,152	2.5
2009/10	33	413,740	10,090,810	2.4						
Summer	34	162,065	7,607,244	4.7						
	35	157,868	5,253,545	3.3						
	144	102,390	8,250,717	8.1						
	155	241,812	13,255,697	5.5						
	224	1,486,799	60,124,142	4.0						
	259	1,761	137,492	7.8						
	269				3,505,102	77,716,143	2.2			
	345	527	37,820	7.2						
								5,447	302,419	5.6
2010/11										
Winter	144	17,111	1,371,751	8.0						
	155	62,616	3,348,430	5.3						
	224	893,897	51,717,593	5.8						
	269				502,793	11,922,854	2.4			
	345	4,771	312,330	6.5						
	352	8	915	11.4						
	355				1,929,765	48,346,717	2.5			
								74,410	2,371,118	3.2
2010/11	33	176,029	6,696,920	3.8						
Summer	34	132,016	5,022,641	3.8						
	35	557,024	16,655,223	3.0						
	155	73,223	3,707,874	5.1						
	224	1,030,338	59,146,825	5.7						
	269				3,588,418	94,438,182	2.6			
	273	4	515	12.9						
	345	2,295	162,491	7.1						
								136,681	3,126,612	2.3

		FIRM			INTERRUPTIBLE			IMPORT		
Season	NEB Permit No.	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh	MWh	Revenue (CAN$)	¢/KWh
2011/12										
Winter	35	371,518	9,215,434	2.5						
	155	67,703	3,461,304	5.1						
	224	880,170	51,735,029	5.9						
	345	4,200	286,474	6.8						
	352	6	813	13.6						
	355				1,579,048	38,842,786	2.5			
								287,997	5,147,221	1.8
2011/12	33	174,323	6,248,999	3.6						
Summer	34	130,752	4,687,117	3.6						
	35	578,763	14,749,312	2.5						
	155	82,740	3,670,226	4.4						
	224	1,023,900	56,071,939	5.5						
	345	2,252	165,749	7.4						
	352	4	598	15.0						
	355				4,109,955	91,859,479	2.2			
								28,097	873,143	3.1
2012/13										
Winter	35	403,766	12,351,172	3.1						
	155	9,315	517,831	5.6						
	224	937,932	55,269,328	5.9						
	345	4,858	330,640	6.8						
	352	11	1,300	11.8						
	355				1,138,269	36,239,441	3.2			
								410,084	10,222,939	2.5
2012/13	33	173,318	6,490,430	3.7						
Summer	34	129,981	4,867,540	3.7						
	35	567,374	14,707,116	2.6						
	224	1,044,946	59,453,770	5.7						
	345	2,341	179,858	7.7						
	352	4	603	15.1						
	355				3,765,817	87,523,790	2.3			
								74,944	1,807,581	2.4
2013/14										
Winter	35	308,524	10,564,147	3.4						
	224	965,479	61,816,164	6.4						
	345	3,600	249,568	6.9						
	352	16	1,926	12.0						
	379	25,132	796,919	3.2						
	355				1,221,665	51,334,078	4.2			
								503,112	21,181,526	4.2
2013/14	33	168,713	6,711,698	4.0						
Summer	34	126,565	5,034,999	4.0						
	35	628,045	18,090,811	2.9						
	224	1,015,113	61,506,215	6.1						
	345	2,356	181,614	7.7						
	352	9	1,175	13.1						
	379	190,646	5,353,815	2.8						
	355				4,578,951	117,982,912	2.6			
								12,551	928,186	7.4

<u>Export and Domestic Revenue MFR 4 (Revised)</u>

Re-file Dec 2013 Revised PUB/MH 1-008 (2014 Interim) updated to end of December 2014

- **Total Sales Data (CON/US/Merchant)**
- **Total MISO Sales (NEB Reporting)**
- **Opportunity Export tables, separately showing summer and winter components for each year**
- **Export Revenue tables showing Opportunity Bilateral, Day Ahead, Market, Real Time Market and Merchant Trading, separately showing summer and winter components for each year**
- **Fuel and Power purchases showing system merchant purchases, import power purchases (without wind), wind energy purchases & fuel purchases**
- **Transmission charges, separately showing summer and winter components for each year**

Information on total annual sales data and opportunity export sales can be found in Tab 9, Figures 9.6, 9.8 and 9.9. Information by season can be found in Tables 5 to 7 below. Information on NEB data on firm/interruptible exports by export permit number and imports can be found in the response to Domestic and Export Revenue MFR 3 and Appendix 9.1.

Information on annual export revenue, fuel and power purchases and transmission charges can be found in Tables 1 and 2. Information by season can be found in Tables 3 and 4 below.

Table 1

	EXPORT REVENUES														
	2010/11			2011/12			2012/13			2013/14			2014/15		
	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price
Opportunity															
Bilateral	1851	52	28.44	1923	50	26.02	1700	54	31.66	1471	53	36.07	1356	43	32.48
Market															
Day Ahead	3233	69	21.39	2720	52	18.68	2547	53	20.51	4251	109	25.77	3396	85	25.08
Real Time	1883	60	26.83	1859	50	23.24	1203	36	25.96	1336	32	30.94	915	25	26.18
Merchant	712	27	36.93	436	17	31.10	150	9	34.18	331	33	63.32	409	14	34.24

NOTE: 2014/15 is up to end of Dec 2014

Table 2

	Fuel and Power Purchased									
	2010/11		2011/12		2012/13		2013/14		2014/15	
	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)
System Merchant	712	24	436	14	150	6	331	19	409	11
Power Purchases	1154	34	1634	79	1584	71	1824	98	833	56
Transmission Charges		36		39		44		45		37
Fuel Purchases		12		14		12		14		6

NOTE: 2014/15 is up to end of Dec 2014

The tables below are split by season. Summer season consists of the months May to October. Winter season consists of the months April and November to March. The split was done this way so as to still tie to the fiscal year numbers provided previously.

Table 3

	EXPORT REVENUES																	
	2008/09			2009/10			2010/11			2011/12			2012/13			2013/14		
	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price	GWh	$M (Cdn)	Avg Price
Opportunity																		
Bilateral Winter	357	29	70.79	489	18	38.30	970	26	27.15	685	21	29.39	658	24	36.36	508	22	42.38
Opportunity																		
Bilateral Summer	948	72	71.57	2139	42	19.95	881	26	29.87	1238	29	23.55	1042	30	28.65	963	31	32.67
Market Winter																		
Day Ahead	1087	41	37.80	1435	33	23.11	946	17	17.77	473	8	15.34	363	10	25.59	608	8	36.27
Real Time	322	20	53.81	771	32	32.17	846	23	25.59	734	18	22.44	393	10	27.66	422	13	45.51
Market Summer																		
Day Ahead	2953	81	27.58	1676	26	15.64	2287	52	22.88	2247	44	19.41	2184	43	19.56	3643	101	23.89
Real Time	368	40	48.31	1087	39	23.97	1037	37	27.76	1125	32	23.74	810	26	25.21	914	19	24.81
Merchant Winter	720	38	48.36	361	12	30.96	275	10	33.20	118	5	22.37	61	3	33.46	202	28	80.90
Merchant Summer	878	48	47.84	414	14	25.98	437	17	39.27	318	12	34.79	89	6	34.66	129	5	28.68

2014/15 is to end of Dec/14

Table 4

	Fuel and Power Purchased													
	2008/09		2009/10		2010/11		2011/12		2012/13		2013/14		2014/15	
	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)	GWh	$M (Cdn)
System Merchant Winter	720	36	359	12	275	8	118	3	61	2	202	15	169	5
System Merchant Summer	878	44	416	13	437	16	318	11	89	4	129	4	240	6
Power Purchases Winter	575	40	833	27	494	17	906	43	942	43	1233	66	382	23
Power Purchases Summer	406	17	487	6	660	17	728	36	642	28	591	32	451	33
Transmission Charges Winter		13		16		16		18		19		20		10
Transmission Charges Summer		8		17		20		21		25		25		27
Fuel Purchases Winter		10		10		8		8		7		10		2
Fuel Purchases Summer		8		3		4		6		5		4		4

2014/15 is to end of Dec/14

Table 5

TOTAL SALES									
	DEPENDABLE SALES			OPPORTUNITY SALES			SYSTEM MERCHANT SALES		
	GWh	CAD $M	AvgPrice	GWh	CAD $M	AvgPrice	GWh	CAD $M	AvgPrice
2005/06 Winter	1,805	107	59.39	4,320	219	49.34	505	31	54.78
2005/06 Summer	2,239	133	59.14	5,983	291	47.23	414	32	66.51
2006/07 Winter	1,654	103	62.51	1,503	79	51.16	573	29	45.12
2006/07 Summer	2,000	115	57.32	4,747	216	45.09	633	31	41.81
2007/08 Winter	1,548	87	56.02	2,254	126	53.49	636	39	53.24
2007/08 Summer	2,373	122	51.39	4,845	202	40.47	626	33	45.03
2008/09 Winter	1,537	100	64.81	1,769	93	48.78	719	38	48.36
2008/09 Summer	2,550	133	52.49	4,270	194	41.87	879	48	47.84
2009/10 Winter	1,383	83	59.73	2,696	79	30.07	359	13	30.96
2009/10 Summer	1,880	103	54.98	4,901	105	19.75	383	12	25.98
2010/11 Winter	1,248	70	55.9	2,762	66	23.58	275	10	33.20
2010/11 Summer	2,129	102	48.27	4,205	115	25.61	437	17	39.27
2011/12 Winter	1,592	78	49.14	1,892	47	23.43	118	5	22.37
2011/12 Summer	2,150	97	45.05	4,610	105	21.96	318	12	34.79
2012/13 Winter	1,544	79	51.35	1,416	46	31.48	61	3	33.46
2012/13 Summer	2,092	98	46.72	4,035	100	22.94	89	6	34.66
2013/14 Winter	1,426	82	57.65	1,539	62	40.73	202	28	80.90
2013/14 Summer	2,053	100	48.45	5,519	141	25.63	129	6	28.68
2014/15 Winter	665	41	61.94	1,331	44	31.87	168	5	35.49
2014/15 Summer	1,904	99	52.05	4,336	115	25.38	241	9	33.35
2014/15 is to end of Dec/14									

Table 6

TOTAL U.S. SALES									
	U.S. DEPENDABLE SALES			U.S. OPPORTUNITY SALES			U.S. SYSTEM MERCHANT SALES		
	GWh	CAD $M	AvgPrice	GWh	CAD $M	AvgPrice	GWh	CAD $M	AvgPrice
2005/06 Winter	1,805	107	59.39	3,704	178	47.87	0	0	0.00
2005/06 Summer	2,239	133	59.14	5,175	223	43.57	0	0	0.00
2006/07 Winter	1,654	103	62.51	1,415	70	51.07	0	0	0.00
2006/07 Summer	2,000	115	57.32	4,462	200	44.72	0	0	0.00
2007/08 Winter	1,548	87	56.02	2,107	112	53.45	0	0	0.00
2007/08 Summer	2,373	122	51.39	4,511	177	40.14	0	0	0.00
2008/09 Winter	1,537	100	64.81	1,603	77	48.20	0	0	0.00
2008/09 Summer	2,550	133	52.49	4,019	160	41.61	0	0	0.00
2009/10 Winter	1,383	83	59.73	2,571	72	29.14	0	0	0.00
2009/10 Summer	1,880	103	54.98	4,653	88	19.25	33	2	0.00
2010/11 Winter	1,248	70	55.9	2,290	50	22.83	3	0.2	37.82
2010/11 Summer	2,129	102	48.27	3,772	96	25.46	2	0.1	37.82
2011/12 Winter	1,592	78	49.14	1,399	29	21.03	36	0.3	30.29
2011/12 Summer	2,150	97	45.05	4,218	88	21.39	70	3	40.92
2012/13 Winter	1,544	79	51.35	999	29	27.92	23	1	30.62
2012/13 Summer	2,092	98	46.72	3,691	84	22.35	40	1	29.49
2013/14 Winter	1,426	82	57.65	1,155	49	38.60	71	3	35.25
2013/14 Summer	2,053	100	48.45	5,181	133	25.21	114	4	28.42
2014/15 Winter	665	41	61.94	1,086	35	29.89	163	6	34.24
2014/15 Summer	1,904	99	52.05	3,862	99	24.63	237	7	33.26
2014/15 is to end of Dec/14									

Table 7

OPPORTUNITY EXPORTS						
	On Peak GWh	Off Peak GWh	On Peak Avg Price (CAD$)	Off Peak Avg Price (CAD$)	On Peak Revenues (CAD $M)	Off Peak Revenues (CAD $M)
2005/06 Winter	1,330	2,991	67.91	41.20	94	124
2005/06 Summer	1,813	4,170	76.48	34.34	151	141
2006/07 Winter	462	1,040	66.44	44.62	32	46
2006/07 Summer	1,510	3,238	66.08	35.33	103	114
2007/08 Winter	715	1,540	67.42	46.48	53	73
2007/08 Summer	1,497	3,347	65.84	26.96	109	93
2008/09 Winter	524	1,244	71.42	38.14	43	49
2008/09 Summer	1,278	2,993	72.13	25.84	110	85
2009/10 Winter	973	1,724	34.80	26.96	34	45
2009/10 Summer	1,524	3,376	29.00	15.24	50	55
2010/11 Winter	887	1,873	28.86	20.89	26	41
2010/11 Summer	1,381	2,826	33.93	21.33	50	64
2011/12 Winter	609	1,257	26.92	21.59	19	28
2011/12 Summer	1,319	3,293	28.68	19.03	40	65
2012/13 Winter	653	754	32.83	30.32	22	24
2012/13 Summer	1,512	2,532	28.60	19.50	47	53
2013/14 Winter	650	887	45.18	37.34	27	39
2013/14 Summer	1,842	3,679	33.87	21.43	55	82
2014/15 Winter	429	796	38.59	27.85	22	22
2014/15 Summer	1,360	3,082	33.00	22.03	45	70

2014/15 is to end of Dec/14

<u>Export and Domestic Revenue MFR 6</u>

File updated 2012 GRA II-105 (PUB/MH II-105) quarterly report generation summaries.

The table below provides an update to PUB/MH-II-105(a) by including quarterly and annual energy supply information for 2012/13 through December 2014. Wind purchases information is provided separate from imports for all quarters except 2014/15 Q3 where the data is aggregated as required by confidentiality restrictions on Manitoba Hydro on the release of wind generation data.

<table>
<tr><th></th><th>Actual Results (GWh)</th><th>Hydraulic Generation</th><th>Thermal Generation</th><th>Wind Purchases</th><th>Imports</th></tr>
<tr><td rowspan="5">2014/15</td><td>Q1</td><td>8437</td><td>4</td><td>233</td><td>28</td></tr>
<tr><td>Q2</td><td>9119</td><td>11</td><td>187</td><td>12</td></tr>
<tr><td>Q3</td><td>8393</td><td>14</td><td colspan="2">374</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Annual</td><td>25950</td><td>30</td><td>420</td><td>40</td></tr>
<tr><td rowspan="5">2013/14</td><td>Q1</td><td>8536</td><td>24</td><td>229</td><td>38</td></tr>
<tr><td>Q2</td><td>9189</td><td>20</td><td>154</td><td>39</td></tr>
<tr><td>Q3</td><td>8990</td><td>36</td><td>257</td><td>135</td></tr>
<tr><td>Q4</td><td>8546</td><td>51</td><td>294</td><td>431</td></tr>
<tr><td>Annual</td><td>35261</td><td>131</td><td>933</td><td>643</td></tr>
<tr><td rowspan="5">2012/13</td><td>Q1</td><td>7257</td><td>5</td><td>218</td><td>124</td></tr>
<tr><td>Q2</td><td>9028</td><td>27</td><td>182</td><td>4</td></tr>
<tr><td>Q3</td><td>8136</td><td>40</td><td>222</td><td>207</td></tr>
<tr><td>Q4</td><td>8726</td><td>11</td><td>229</td><td>193</td></tr>
<tr><td>Annual</td><td>33147</td><td>83</td><td>851</td><td>528</td></tr>
</table>

Operating Expenses MFR 3

EFT staffing level information for the last five fiscal years and that forecast through the test years by business unit.

Please see the following tables for the EFTs by Business Unit from 2007/08 through 2016/17.

MANITOBA HYDRO
TOTAL EQUIVALENT FULL TIME (EFT) EMPLOYEES

(Straight Time & Overtime Combined)	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
President & CEO	44	45	50	52	51	49	43	42	41	40
General Counsel & Corporate Secretary	36	35	37	38	40	40	44	45	44	42
Human Resources & Corporate Services	826	839	839	842	829	822	828	846	814	793
Corporate Relations	86	91	91	90	91	88	86	93	91	91
Finance & Regulatory	152	153	159	155	146	149	151	152	145	142
Generation Operations	1 006	1 027	1 079	1 139	1 166	1 164	1 196	1 180	1 165	1 160
Major Capital Projects	101	133	159	177	198	225	256	304	419	419
Transmission	1 620	1 717	1 784	1 845	1 841	1 878	1 904	1 914	1 918	1 881
Customer Service & Distribution	1 666	1 700	1 706	1 735	1 734	1 760	1 737	1 764	1 750	1 737
Customer Care & Energy Conservation	534	536	525	521	512	503	511	524	515	509
Total Corporation	**6 071**	**6 276**	**6 429**	**6 594**	**6 608**	**6 678**	**6 756**	**6 864**	**6 902**	**6 814**

The table above provides a summary of combined straight time and overtime EFTs for the Corporation.

The table below provides a summary of straight time EFTs by Business Unit from 2007/08 to 2016/17.

MANITOBA HYDRO
STRAIGHT TIME EQUIVALENT FULL TIME (EFT) EMPLOYEES BY BUSINESS UNIT

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
President & CEO	44	45	50	52	51	49	43	42	41	40
General Counsel & Corporate Secretary	36	35	37	38	40	40	44	45	44	42
Human Resources & Corporate Services	810	823	823	829	815	807	811	829	796	775
Corporate Relations	84	89	88	87	88	86	84	90	88	88
Finance & Regulatory	152	153	159	155	146	149	151	152	145	142
Generation Operations	918	934	976	1,039	1,061	1,067	1,096	1,086	1,074	1,070
Major Capital Projects	95	121	145	160	180	201	219	256	320	320
Transmission	1,498	1,586	1,646	1,702	1,704	1,741	1,762	1,771	1,779	1,742
Customer Service & Distribution	1,578	1,615	1,633	1,664	1,654	1,654	1,654	1,681	1,667	1,654
Customer Care & Energy Conservation	532	534	523	520	511	502	510	523	514	508
Total Corporation	**5,747**	**5,935**	**6,080**	**6,246**	**6,250**	**6,296**	**6,374**	**6,475**	**6,468**	**6,381**

The table below provides a summary of overtime EFTs by Business Unit from 2007/08 to 2016/17.

MANITOBA HYDRO
OVERTIME EQUIVALENT FULL TIME EMPLOYEES (EFT) BY BUSINESS UNIT

	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
President & CEO	0	0	0	0	0	0	0	0	0	0
General Counsel & Corporate Secretary	0	0	0	0	0	0	0	0	0	0
Human Resources & Corporate Services	16	16	16	13	14	15	17	17	18	18
Corporate Relations	2	2	3	3	3	2	2	3	3	3
Finance & Regulatory	0	0	0	0	0	0	0	0	0	0
Generation Operations	88	93	103	100	105	97	100	94	91	90
Major Capital Projects	6	12	14	17	18	24	37	48	99	99
Transmission	122	131	138	143	137	137	142	143	139	139
Customer Service & Distribution	88	85	73	71	80	106	83	83	83	83
Customer Care & Energy Conservation	2	2	2	1	1	1	1	1	1	1
Total Corporation	**324**	**341**	**349**	**348**	**358**	**382**	**382**	**389**	**434**	**433**

<u>Operating Expenses MFR 4</u>

Schedule which indicates the salary, wages and benefits as a percentage of OM&A, percentage of domestic revenue, and salary wages and benefits capitalized for each of the years 2003/04 through the test years. This analysis should include the total labour and benefits capitalized for each year, total labour and benefits and the percentage of labour and benefits capitalized in a similar level of detail of PUB/MH l-5(c) R & PUB/MH 11-2 from the 2010 GRA.

Please see the following tables which provide information for each of the years 2003/04 through 2016/17.

i) Salaries, wages, overtime & benefits charged to operations as a percentage of total costs;

ii) Salaries, wages, overtime and benefits charged to operations as a percentage of domestic revenue;

iii) Salary and benefit costs capitalized.

i & ii) Salaries, wages, overtime & benefits charged to operations as a percentage of total costs and as a percentage of domestic revenue:

As discussed in Appendix 5.5, wages & salaries, overtime and employee benefits are associated with providing a pool of resources required for the operation, maintenance and capital construction activities of the Corporation. These costs are allocated to operations, maintenance and capital construction through the use of an hourly activity rate charged through the corporate time allocation system.

MANITOBA HYDRO
WAGES & SALARIES, OVERTIME & EMPLOYEE BENEFITS SCHEDULE
(in thousands of $)

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
Wages & Salaries, Overtime, Employee Benefits Charged To Operations	$286 872	$304 796	$312 629	$324 489	$333 584	$355 711	$373 084	$388 580	$409 867	$442 591	$465 460	$468 405	$469 188	$478 140
Total Costs (before capitalization)	$542 660	$569 749	$596 229	$615 849	$638 594	$687 149	$722 951	$748 471	$787 156	$841 225	$887 987	$924 766	$949 991	$967 104
Wages & Salaries, Overtime, Employee Benefits Charged to Operations as a percentage of Total Costs	53%	53%	52%	53%	52%	52%	52%	52%	52%	53%	52%	51%	49%	49%
Domestic Revenue (GCR)	$918 231	$938 954	$983 653	$1 023 613	$1 074 581	$1 126 812	$1 144 891	$1 200 381	$1 192 797	$1 341 011	$1 405 301	$1 406 745	$1 479 405	$1 544 112
Wages & Salaries, Overtime, Employee Benefits Charged to Operations as a percentage of Domestic Revenue	31%	32%	32%	32%	31%	32%	33%	32%	34%	33%	33%	33%	32%	31%

iii) Salary and benefit costs capitalized:

Activity charges form the basis for cost allocation to capital projects. Activity rates are comprised of a number of costs including salaries, wages and benefits, meals & accommodations, transportation costs, motor vehicle charges etc. The following provides an estimated amount of wages & salaries, overtime and employee benefits capitalized through activity charges.

MANITOBA HYDRO
CAPITALIZED WAGES & SALARIES, OVERTIME, EMPLOYEE BENEFITS
(in thousands of $)

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
Wages & Salaries, Overtime, Employee Benefits	$398,449	$423,093	$440,473	$457,233	$477,838	$509,592	$541,307	$571,238	$611,356	$658,082	$699,970	$724,993	$751,523	$766,109
Capitalized Wages & Salaries, Overtime, Employee Benefits	($111,577)	($118,297)	($127,844)	($132,744)	($144,253)	($153,881)	($168,223)	($182,659)	($201,489)	($215,491)	($234,510)	($256,588)	($282,335)	($287,969)
Capitalized Wages & Salaries, Overtime, Employee Benefits as a percentage of Total Wages & Salaries, Overtime, Employee Benefits	28%	28%	29%	29%	30%	30%	31%	32%	33%	33%	34%	35%	38%	38%

Note: Excludes capitalization through overhead.

Operating Expenses MFR 5

Schedule that average salary per EFT by business unit for the last five fiscal years through the test years.

Please see the following tables for the average salary per EFT by Business Unit and Division from 2009/10 through 2016/17.

MANITOBA HYDRO
AVERAGE SALARY PER EFT BY BUSINESS UNIT

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
President & CEO	$ 96,282	$ 97,622	$ 103,183	$ 108,896	$ 111,813	$ 125,551	$ 130,486	$ 136,832
General Counsel & Corporate Secretary	86,823	88,938	91,820	95,496	98,168	99,831	103,648	107,519
Human Resources & Corporate Services	69,706	70,616	75,103	76,463	76,494	77,821	81,325	83,566
Corporate Relations	70,089	71,122	74,489	76,128	77,631	80,351	83,756	86,462
Finance & Regulatory	76,193	76,499	81,341	82,806	84,740	88,040	92,309	94,532
Generation Operations	71,487	72,436	76,682	78,820	80,225	82,803	86,391	88,512
Major Capital Projects	75,246	76,689	80,834	82,033	81,845	84,562	85,293	88,000
Transmission	66,517	67,688	71,658	74,326	75,710	77,961	82,006	85,110
Customer Services & Distribution	60,048	61,097	64,705	66,400	67,499	69,994	72,886	75,381
Customer Care & Energy Conservation	62,478	63,052	67,330	68,867	69,291	71,681	74,608	76,461
Business Unit Total	**66,545**	**67,600**	**71,689**	**73,723**	**74,791**	**77,168**	**80,585**	**83,129**

MANITOBA HYDRO
AVERAGE SALARY PER EFT BY DIVISION

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
President & CEO								
President & CEO Administration	$ 159,827	$ 152,757	$ 157,398	$ 175,645	$ 189,657	$ 214,044	$ 223,698	$ 233,595
Public Affairs	63,809	65,682	72,068	72,877	72,979	75,589	76,682	78,568
	$ 96,282	**$ 97,622**	**$ 103,183**	**$ 108,896**	**$ 111,813**	**$ 125,551**	**$ 130,486**	**$ 136,832**
General Counsel & Corporate Secretary								
VP General Counsel & Corp Secretary	$ 83,865	$ 84,336	$ 89,489	$ 92,201	$ 98,635	$ 100,495	$ 106,367	$ 110,098
Law Division	92,262	96,392	98,114	100,182	101,788	103,527	107,956	112,045
Internal Audit Division	80,270	80,851	84,234	90,193	92,405	93,648	94,904	98,492
	$ 86,823	**$ 88,938**	**$ 91,820**	**$ 95,496**	**$ 98,168**	**$ 99,831**	**$ 103,648**	**$ 107,519**
Human Resources & Corporate Services								
VP Human Resources & Corporate Services	$ 133,799	$ 132,413	$ 138,379	$ 149,603	$ 127,332	$ 134,266	$ 158,740	$ 162,620
Information Technology Services	75,848	76,622	81,129	82,601	83,012	85,010	88,188	90,477
Human Resources	73,035	73,244	78,642	79,782	82,100	81,595	84,875	87,122
Workplace Safety & Health and Corp Serv	60,533	62,138	65,890	67,274	67,615	69,566	72,884	74,873
Corporate Environmental Management	76,556	71,667	77,051	79,785	78,828	83,345	91,095	93,417
	69,706	**70,616**	**75,103**	**76,463**	**76,494**	**77,821**	**81,325**	**83,566**
Corporate Relations								
Aboriginal Relations	$ 60,147	$ 61,469	$ 65,749	$ 68,032	$ 68,945	$ 71,040	$ 74,183	$ 77,074
VP Corp Relations Administration	104,715	108,406	123,827	121,341	124,008	132,028	137,208	141,841
Corporate Planning & Strategic Review	97,754	94,012	93,688	95,398	98,185	101,362	109,040	113,247
	70,089	**71,122**	**74,489**	**76,128**	**77,631**	**80,351**	**83,756**	**86,462**
Finance & Regulatory								
Treasury	$ 72,647	$ 73,944	$ 76,284	$ 74,878	$ 79,216	$ 84,137	$ 87,949	$ 90,179
Corporate Risk Mgmt Department	84,998	93,196	100,976	103,310	100,892	103,692	108,230	111,025
Rates & Regulatory Affairs	77,711	78,675	84,017	87,308	86,210	89,047	92,811	94,209
Corporate Controller	77,205	76,174	79,943	80,818	81,316	84,642	87,677	89,891
VP Admin Finance & Regulatory	68,178	71,305	82,633	88,866	98,474	99,793	115,294	117,541
	76,193	**76,499**	**81,341**	**82,806**	**84,740**	**88,040**	**92,309**	**94,532**
Generation Operations								
VP Generation Operations Administration	$ 80,572	$ 78,213	$ 82,555	$ 91,106	$ 85,150	$ 80,007	$ 99,967	$ 102,167
Power Planning	83,007	83,747	88,154	88,839	91,577	94,980	100,228	102,760
Generation North	66,796	67,804	71,732	73,744	74,435	75,912	79,003	81,074
Generation South	65,398	66,524	70,447	72,379	73,489	76,051	79,083	80,909
Engineering Services	76,356	76,854	81,203	83,344	85,583	88,980	91,734	93,856
Power Sales & Operations	83,150	83,921	88,928	91,324	91,645	93,796	97,377	99,942
	71,487	**72,436**	**76,682**	**78,820**	**80,225**	**82,803**	**86,391**	**88,512**
Major Capital Projects								
Licensing & Relationship Management Div	$ 82,465	$ 81,646	$ 85,056	$ 84,081	$ 84,924	$ 89,354	$ 93,138	$ 96,321
Portfolio Projects Management	67,566	70,363	70,635	79,952	86,557	88,339	97,116	100,425
Bipole III Project	-	85,102	81,927	88,152	80,941	80,126	81,706	83,724
VP Major Capital Projects Administration	61,549	65,707	73,128	73,971	77,615	83,277	86,951	89,252
New Generation Construction	76,218	77,903	82,496	83,805	81,082	83,811	83,909	87,365
	75,246	**76,689**	**80,834**	**82,033**	**81,845**	**84,562**	**85,293**	**88,000**
Transmission								
HVDC	$ 68,505	$ 69,546	$ 73,957	$ 76,778	$ 78,809	$ 82,384	$ 86,641	$ 89,388
VP Transmission Administration	50,091	51,214	54,416	58,369	61,039	60,074	66,427	68,483
Transmission System Operations	76,549	77,900	81,442	83,987	84,577	88,023	92,146	95,412
Transmission Planning & Design	77,428	79,259	82,563	85,486	87,077	90,898	95,031	98,432
Transmission Construction & Line Mtce	65,015	65,714	70,356	71,708	72,187	73,093	74,478	76,968
Apparatus Maintenance	61,392	63,370	67,505	71,000	71,988	74,277	78,732	81,529
	66,517	**67,688**	**71,658**	**66,517**	**75,710**	**77,961**	**82,006**	**85,110**
Customer Services & Distribution								
Distribution Eng & Construction Division	$ 58,731	$ 59,377	$ 62,961	$ 65,566	$ 67,211	$ 69,081	$ 72,109	$ 74,522
Customer Service Operations - Wpg&North	60,840	61,821	65,207	66,201	67,653	69,464	72,068	74,515
Customer Service Operations - South	58,916	60,238	63,396	65,233	65,029	68,531	71,184	73,697
Business Support & Capital Asset Mgmt	66,484	67,830	73,252	72,527	74,882	79,075	82,821	85,689
VP Cust Service & Distribution Admin	125,973	124,256	125,419	133,000	138,198	140,372	157,684	162,668
	60,048	**61,097**	**64,705**	**66,400**	**67,499**	**69,994**	**72,886**	**75,381**
Customer Care & Energy Conservation								
Gas Supply	$ 79,781	$ 83,478	$ 89,980	$ 91,057	$ 93,189	$ 95,534	$ 101,291	$ 103,792
VP Customer Care & Energy Conservation	72,630	70,379	75,261	76,068	77,141	81,055	84,744	86,981
Industrial & Commercial Solutions	85,756	86,333	90,486	92,621	94,138	96,847	100,788	103,220
Consumer Marketing & Sales	56,488	57,369	62,008	63,535	63,455	65,586	68,436	70,112
Business Support Services	57,507	58,257	61,763	62,945	63,257	65,209	67,205	68,850
	62,478	**63,052**	**67,330**	**68,867**	**69,291**	**71,681**	**74,608**	**76,461**
Total	**66,545**	**67,600**	**71,689**	**73,723**	**74,791**	**77,168**	**80,585**	**83,129**

Operating Expenses MFR 8

A table/ matrix of EFT per 1,000 of GWh, per $millions of domestic revenue, per domestic customers for the years 2007/08 through the test years in a similar format to PUB/MH I-38 (a) (2012 GRA).

Please see the tables below for the information requested.

	2007/08	2008/09	2009/10	2010/11	2011/12
EFTs	5,747	5,935	6,080	6,246	6,250
EFT per 1000 GWh of domestic supply	239.62	244.41	260.99	262.63	265.95
EFT per 1000 GWh of total supply	162.56	171.90	179.02	183.16	188.04
EFT per number of domestic customers	0.01	0.01	0.01	0.01	0.01
EFT per $ millions of domestic revenue	5.35	5.27	5.31	5.20	5.24

	2012/13	2013/14	2014/15	2015/16	2016/17
EFTs	6,296	6,374	6,475	6,468	6,381
EFT per 1000 GWh of domestic supply	255.50	249.86	257.17	252.56	247.65
EFT per 1000 GWh of total supply	189.47	180.10	183.86	187.27	202.94
EFT per number of domestic customers	0.01	0.01	0.01	0.01	0.01
EFT per $ millions of domestic revenue	4.69	4.54	4.60	4.37	4.13

The underlying data can be found in the tables below.

Data Table					
	2007/08	2008/09	2009/10	2010/11	2011/12
EFTs (Straight Time)	5,747	5,935	6,080	6,246	6,250
GWh of domestic Supply	23,985	24,285	23,295	23,783	23,499
GWh of total Supply	35,354	34,528	33,961	34,102	33,235
Electric Customers	521,599	527,472	532,359	537,299	542,681
Domestic revenue (in millions)	1,075	1,127	1,145	1,200	1,193

Data Table					
	2012/13	2013/14	2014/15	2015/16	2016/17
EFTs (Straight Time)	6,296	6,374	6,475	6,468	6,381
GWh of domestic Supply	24,642	25,510	25,178	25,610	25,766
GWh of total Supply	33,230	35,392	35,217	34,538	31,443
Electric Customers	548,774	555,760	561,825	568,443	575,648
Domestic revenue (in millions)	1,341	1,405	1,407	1,479	1,544

Operating Expenses MFR 9

Schedule detailing the breakdown of Operating and Administrative expenses by division from 2003/04 through the test years. On this schedule provide two columns for the compound annual growth rate for the historical period and for the forecast period using the final year historical as a starting period. (PUB/MH 1-59 (b) - 2012 GRA).

Please see the following table detailing Operating, Maintenance and Administrative Costs by Division from 2004/05 to 2016/17. Please note that comparable information for 2003/04 is not readily available.

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT
(000's)

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	Fiscal 2004/05-2013/14 Compounded Annual Growth	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	Fiscal 2013/14-2016/17 Compounded Annual Growth
President & CEO															
President & CEO Administration	$ 7,690	$ 8,041	$ 8,579	$ 8,667	$ 8,658	$ 13,190	$ 10,351	$ 10,689	$ 8,850	$ 7,320	(0.5)	$ 8,753	$ 8,916	$ 8,986	7.1
Public Affairs	2,804	2,856	3,288	2,939	3,189	3,582	3,938	3,682	3,798	3,567	2.7	3,556	3,554	3,474	(0.9)
	$ 10,494	**$ 10,898**	**$ 11,867**	**$ 11,606**	**$ 11,846**	**$ 16,773**	**$ 14,289**	**$ 14,371**	**$ 12,648**	**$ 10,887**	**0.4**	**$ 12,309**	**$ 12,469**	**$ 12,460**	**4.6**
General Counsel & Corporate Secretary															
VP General Counsel & Corp Secretary	$ 2,932	$ 3,640	$ 3,147	$ 2,729	$ 3,709	$ 3,541	$ 3,063	$ 3,218	$ 5,402	$ 5,847	8.0	$ 5,305	$ 5,327	$ 5,386	(2.7)
Law Division	$ 1,207	$ 1,287	$ 1,390	$ 1,515	$ 1,575	$ 1,925	$ 2,019	$ 2,032	$ 1,961	$ 1,767	4.3	$ 2,068	$ 1,999	$ 1,957	3.5
Internal Audit Division	$ 886	$ 936	$ 1,095	$ 1,194	$ 1,243	$ 1,278	$ 1,388	$ 1,449	$ 1,378	$ 1,702	7.5	$ 1,871	$ 1,895	$ 1,889	3.5
	$ 5,024	**$ 5,863**	**$ 5,631**	**$ 5,439**	**$ 6,526**	**$ 6,745**	**$ 6,470**	**$ 6,699**	**$ 8,741**	**$ 9,316**	**7.1**	**$ 9,244**	**$ 9,222**	**$ 9,232**	**(0.3)**
Human Resources & Corporate Services															
VP Human Resources & Corporate Services	$ 1,160	$ 1,294	$ 1,903	$ 1,820	$ 1,901	$ 2,673	$ 2,357	$ 2,436	$ 1,943	$ 1,091	(0.7)	$ 1,120	$ 1,130	$ 1,150	1.8
Information Technology Services	$ 29,273	$ 29,884	$ 34,413	$ 32,709	$ 33,959	$ 35,349	$ 34,181	$ 35,539	$ 38,013	$ 40,817	3.8	$ 42,890	$ 43,310	$ 43,778	2.4
Human Resources	$ 10,376	$ 10,448	$ 10,645	$ 11,092	$ 10,633	$ 10,001	$ 9,806	$ 10,300	$ 11,637	$ 18,270	6.5	$ 17,851	$ 17,629	$ 17,239	(1.9)
Workplace Safety & Health and Corp Serv	$ 33,322	$ 34,877	$ 35,834	$ 36,904	$ 39,362	$ 41,264	$ 41,282	$ 40,385	$ 41,630	$ 45,042	3.4	$ 45,347	$ 45,230	$ 44,773	(0.2)
Corporate Environmental Management	$ 324	$ 273	$ 419	$ 454	$ 601	$ 1,002	$ 943	$ 972	$ 938	$ 816	10.8	$ 851	$ 863	$ 873	2.3
	$ 74,454	**$ 76,775**	**$ 83,214**	**$ 82,978**	**$ 86,456**	**$ 90,288**	**$ 88,568**	**$ 89,631**	**$ 94,161**	**$ 106,036**	**4.0**	**$ 108,058**	**$ 108,161**	**$ 107,814**	**0.6**
Corporate Relations															0.0
Aboriginal Relations	$ 2,968	$ 4,653	$ 4,324	$ 4,331	$ 4,473	$ 3,929	$ 4,101	$ 2,475	$ 3,372	$ 3,537	2.0	$ 3,605	$ 3,658	$ 3,722	1.7
Administration	535	844	896	914	1,047	769	638	550	584	743	3.7	1,001	833	704	(1.8)
Corporate Planning & Strategic Review	4,501	4,614	4,601	4,746	4,524	6,237	6,256	5,400	5,774	4,638	0.3	5,452	5,518	5,607	6.5
	$ 8,004	**$ 10,110**	**$ 9,821**	**$ 9,991**	**$ 10,044**	**$ 10,934**	**$ 10,994**	**$ 8,424**	**$ 9,730**	**$ 8,918**	**1.2**	**$ 10,059**	**$ 10,008**	**$ 10,033**	**4.0**
Finance & Regulatory															
Treasury	$ 2,267	$ 2,146	$ 1,887	$ 2,001	$ 2,067	$ 1,957	$ 1,909	$ 1,915	$ 1,978	$ 2,165	(0.5)	$ 2,237	$ 2,355	$ 2,394	3.4
Corporate Risk Mgmt Department	150	153	442	460	566	593	811	938	921	1,069	24.4	1,123	1,135	1,019	(1.6)
Rates & Regulatory Affairs	3,105	2,913	3,037	2,999	2,918	3,388	3,139	3,152	3,276	3,334	0.8	3,617	3,534	3,450	1.1
Corporate Controller	8,544	8,606	8,190	8,910	9,492	10,522	10,014	9,590	9,946	10,018	1.8	10,521	10,603	10,652	2.1
VP Admin Finance & Regulatory	882	917	1,043	953	962	1,277	1,184	1,250	1,359	1,923	9.0	2,536	2,477	2,667	11.5
	$ 14,947	**$ 14,735**	**$ 14,600**	**$ 15,322**	**$ 16,005**	**$ 17,737**	**$ 17,057**	**$ 16,845**	**$ 17,480**	**$ 18,510**	**2.4**	**$ 20,033**	**$ 20,104**	**$ 20,182**	**2.9**
Generation Operations															
VP Generation Operations Administration	$ 4,269	$ 3,207	$ 3,419	$ 2,513	$ 2,708	$ 2,860	$ 2,557	$ 2,838	$ 2,405	$ 1,805	(9.1)	$ 1,970	$ 2,163	$ 2,206	6.9
Power Planning	2,739	2,086	2,555	3,131	4,211	5,867	6,764	7,053	7,003	6,508	10.1	8,261	10,127	10,439	17.1
Generation North	26,363	27,002	27,046	28,853	31,578	27,169	28,560	28,386	32,358	36,441	3.7	36,006	36,538	37,356	0.8
Generation South	41,569	40,267	41,542	43,274	45,891	49,707	49,850	51,425	51,819	56,156	3.4	55,671	55,294	55,686	(0.3)
Engineering Services	11,217	10,190	10,085	10,253	10,528	11,520	10,686	9,876	18,540	19,817	6.5	21,270	21,692	21,909	3.4
Power Sales & Operations	8,870	10,120	11,346	11,625	12,578	12,969	12,770	13,364	13,408	14,646	5.7	15,111	15,364	15,364	1.6
	$ 95,025	**$ 92,873**	**$ 95,994**	**$ 99,650**	**$ 107,494**	**$ 110,091**	**$ 111,187**	**$ 112,944**	**$ 125,533**	**$ 135,373**	**4.0**	**$ 138,290**	**$ 141,178**	**$ 142,959**	**1.8**

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT
(000's)

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	Fiscal 2004/05-2013/14 Compounded Annual Growth	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	Fiscal 2013/14-2016/17 Compounded Annual Growth
Major Capital Projects															
Licensing & Relationship Management Div	$ 865	$ 581	$ 696	$ 354	$ 764	$ 119	$ 573	$ 150	$ 1,462	$ 3,406	16.4	$ 3,725	$ 1,593	$ 1,665	(21.2)
Portfolio Projects Management	-	42	58	57	(34)	219	364	344	390	500	0.0	586	1,069	1,104	30.2
Bipole III Project	-	-	-	-	-	0	(69)	(41)	109	(10)	0.0	278	374	292	(407.1)
VP Major Capital Projects Administration	-	-	-	-	26	(29)	(198)	(103)	268	11	0.0	531	904	907	331.6
New Generation Construction	(134)	(306)	(447)	(228)	(2)	(184)	(477)	(159)	682	477	(215.1)	519	629	620	9.1
	$ 731	**$ 318**	**$ 307**	**$ 184**	**$ 754**	**$ 126**	**$ 193**	**$ 190**	**$ 2,912**	**$ 4,384**	**22.0**	**$ 5,638**	**$ 4,568**	**$ 4,588**	**1.5**
Transmission															
HVDC	$ 17,653	$ 17,282	$ 19,177	$ 19,128	$ 21,659	$ 23,170	$ 22,927	$ 24,698	$ 26,136	$ 28,642	5.5	$ 28,966	$ 29,200	$ 29,973	1.5
VP Transmission Administration	2,779	8,534	10,180	10,151	14,459	15,630	17,868	18,636	24,245	26,025	28.2	23,740	23,707	21,224	(6.6)
Transmission System Operations	27,102	27,639	29,779	28,453	31,408	33,185	32,415	29,857	35,875	37,839	3.8	38,540	38,540	39,442	1.4
Transmission Planning & Design	4,836	4,855	5,212	3,402	5,219	4,162	3,419	4,936	9,181	8,406	6.3	8,959	8,834	8,991	2.3
Transmission Construction & Line Mtce	14,349	14,395	14,861	15,952	15,964	17,219	16,239	15,998	20,084	21,191	4.4	21,123	22,251	22,540	2.1
Apparatus Maintenance	28,913	29,082	31,327	33,834	36,281	35,742	36,272	37,024	40,922	41,808	4.2	42,783	42,806	43,825	1.6
	$ 95,632	**$101,786**	**$110,537**	**$110,920**	**$124,991**	**$129,107**	**$129,140**	**$131,148**	**$156,442**	**$163,910**	**6.2**	**$164,112**	**$165,338**	**$165,995**	**0.4**
Customer Services & Distribution															
Distribution Eng & Construction Division	$ 5,620	$ 4,752	$ 3,632	$ 5,091	$ 5,188	$ 5,314	$ 3,808	$ 2,335	$ 12,264	$ 11,150	7.9	$ 11,127	$ 9,845	$ 9,717	(4.5)
Customer Service Operations - Wpg&North	43,697	44,249	42,043	44,838	48,048	49,635	47,815	49,287	51,114	50,109	1.5	52,106	51,115	52,122	1.3
Customer Service Operations - South	36,469	40,520	38,076	38,535	40,767	44,651	43,678	43,695	50,188	47,778	3.0	49,702	48,663	48,722	0.7
Business Support & Capital Asset Mgmt	8,145	8,811	9,982	11,264	11,701	12,565	12,427	15,747	16,876	20,601	10.9	21,025	21,572	21,816	1.9
Administration	-	560	277	544	163	1,130	1,259	1,575	1,887	1,264	0.0	963	1,080	1,113	(4.1)
	$ 93,931	**$ 98,892**	**$ 94,011**	**$100,273**	**$105,867**	**$113,295**	**$108,988**	**$112,639**	**$132,330**	**$130,902**	**3.8**	**$134,922**	**$132,275**	**$133,490**	**0.7**
Customer Care & Marketing															
Gas Supply	$ 1,789	$ 2,027	$ 1,981	$ 2,058	$ 2,248	$ 2,356	$ 2,428	$ 2,488	$ 2,572	$ 2,865	5.4	$ 2,846	$ 2,855	$ 2,881	0.2
VP Customer Care & Energy Conservation	4,257	3,678	3,869	3,961	4,192	5,770	4,867	4,998	5,089	4,812	1.4	5,225	5,242	5,290	3.2
Industrial & Commercial Solutions	3,167	2,203	2,810	3,031	2,457	3,043	2,464	2,870	4,735	5,705	6.8	5,832	5,851	5,904	1.1
Consumer Marketing & Sales	9,874	9,741	9,913	8,905	9,545	10,642	11,518	11,630	13,107	14,263	4.2	14,591	14,637	14,771	1.2
Business Support Services	23,624	25,000	24,741	21,037	21,023	21,120	20,703	22,012	24,121	27,708	1.8	29,867	27,779	27,990	0.3
	$ 42,711	**$ 42,649**	**$ 43,314**	**$ 38,991**	**$ 39,465**	**$ 42,931**	**$ 41,980**	**$ 43,997**	**$ 49,624**	**$ 55,353**	**2.9**	**$ 58,361**	**$ 56,364**	**$ 56,837**	**0.9**
Corporate Allocations & Adjustments	(28,933)	(29,127)	(30,441)	(29,098)	(24,158)	(39,374)	(23,941)	(18,385)	(13,196)	(21,617)	(3.2)	(26,177)	(26,678)	(19,274)	(3.8)
Operating & Administration Charged to Centra	(55,232)	(53,085)	(53,505)	(56,270)	(59,803)	(60,951)	(60,644)	(62,117)	(63,735)	(66,808)	2.1	(67,829)	(66,691)	(67,818)	0.5
Capitalized Overhead	(58,174)	(62,028)	(61,887)	(67,289)	(61,198)	(60,151)	(47,336)	(53,084)	(69,720)	(74,449)	2.8	(81,265)	(24,578)	(24,824)	(30.7)
Electric OM&A, including Accounting Changes	**$298,613**	**$310,658**	**$323,465**	**$322,698**	**$364,288**	**$377,551**	**$396,946**	**$403,304**	**$462,952**	**$480,717**	**5.4**	**$485,755**	**$541,740**	**$551,675**	**4.7**

Operating Expenses MFR 10

Schedule detailing the capitalized OM&A costs by business unit for the years 2003/04 through the test years.

Please see the following table detailing the costs capitalized by Business Unit for the years 2004/05 to 2016/17. Please note that comparable information for 2003/04 is not readily available.

MANITOBA HYDRO
COSTS CAPITALIZED BY BUSINESS UNIT **(000's)**

	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
President & CEO	$ -	$ -	$ 30	$ 24	$ 21	$ 22	$ 43	$ 48	$ 275	$ 53	$ -	$ -	$ -
General Counsel & Corporate Secretary	201	132	192	242	353	270	232	404	639	1,299	905	922	948
Human Resources & Corporate Services	12,097	12,856	8,796	10,362	10,114	10,653	12,426	12,399	13,062	13,564	16,580	16,115	16,256
Corporate Relations	2,289	3,104	4,035	3,974	4,901	5,052	4,950	5,315	4,233	4,118	4,757	4,847	4,992
Finance & Regulatory	461	393	246	246	390	164	96	112	273	940	399	271	274
Generation Operations	18,613	19,459	22,671	22,352	23,595	28,729	33,686	41,687	34,670	40,289	41,561	40,345	41,125
Major Capital Projects	4,126	4,547	6,376	10,264	12,692	16,801	18,574	21,801	24,593	28,451	33,977	48,711	49,562
Transmission	48,770	51,675	50,451	58,696	61,971	70,353	78,316	83,094	73,232	79,235	88,013	94,171	95,863
Customer Service & Distribution	64,974	69,727	74,874	76,163	80,943	82,375	85,041	93,016	84,835	88,319	92,588	97,926	99,955
Customer Care & Energy Conservation	6,198	8,566	9,321	10,007	10,191	9,878	10,179	10,775	9,007	9,746	11,135	13,673	13,812
	$ 157,730	**$ 170,459**	**$ 176,992**	**$ 192,331**	**$ 205,169**	**$ 224,297**	**$ 243,545**	**$ 268,651**	**$ 244,819**	**$ 266,013**	**$ 289,917**	**$ 316,982**	**$ 322,787**

Operating Expenses MFR 11

A comparison of the OM&A per customer for actual and current IFF with that presented at last GRA for comparable years for each year through the test years. (PUB/MH I-8 (c) 2010 GRA).

ANSWER:

Please see the following for a comparison of the OM&A cost per customer presented at the last GRA for comparable years from fiscal 2013 to fiscal 2017.

	Actual		Forecast - IFF14		
	2013	**2014**	**2015**	**2016**	**2017**
OM&A expense 'electric only' (in millions of $)	463	481	486	542	552
# of Customers	548 774	555 760	558 871	565 222	572 144
OM&A (electric only) per customer (in dollars)	844	865	870	959	965
OM&A (electric only) per customer, excluding Accounting Changes	701	701	698	697	695

	Forecast - IFF12 (2012/13 & 2013/14 Electric GRA)				
	2013	**2014**	**2015**	**2016**	**2017**
OM&A expense 'electric only' (in millions of $)	455	471	544	556	567
# of Customers	548 944	555 955	563 047	570 205	577 419
OM&A (electric only) per customer (in dollars)	829	847	965	975	982

			Change		
(in millions of dollars)	**2013**	**2014**	**2015**	**2016**	**2017**
OM&A (electric only) per customer (in dollars)	14	18	(96)	(16)	(17)

The increase in cost per customer for 2013 and 2014 compared to forecast is primarily due to changes in the discount rate impacting pension and other benefits. The decrease in 2015 is a result of the delay in the implementation of IFRS from 2015 in IFF12 to 2016 in IFF14. The overall decrease in the test years forecast years reflects Manitoba Hydro's commitment to cost containment.

<u>Operating Expenses MFR 13</u>

A schedule which compares Operating, Maintenance and Administrative Cost for fiscal years subject to last GRA to actual results presented in this application with the forecast results provided at the Prior GRA in both dollar change and % change by:

- **a. Cost element**
- **b. Business unit**
- **c. And explain any differences over 5%.**

Please see the following schedules which compare Operating, Maintenance and Administrative costs for 2012/13 and 2013/14 to the forecast provided at the prior GRA (IFF12).

Differences over 5% and $500,000 have been explained.

a) Cost Element Schedules and Explanations:

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY COST ELEMENT

	2012/13 Actual	2012/13 Forecast	2012/13 Variance	%	Ref
Wages & Salaries	$ 466 165	$ 476 570	$ 10 404	2%	
Overtime	61 031	56 005	(5 025)	-9%	1
Employee Benefits	130 886	117 264	(13 622)	-12%	2
Sub-Total	658 082	649 839	(8 243)		
Less: Labour & Benefits Charged to Capital	(215 491)	(216 412)	(921)	0%	
Labour & Benefits Charged to Operations	442 591	433 427	(9 164)	-2%	
Employee Safety & Training	4 463	4 914	452	9%	
Travel Expenses	31 194	32 405	1 211	4%	
Motor Vehicle	29 516	25 954	(3 562)	-14%	3
Materials & Tools	24 806	27 173	2 367	9%	4
Consulting & Professional Fees	10 817	11 639	822	7%	5
Construction & Maintenance Services	16 259	18 706	2 447	13%	6
Building & Property Services	25 644	22 399	(3 245)	-14%	7
Equipment Maintenance & Rentals	14 680	14 476	(204)	-1%	
Consumer Services	5 050	5 284	234	4%	
Computer Services	849	909	60	7%	
Collection Costs	4 261	4 347	86	2%	
Customer & Public Relations	6 731	6 849	118	2%	
Sponsored Memberships	1 767	1 081	(686)	-63%	8
Office & Administration	13 874	15 263	1 390	9%	9
Communication Systems	1 817	1 683	(134)	-8%	
Research & Development Costs	3 372	3 509	137	4%	
Miscellaneous Expense	2 040	1 213	(827)	-68%	10
Contingency Planning	-	(0)	(0)	0%	
Operating Expense Recovery	(13 997)	(9 787)	4 210	-43%	11
Sub-Total	183 143	188 018	4 876		
Less: Other Costs Charged to Capital	(29 327)	(29 453)	(125)	0%	
Other Costs Charged to Operations	153 815	158 566	4 750	3%	
Total	596 406	591 993	(4 413)	-1%	
Capitalized Overhead	(69 720)	(69 384)	335	0%	
Operating and Administration Charged to Centra	(63 735)	(67 300)	(3 565)	5%	12
OM&A Attributable to Electric Operations	**$ 462 952**	**$ 455 309**	**$ (7 643)**	**-2%**	

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY COST ELEMENT
2012/13 VARIANCE EXPLANATIONS

Ref	Cost Element	Fav (Unfav)	Explanation
1	Overtime	(5,025)	Primarily due to unplanned storm restoration work.
2	Employee Benefits	(13,622)	Primarily due to the impact of a lower discount rate on pension and other benefit costs.
3	Motor Vehicle	(3,562)	Primarily due to higher fuel costs as a result of an increase in market prices and greater volumes partly due to storm restoration work.
4	Materials & Tools	2,367	Mainly due to lower maintenance requirements than anticipated at various generating stations partly due to availability of resources.
5	Consulting & Professional Fees	822	Mainly due to delays in various engagements such as environmental monitoring of river sediment contamination, the deferral of IFRS implementation and the security audit.
6	Construction & Maintenance Services	2,447	Primarily due to lower maintenance requirements at generating and converter stations partly due to availability of resources, less hydrometric monitoring than anticipated as well as lower LIDAR services for vegetation management.
7	Building & Property Services	(3,245)	Mainly due to increased contracted meal and accommodation services for internal staff and external contractors in the Gillam area. These costs are partially offset in Operating Expense Recovery.
8	Sponsored Memberships	(686)	Primarily as a result of higher membership dues for professional staff and greater than anticipated membership fees for the Canadian Electrical Association (CEA).
9	Office & Administration	1,390	Partly due to lower telecommunication costs as a result of Mobile Workforce Management as well as lower overall requirements due to cost saving measures.
10	Miscellaneous Expense	(827)	Primarily due to the expensing of costs as a result of the cancellation of various capital projects.
11	Operating Expense Recovery	4,210	Primarily due to higher recovery of costs from subsidiaries as well as the recovery of costs (charged to Building and Property Services) for meal and accommodation services provided to external parties.
12	Operating and Administration Charged to Centra	(3,565)	Lower activities than planned in various programs such as burner tip services and ground maintenance partly due to vacancies.

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY COST ELEMENT

	2013/14 Actual	2013/14 Forecast	2013/14 Variance	%	Ref
Wages & Salaries	$ 480 511	$ 486 101	$ 5 590	1%	
Overtime	62 365	57 126	(5 239)	-9%	13
Employee Benefits	157 094	126 002	(31 092)	-25%	14
Sub-Total	699 970	669 229	(30 742)		
Less: Labour & Benefits Charged to Capital	(234 510)	(221 083)	13 427	-6%	15
Labour & Benefits Charged to Operations	465 460	448 146	(17 314)	-4%	
Employee Safety & Training	4 596	5 013	417	8%	
Travel Expenses	31 915	33 053	1 139	3%	
Motor Vehicle	29 670	26 473	(3 197)	-12%	16
Materials & Tools	27 920	27 716	(204)	-1%	
Consulting & Professional Fees	14 657	11 872	(2 785)	-23%	17
Construction & Maintenance Services	16 775	19 080	2 305	12%	18
Building & Property Services	28 978	22 847	(6 131)	-27%	19
Equipment Maintenance & Rentals	15 007	14 766	(241)	-2%	
Consumer Services	5 277	5 389	112	2%	
Computer Services	678	927	249	27%	
Collection Costs	3 125	4 434	1 309	30%	20
Customer & Public Relations	5 610	6 986	1 376	20%	21
Sponsored Memberships	1 249	1 103	(146)	-13%	
Office & Administration	14 724	15 569	845	5%	22
Communication Systems	1 963	1 717	(246)	-14%	
Research & Development Costs	2 195	3 579	1 384	39%	23
Miscellaneous Expense	1 485	1 237	(248)	-20%	
Contingency Planning	-	0	0	0%	
Operating Expense Recovery	(17 808)	(9 983)	7 825	-78%	24
Sub-Total	188 016	191 779	3 763		
Less: Other Costs Charged to Capital	(31 503)	(29 699)	1 804	-6%	15
Other Costs Charged to Operations	156 513	162 080	5 567	3%	
Total	621 973	610 226	(11 748)	-2%	
Capitalized Overhead	(74 446)	(70 772)	3 674	-5%	25
Operating and Administration Charged to Centra	(66 810)	(68 800)	(1 990)	3%	
OM&A Attributable to Electric Operations	**$ 480 717**	**$ 470 654**	**$ (10 063)**	**-2%**	

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY COST ELEMENT
2013/14 VARIANCE EXPLANATIONS

Ref	Cost Element	Fav (Unfav)	Explanation
13	Overtime	(5 239)	Primarily due to resources deployed to provide assistance following the TransCanada Pipelines (TCPL) explosion and Toronto Hydro storm. These costs are offset in Operating Expense Recovery. In addition, increased capital construction requirements primarily for Bipole III, Pointe du Bois Spillway & NFAT activities, which are offset by an increase in Labor & Benefits Charged to Capital.
14	Employee Benefits	(22 845)	Primarily due to the impact of a lower discount rate on pension and other benefit costs.
15	Labour, Benefits & Other Costs Charged to Capital	13 427	Mainly due to the growth in the overall capital program, primarily for projects such as Bipole III, Pointe du Bois Spillway & NFAT.
16	Motor Vehicle	(3 197)	Primarily due to greater fuel costs and higher costs associated with external motor vehicle repair as a result of increased shop rates, greater volume of units being repaired and cost increases for motor vehicle parts.
17	Consulting & Professional Fees	(2 785)	Primarily due to increased legal fees associted with the Risk Management review and community participation costs for NCN expenses related to the Wuskwatim partnership.
18	Construction & Maintenance Services	2 305	Mainly due to lower requirements for station maintenance, special maintenance and LiDAR services for vegetation management.
19	Building & Property Services	(6 131)	Mainly due to increased contracted meal and accommodation services for internal staff and external contractors in the Gillam area as well as costs for the operations of the Wuskwatim staffhouse for a full year. These costs are partially offset in Operating Expense Recovery.
20	Collection Costs	1 309	Primarily due to fewer uncollectible accounts receivable written off and higher recoveries of bad debts than expected.
21	Customer & Public Relations	1 376	Mainly due to lower sponsorships, donations and grants and promotional and advertising expenditures as a result of cost saving measures.
22	Office & Administration	845	Partly due to lower telecommunication costs as a result of Mobile Workforce Management as well as lower overall requirements due to cost saving measures.
23	Research & Development Costs	1 384	Funding for various R&D programs lower than anticipated.
24	Operating Expense Recovery	7 825	Mainly due to the recovery of costs for restoration work performed after the TCPL explosion and the Toronto Hydro storm. In addition, higher recovery of costs (charged to Building and Property Services) for meal and accommodation services provided to external parties and greater recoveries from subsidiaries.
25	Capitalized Overhead	3 674	Related to higher capital construction activities.

b) Business Unit Schedules and Explanations:

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT

	2012/13 Actual	2012/13 Forecast	2012/13 Variance	%	Ref
President & CEO	$ 12,648	$ 12,966	$ 318	2%	
General Counsel & Corporate Secretary	8,741	7,401	(1,340)	-18%	1
Human Resources & Corporate Services	94,161	95,579	1,418	1%	
Corporate Relations	9,730	10,526	796	8%	2
Finance & Regulatory	17,480	17,915	435	2%	
Generation Operations	125,533	127,537	2,004	2%	
Major Capital Projects	2,912	4,027	1,115	28%	3
Transmission	156,442	151,102	(5,340)	-4%	
Customer Service & Distribution	132,330	134,004	1,674	1%	
Customer Care & Energy Conservation	49,624	51,319	1,694	3%	
Business Unit Subtotal	**609,602**	**612,377**	**2,775**	**0%**	
Corporate Allocations & Adjustments	(13,196)	(20,384)	(7,188)	-35%	4
Operating & Administration Charged to Centra	(63,735)	(67,300)	(3,565)	-5%	5
Capitalized Overhead	(69,720)	(69,384)	335	0%	
OM&A Costs Attributable to Electric Operations	**$ 462,952**	**$ 455,309**	**$ (7,643)**	**-2%**	

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT
2012/13 VARIANCE EXPLANATIONS

Ref	Business Unit	Fav (Unfav)	Explanation
1	General Counsel & Corporate Secretary	(1,340)	Primarily due to higher external legal fees associated with Risk Management review and Export Power Sale contracts, as well as greater insurance claims than anticipated.
2	Corporate Relations	796	Primarily due to a lower requirement for community participation and reduced funding for R&D projects.
3	Major Capital Projects	1,115	Primarily due to numerous vacancies across the Business Unit.
4	Corporate Allocations & Adjustments	(5,937)	Primarily due to the impact of the change in the discount rate on pension and other benefits.
5	Operating & Administration Charged to Centra	(3,565)	Lower activities than planned in various programs such as burner tip services and ground maintenance work partly due to vacancies.

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT

	2013/14 Actual	2013/14 Forecast	2013/14 Variance	%	Ref
President & CEO	$ 10,887	$ 13,226	$ 2,339	18%	6
General Counsel & Corporate Secretary	9,316	7,549	(1,767)	-23%	7
Human Resources & Corporate Services	106,036	97,491	(8,545)	-9%	8
Corporate Relations	8,918	10,736	1,818	17%	9
Finance & Regulatory	18,510	18,273	(237)	-1%	
Generation Operations	135,373	130,088	(5,285)	-4%	
Major Capital Projects	4,384	4,108	(276)	-7%	
Transmission	163,910	154,124	(9,786)	-6%	10
Customer Service & Distribution	130,902	136,684	5,782	4%	
Customer Care & Energy Conservation	55,353	52,345	(3,008)	-6%	11
Business Unit Subtotal	**643,590**	**624,624**	**(18,966)**	**-3%**	
Corporate Allocations & Adjustments	(21,617)	(14,398)	7,218	50%	12
Operating & Administration Charged to Centra	(66,810)	(68,800)	(1,990)	-3%	
Capitalized Overhead	(74,446)	(70,772)	3,674	5%	13
OM&A Costs Attributable to Electric Operations	**$ 480,717**	**$ 470,654**	**$ (10,063)**	**-2%**	

MANITOBA HYDRO
OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT
2013/14 VARIANCE EXPLANATIONS

Ref	Business Unit	Fav (Unfav)	Explanation
6	President & CEO	2,339	Primarily due to reorganizations which resulted in the transfer of EFTs to Human Resources & Corporate Services, General Counsel & Corporate Secretary and Corporate Relations. In addition, reduced memberships, donations & grants.
7	General Counsel & Corporate Secretary	(1,767)	Primarily due to higher external legal fees associated with the Risk Management review, a transfer of EFTs from President & CEO, and higher benefit costs.
8	Human Resources & Corporate Services	(8,545)	Primarily due to higher benefit costs, centralization of the internal training program, and a transfer of EFTs from President & CEO and Generation Operations.
9	Corporate Relations	1,818	Primarily due to lower Research & Development funding and higher vacancies.
10	Transmission	(9,786)	Primarily due to higher benefit costs.
11	Customer Care & Energy Conservation	(3,008)	Primarily due to the transfer of the meter reading function from CS&D and higher benefit costs.
12	Corporate Allocations & Adjustments	7,218	Primarily due to the impact of the change in the discount rate on pension and other benefits.
13	Capitalized Overhead	3,674	Related to higher capital construction activities.

Operating Expenses MFR 14

A schedule detailing the operating and administration charged to Centra and Other Affiliates for each of the last five fiscal years through the test years (actual/forecast) by:

a. **Cost Element**
b. **Business Unit**

Please see the following schedules detailing the operating and administration costs charged to Centra for each of the last five fiscal years through the test years (actual/forecast) by cost element and business unit.

MANITOBA HYDRO
CENTRA GAS PROGRAM COSTS BY COST ELEMENT

($000's)

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	Average Annual % Inc/(Dec)
Activity Charges	$ 44,410	$ 45,918	$ 46,568	$ 37,865	$ 41,003	$ 42,891	$ 39,372	$ 40,391	
Primary Costs:									
External Course, Awards	24	26	21	9	5	7	7	7	
Material	1,294	1,184	1,170	1,304	1,154	1,313	1,084	1,084	
Travel	87	102	79	110	94	84	86	86	
Donations, Grants & Sponsorships	333	393	476	442	364	298	298	298	
Memberships	170	176	188	193	61	212	212	212	
Bad Debt & Collection Expense	2,086	1,613	1,435	1,200	1,104	1,472	1,472	1,472	
Office Administration & Other	1,562	1,557	1,608	1,623	1,579	1,778	1,777	1,777	
Computer Equipment & Maintenance	563	522	452	470	617	725	733	733	
Meter Reading Charges (primarily MHUS)	2,425	1,949	2,130	2,078	2,115	2,065	2,065	2,065	
Banking/Cash Management Services	222	220	255	242	268	284	284	284	
Construction & Maintenance Services	1,240	947	1,823	1,210	1,135	1,223	1,221	1,221	
Purchased Services	1,988	1,772	1,506	1,661	1,747	1,730	1,520	1,519	
Promotional Items/Customer Incentives	25	57	71	19	16	5	5	5	
Gas-PUB & Advisory Services	766	491	496	481	468	450	450	450	
Operating Expense Recoveries	(537)	(620)	(598)	(6)	-	-	-	-	
Other	4	-	4	5	(8)	3	4	4	
Total Primary Costs	**12,251**	**10,390**	**11,116**	**11,041**	**10,719**	**11,650**	**11,219**	**11,217**	**-1.0%**
Corporate Allocations & Adjustments	1,460	1,660	1,718	8,276	7,263	5,742	18,169	18,320	
Overhead	10,735	7,870	7,990	9,532	10,317	10,796	(0)	(0)	
Total Program Costs	**68,857**	**65,838**	**67,392**	**66,714**	**69,302**	**71,079**	**68,760**	**69,928**	**0.0%**
Depreciation, Interest and Taxes	(7,906)	(5,194)	(5,275)	(2,978)	(2,492)	(3,250)	(2,068)	(2,110)	
Operating & Administration Charged to Centra	**$ 60,951**	**$ 60,644**	**$ 62,117**	**$ 63,735**	**$ 66,810**	**$ 67,829**	**$ 66,691**	**$ 67,818**	**1.3%**

MANITOBA HYDRO
CENTRA GAS PROGRAM COSTS BY BUSINESS UNIT

($000's)

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast	Average Annual % Inc/(Dec)
President & CEO	$ 814	$ 891	$ 877	$ 510	$ 327	$ 491	$ 469	$ 470	
General Counsel & Corporate Secretary	336	41	242	128	147	160	134	134	
Human Resources & Corporate Services	1,141	1,208	1,195	1,298	1,476	1,477	1,451	1,478	
Corporate Relations	72	40	6	48	49	-	-	-	
Finance & Regulatory	2,800	2,530	2,142	2,244	2,470	1,808	1,594	1,567	
Generation Operations	220	477	317	441	512	796	574	575	
Transmission	255	250	99	121	204	186	153	158	
Customer Service & Distribution	40,288	37,941	39,565	34,761	35,509	38,045	28,315	29,067	
Customer Care & Energy Conservation	21,471	20,801	21,231	18,885	21,343	22,373	17,901	18,160	
Business Unit Subtotal	**67,397**	**64,178**	**65,674**	**58,437**	**62,038**	**65,337**	**50,590**	**51,608**	**-3.5%**
Corporate Allocations & Adjustments	1,460	1,660	1,718	8,276	7,263	5,742	18,169	18,320	
Depreciation, Interest and Taxes	(7,906)	(5,194)	(5,275)	(2,978)	(2,492)	(3,250)	(2,068)	(2,110)	
Operating & Administration Charged to Centra	**$ 60,951**	**$ 60,644**	**$ 62,117**	**$ 63,735**	**$ 66,810**	**$ 67,829**	**$ 66,691**	**$ 67,818**	**1.3%**

As per the tables above, the average annual increase of operating and administration costs including accounting changes is 1.3%, which is below inflationary levels.

The decrease from 2014/15 to 2015/16 is a result of the IFRS requirement to harmonize its accounting policy with respect to costs associated with the Meter Sampling, Exchange and Testing program. Prior to the transition to IFRS these costs were capitalized for the Electric operations and expensed for the Gas operations.

This decrease is partially offset by the expensing of overhead costs no longer eligible for capitalization under IFRS and is reflected in the increase to Corporate Allocations and Adjustments.

Payments to Government MFR 1

Provide a schedule of actual and forecast payments made to the Province and Municipalities for five historical years and for the 20-year forecast period.

Please see the following schedule for all payments to municipalities and the Province for 2010 through 2034.

Payments to the Province and Municipalities (Millions)

Fiscal Year Ended	Water Rentals	Provincial Guarantee Fee	Sinking Fund Admin. Fee	Capital Taxes	Payroll Taxes	Provincial Mitigation or Settlement Obligations (1)	Municipal GILT and Business Taxes	Gross Electricity Operations Revenue	Gross Export Revenue	Total Provincial Payments (GILT & Business Tax Not Included)	Provincial Payments as a Percentage of Gross Revenue
2010	114	72	1	46	9	0	20	1,583	427	$ 242	15%
2011	114	77	-	48	10	0	20	1,616	398	$ 249	15%
2012	111	82	-	52	10	1	21	1,573	363	$ 256	16%
2013	110	90	-	55	11	1	21	1,733	353	$ 267	15%
2014	118	96	-	60	11	0	23	1,914	439	$ 285	15%
2015	117	105	-	64	12	8	24	1,831	409	$ 306	17%
2016	115	118	-	70	12	0	25	1,928	434	$ 315	16%
2017	104	140	-	83	12	0	26	2,008	450	$ 339	17%
2018	104	167	-	96	12	0	26	2,101	457	$ 379	18%
2019	103	197	-	104	13	0	27	2,222	479	$ 417	19%
2020	105	213	-	104	13	0	28	2,352	514	$ 435	18%
2021	115	225	-	103	13	0	28	2,732	817	$ 456	17%
2022	118	232	-	109	13	0	29	2,944	943	$ 472	16%
2023	118	231	-	107	14	0	29	3,054	959	$ 470	15%
2024	118	233	-	117	14	0	30	3,182	987	$ 482	15%
2025	117	236	-	117	14	0	31	3,298	996	$ 484	15%
2026	117	236	-	117	15	0	31	3,342	928	$ 485	15%
2027	118	238	-	117	15	0	32	3,475	944	$ 488	14%
2028	117	239	-	117	15	0	33	3,575	921	$ 488	14%
2029	117	240	-	117	16	0	33	3,702	920	$ 490	13%
2030	117	241	1	117	16	0	34	3,849	927	$ 492	13%
2031	118	239	1	118	16	0	35	3,980	911	$ 492	12%
2032	117	232	-	118	17	0	35	4,065	901	$ 484	12%
2033	117	232	-	120	17	0	36	4,145	883	$ 486	12%
2034	118	232	1	120	17	0	37	4,248	884	$ 488	11%

(1) Hydro entered into an agreement with the Province whereby the Corporation assumed obligations of the Province with respect to certain northern development projects. Obligations totaling $143 million were assumed, with respect to which water rental charges had been fixed until March 31, 2001. Of these obligations, $8 million remain to be paid in fiscal 2015 and future years.

<u>Payments to Government MFR 2</u>

A schedule detailing the calculation of the Net Hydro Guarantee fee for five historical years and through the twenty year forecast period.

The following schedule details the calculation of the net Manitoba Hydro Provincial Debt Guarantee Fee (PGF) for 2010/11 through to 2033/34.

Payments to Government MFR 2

MANITOBA HYDRO
Provincial Debt Guarantee Fee (PGF) Calculations
($ millions CAD)

	Actual 2011 (1)	Actual 2012 (1)	Actual 2013 (1)	Actual 2014 (1)	Actual 2015 (1)	Forecast 2016 (2)	Forecast 2017 (2)	Forecast 2018 (2)	Forecast 2019 (2)	Forecast 2020 (2)	Forecast 2021 (2)	Forecast 2022 (2)
Long Term Debt Balance	8,538	8,628	9,348	9,937	10,944	12,083	14,204	17,070	19,939	21,549	22,810	23,560
Short Term Debt Balance	-	-	-	-	-	83	142	55	111	134	74	7
Trust Investment from Pre-Financing	(554)	(100)	-	-	(90)	-	-	-	-	-	-	-
PGF Assessed On	7,984	8,528	9,348	9,937	10,854	12,167	14,345	17,125	20,050	21,683	22,884	23,567
Guarantee Fee Rate	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
Amount Paid to Province	80	85	93	99	109	122	143	171	201	217	229	236
Portion Allocated to Centra	(3)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Net MB Hydro Provincial Debt Guarantee Fee	**77**	**82**	**90**	**96**	**105**	**118**	**140**	**167**	**197**	**213**	**225**	**232**

Notes: (1) The fee calculation is based on ending principal par value debt balances at March 31 of the prior fiscal year. Manitoba Hydro is not assessed the debt guarantee fee on bonds issued for mitigation purposes. The long term debt balance presented in Payments to Government MFR 2 represents that amount of debt upon which the Provincial Debt Guarantee Fee was paid or is payable.

(2) US Dollar long term debt balance at March 31, 2015 was converted at forecast year end exchange rate of 1.10 for the assessment of the 2016 PGF.
US Dollar long term debt balances at March 31, 2016, 2017, 2018 and 2019 were converted at forecast year end exchange rate of 1.12 for the assessment of the PGF for years 2017, 2018, 2019 and 2020.
US Dollar long term debt balances at March 31, 2020 and beyond were converted at forecast year end exchange rate of 1.10 for the assessment of the PGF for years 2021 and beyond.

Payments to Government MFR 2

MANITOBA HYDRO
Provincial Debt Guarantee Fee (PGF) Calculations
($ millions CAD)

	Forecast 2023 (2)	Forecast 2024 (2)	Forecast 2025 (2)	Forecast 2026 (2)	Forecast 2027 (2)	Forecast 2028 (2)	Forecast 2029 (2)	Forecast 2030 (2)	Forecast 2031 (2)	Forecast 2032 (2)	Forecast 2033 (2)	Forecast 2034 (2)
Long Term Debt Balance	23,445	23,584	23,884	23,882	24,232	24,432	24,432	24,572	24,472	23,772	23,772	23,742
Short Term Debt Balance	40	145	152	173	2	-	62	-	-	-	-	-
Trust Investment from Pre-Financing	-	-	-	-	-	-	-	-	-	-	-	-
PGF Assessed On	23,485	23,729	24,036	24,055	24,234	24,432	24,494	24,572	24,472	23,772	23,772	23,742
Guarantee Fee Rate	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %	1.00 %
Amount Paid to Province	235	237	240	241	242	244	245	246	245	238	238	237
Portion Allocated to Centra	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(6)	(6)
Net MB Hydro Provincial Debt Guarantee Fee	**231**	**233**	**236**	**236**	**238**	**239**	**240**	**241**	**239**	**232**	**232**	**232**

Notes: (1) The fee calculation is based on ending principal par value debt balances at March 31 of the prior fiscal year. Manitoba Hydro is not assessed the debt guarantee fee on bonds issued for mitigation purposes. The long term debt balance presented in Payments to Government MFR 2 represents that amount of debt upon which the Provincial Debt Guarantee Fee was paid or is payable.

(2) US Dollar long term debt balance at March 31, 2015 was converted at forecast year end exchange rate of 1.10 for the assessment of the 2016 PGF.
US Dollar long term debt balances at March 31, 2016, 2017, 2018 and 2019 were converted at forecast year end exchange rate of 1.12 for the assessment of the PGF for years 2017, 2018, 2019 and 2020.
US Dollar long term debt balances at March 31, 2020 and beyond were converted at forecast year end exchange rate of 1.10 for the assessment of the PGF for years 2021 and beyond.

Payments to Government MFR 3

Provide a schedule detailing the calculation of the water rental payments for the last five historical years and through the twenty year forecast period. (Similar to PUB/MH 1-24 (c) 2010 GRA)

Water Rental Calculation

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	
Megawatt-Hours Generated (million mWh)	33.8	34.0	33.2	33.1	35.3	
Converted to Horsepower-years	5.6	5.6	5.5	5.5	5.8	(1)
Rental Rate per Horsepower-year	20.32	20.32	20.32	20.32	20.32	(2)
Calculated Water Annual Rental ($ million)	$ 113.0	$ 113.8	$ 110.8	$ 110.8	$ 117.9	
Minimum Rental Adjustment	1.0	0.3				(3)
Other Adjustment				(0.4)		(4)
Total Water Rentals	$ 114.0	$ 114.1	$ 110.8	$ 110.4	$ 117.9	

(1) The Water Power Act defines "Horsepower-year" as kW.h/6535 X 1.075.

(2) The water rental fee was calculated at a rate of 9.90 per Horsepower-year generated up to March 31, 2001. Effective April 1, 2001 the rate was increased to its current level of $20.32 per Horsepower-year.

(3) The Water Power Act of Manitoba provides that the water rentals charged for each generation site be the greater of (a) a fixed rate multiplied by the installed capacity of that site and (b) a fixed rate multiplied by the electrical output for the year of that site. Generally , the calculation under (b) based on actual output results in the greatest amount for each generation site. In some years, such as 2010 and 2011, it is necessary to adjust the amounts calculated under the (b) calculation for some specific sites to bring the total up to the amount calculated under the (a) installed capacity calculation method.

(4) Water rentals relating to the Wuskwatim Generating Station were calculated at a reduced rate during the commissioning process. The full rental rate of $20.32 per Horsepower-year was charged commencing October 6, 2012.

Water Rental Calculation

	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019
Megawatt-Hours Generated (million mWh)	35.1	34.4	31.1	31.1	30.9
Converted to Horsepower-years	5.8	5.7	5.1	5.1	5.1
Rental Rate per Horsepower-year	20.32	20.32	20.32	20.32	20.32
Total Water Rentals ($ million)	$ 117.4	$ 115.0	$ 103.9	$ 104.1	$ 103.3

	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
Megawatt-Hours Generated (million mWh)	31.5	34.5	35.3	35.3	35.3
Converted to Horsepower-years	5.2	5.7	5.8	5.8	5.8
Rental Rate per Horsepower-year	20.32	20.32	20.32	20.32	20.32
Total Water Rentals ($ million)	$ 105.1	$ 115.4	$ 117.9	$ 117.8	$ 117.8

	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029
Megawatt-Hours Generated (million mWh)	35.1	35.1	35.2	35.1	35.1
Converted to Horsepower-years	5.8	5.8	5.8	5.8	5.8
Rental Rate per Horsepower-year	20.32	20.32	20.32	20.32	20.32
Total Water Rentals ($ million)	$ 117.5	$ 117.3	$ 117.8	$ 117.5	$ 117.5

	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033	Forecast 2034
Megawatt-Hours Generated (million mWh)	35.1	35.2	35.1	35.1	35.2
Converted to Horsepower-years	5.8	5.8	5.8	5.8	5.8
Rental Rate per Horsepower-year	20.32	20.32	20.32	20.32	20.32
Total Water Rentals ($ million)	$ 117.5	$ 117.7	$ 117.4	$ 117.4	$ 117.5

Capital Expenditures-Depreciation MFR 2 (Revised)

A schedule detailing the breakdown of the balances by component of capitalized costs (wages, overhead etc.) in construction work and process, for each major Generation and Transmission project consistent with the last Annual Report.

Please see the following table:

Breakdown of Major Generation and Transmission projects by capitalized cost components
As at March 31, 2014
(in millions of dollars)

	Activity Charges	Overhead	Interest	Material	Other	Total
Kettle Improvements & Upgrades	1.1	0.2	0.4	0.4	1.6	3.7
Wuskwatim - Staffhouse (WPLP)	0.8	0.2	0.1	-	1.3	2.4
Keeyask	74.2	18.5	236.7	5.7	582.1	917.2
Conawapa - Generation	3.7	0.7	2.6	0.1	7.2	14.3
Conawapa - Licensing	45.2	11.5	83.2	4.2	142.7	286.8
Conawapa - PR280 & PR290 Upgrades	-	-	-	-	0.1	0.1
Pointe du Bois Spillway Replacement	33.4	7.6	33.9	2.2	325.7	402.8
Pointe du Bois - Transmission	2.8	0.6	0.5	2.4	1.2	7.5
Pointe du Bois - Communications	0.1	-	-	-	-	0.1
Kelsey Improvements & Upgrades	0.5	0.1	0.1	0.2	2.4	3.3
Bipole III - Transmission Line	27.6	6.6	20.5	11.1	70.4	136.2
Bipole III-Converter Stations	35.8	8.1	25.4	36.4	195.3	301.0
Bipole III - Collector Lines	5.4	1.4	0.9	4.8	20.6	33.1
Bipole III-Community Develop Initiative	-	-	-	-	53.9	53.9
Riel 230/500kV Station	30.1	7.2	35.3	84.0	130.9	287.5
Ont to Man 100MW Firm Import U/G - Trans	0.1	-	-	-	0.1	0.2
Manitoba-Minnesota Transmission Project	1.1	0.3	0.1	-	0.9	2.4
Grand Rapids Hatchery Upgrade & Expansn	0.3	-	-	-	0.6	0.9
Major Generation and Transmission	262.2	63.0	439.7	151.5	1 537.0	2 453.4
Base Capital and Other						482.8
Great Northern Transmission Line	0.5	0.1	0.3	-	5.9	6.8
Annual Report - Note 9						2 943.0

Capital Expenditures-Depreciation MFR 3 (Revised)

Provide a breakdown of the total balance of Generation & Transmission costs by each major project and identify the balance related to base capital, in a similar level of detail is PUB/MH I- 45 (b).

Please see the following table:

Breakdown of Major Generation and Transmission projects by capitalized cost components
As at March 31, 2013
(in millions of dollars)

	Activity Charges	Overhead	Interest	Material	Other	Total
Kettle Improvements & Upgrades	0.7	0.1	0.2	0.3	1.4	2.7
Wuskwatim - Staffhouse (WPLP)	0.4	0.1	-	-	0.6	1.1
Keeyask	53.9	13.3	191.4	4.5	376.7	639.8
Conawapa - Generation	2.6	0.5	1.8	0.1	7.1	12.1
Conawapa - Licensing	37.9	9.6	67.3	4.2	129.7	248.7
Pointe du Bois Spillway Replacement	25.6	5.7	17.6	1.9	117.4	168.2
Pointe du Bois - Transmission	2.3	0.6	0.4	2.4	0.5	6.2
Pointe du Bois - Communications	0.3	0.1	-	0.1	0.1	0.6
Kelsey Improvements & Upgrades	10.3	2.7	5.6	4.4	8.8	31.8
Bipole III - Transmission Line	18.8	4.4	14.9	3.6	43.2	84.9
Bipole III-Converter Stations	23.3	4.9	12.8	31.6	83.9	156.5
Bipole III - Collector Lines	2.4	0.6	0.3	2.1	1.5	6.9
Riel 230/500kV Station	20.2	4.6	20.9	71.2	97.1	214.0
Ont to Man 100MW Firm Import U/G - Trans	0.1	-	-	-	0.1	0.2
Manitoba-MinnesotaTransmission Project	0.2	-	0.2	-	1.0	1.4
Major Generation and Transmission	199.0	47.2	333.4	126.4	869.1	1 575.1
Base Capital and Other						391.9
Annual Report - Note 9						1 967.0

<u>Capital Expenditures-Depreciation MFR 4</u>

Provide a schedule that indicates the amount of cash flow from electric operations, forecast electric base capital spending and net cash flow available to finance each Major Generation & Transmission Projects in each of the forecast years and the (electric) capital coverage ratio for the last five historical years and through the 20 year forecast period in a similar format to PUB/MH 1-22 (c) from the 2012 GRA.

Please see the following table for the cash flow from electric operations, electric base capital spending as well as the net financing requirements for Major Generation & Transmission Projects and for sustaining capital expenditures for 2009/10 through 2033/34.

It should be noted that the attached schedule is for illustrative purposes only and the allocations of cash flow from operations are notional. Manitoba Hydro does not allocate cash flow from operations or proceeds from debt for specific uses in practice.

		Actuals							*Forecast*									
	For the year ended March 31	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
1	**Cash Flow from Operations**	599.0	653.0	528.0	550.0	518.0	554.0	661.0	558.2	587.0	571.0	598.1	482.3	440.6	469.1	521.6	613.4	699.2
2	**Sustaining Capital Spending**	357.0	349.0	405.4	442.6	465.2	432.7	470.1	570.9	577.0	609.6	547.3	547.4	547.5	572.6	554.7	562.8	571.0
3	**Excess Cash Flow after Sustaining Capital Spending (1-2)**	242.0	304.0	122.6	107.4	52.8	121.3	190.9	(12.7)	10.0	(38.6)	50.8	(65.1)	(106.9)	(103.6)	(33.0)	50.6	128.2
4	**Capital Coverage Ratio (1/2)**	1.68	1.87	1.30	1.24	1.11	1.28	1.41	0.98	1.02	0.94	1.09	0.88	0.80	0.82	0.94	1.09	1.22
5	**Major New Generation & Transmission**	473.0	538.5	674.0	657.5	567.8	600.3	983.7	1 451.7	1 913.9	2 463.5	2577.8	1530.9	884.0	426.2	196.1	116.6	110.0
6	**Financing Required to Fund MNG&T & Sustaining Capital**	231.0	234.5	551.4	550.1	515.0	479.0	792.8	1 464.4	1 903.9	2 502.1	2527.0	1596.0	991.0	529.7	229.2	66.0	0.0

	For the year ended March 31	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
1	**Cash Flow from Operations**	787.0	818.3	942.7	1024.1	1146.3	1288.1	1431.7	1560.9	1655.5	1774.8
2	**Sustaining Capital Spending**	621.1	624.5	637.3	648.6	674.7	665.0	703.5	710.5	723.8	734.9
3	**Excess Cash Flow after Sustaining Capital Spending (1-2)**	165.9	193.8	305.4	375.5	471.5	623.1	728.2	850.4	931.7	1039.9
4	**Capital Coverage Ratio (1/2)**	1.27	1.31	1.48	1.58	1.70	1.94	2.04	2.20	2.29	2.41
5	**Major New Generation & Transmission**	107.8	110.7	97.8	81.3	70.5	60.7	66.5	71.6	98.4	175.0
6	**Financing Required to Fund MNG&T & Sustaining Capital**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Finance Expense-Debt Levels MFR 4

A schedule that details for the last five fiscal year through the 20 year current forecast a summary of total interest and finance cost incurred/ forecasted by major category [debt charges, foreign currency gains/losses etc.] both capitalized and expended in a similar level of detail provided in PUB/MH 1-35 (2010 GRA).

The attached schedule for the fiscal years 2009/10 to 2033/34 conforms to the categorization of finance expense as shown in the Application in Schedule 5.1.5. This schedule groups the components of finance expense into three primary categories:

1. Total Interest on Short & Long Term Debt,
2. Interest Allocated to Construction, and
3. Sinking Fund and Other Adjustments.

The Corporation's net interest expense is the total interest on short & long term debt minus the interest allocated to construction.

For a fuller discussion of Finance Expense, please see Section 5.6 of Tab 5 of this Application.

MANITOBA HYDRO
Summary of Total Finance Expense
($ millions CAD)

	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
Interest on Short & Long Term Debt													
Gross Interest	$ 472	$ 472	$ 490	$ 515	$ 528	$ 554	$ 627	$ 756	$ 903	$ 995	$ 1,076	$ 1,120	$ 1,137
Provincial Guarantee Fee	72	77	82	90	96	105	118	140	167	197	213	225	232
Amortization of (Premiums), Discounts, and Transaction Costs	(11)	3	0	0	2	3	3	2	2	2	2	3	4
Intercompany Interest Receivable	(16)	(16)	(17)	(19)	(19)	(21)	(23)	(27)	(32)	(37)	(42)	(45)	(34)
Total Interest on Short & Long Term Debt	**517**	**535**	**555**	**587**	**608**	**640**	**725**	**871**	**1,040**	**1,157**	**1,248**	**1,303**	**1,338**
Interest Allocated to Construction	**(98)**	**(136)**	**(167)**	**(138)**	**(140)**	**(146)**	**(207)**	**(316)**	**(437)**	**(388)**	**(341)**	**(112)**	**(12)**
Interest Earned on Sinking Fund	(24)	(17)	(10)	(10)	(24)	(0)	(2)	(9)	(19)	(24)	(24)	(21)	(19)
Realized Foreign Exchange (Gains) or Losses on Debt in Cash Flow Hedges	6	1	(0)	2	(19)	(11)	(17)	(11)	(15)	(6)	(9)	(10)	(12)
Revaluation of Dual Currency Bonds	(31)	4	3	3	2	1	1	1	1	1	1	1	2
Corporate Allocation	(18)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(19)
Other Amortization	20	20	24	27	28	29	29	29	29	30	30	50	47
Total Finance Expense	**$ 373**	**$ 388**	**$ 385**	**$ 452**	**$ 435**	**$ 495**	**$ 510**	**$ 548**	**$ 581**	**$ 752**	**$ 887**	**$ 1,194**	**$ 1,326**

	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033	Forecast 2034
Interest on Short & Long Term Debt												
Gross Interest	$ 1,125	$ 1,141	$ 1,149	$ 1,154	$ 1,163	$ 1,168	$ 1,171	$ 1,161	$ 1,143	$ 1,067	$ 1,050	$ 1,032
Provincial Guarantee Fee	231	233	236	236	238	239	240	241	239	232	232	232
Amortization of (Premiums), Discounts, and Transaction Costs	3	1	2	2	2	2	3	3	3	4	4	4
Intercompany Interest Receivable	(26)	(28)	(29)	(30)	(32)	(33)	(34)	(36)	(37)	(39)	(39)	(40)
Total Interest on Short & Long Term Debt	**1,333**	**1,347**	**1,358**	**1,362**	**1,371**	**1,376**	**1,379**	**1,368**	**1,349**	**1,264**	**1,247**	**1,228**
Interest Allocated to Construction	**(14)**	**(17)**	**(20)**	**(24)**	**(25)**	**(17)**	**(20)**	**(20)**	**(24)**	**(25)**	**(27)**	**(38)**
Interest Earned on Sinking Fund	(7)	(9)	(13)	(16)	(30)	(44)	(59)	(69)	(82)	(62)	(76)	(91)
Realized Foreign Exchange (Gains) or Losses on Debt in Cash Flow Hedges	(7)	-	-	-	-	-	-	-	-	-	-	-
Revaluation of Dual Currency Bonds	2	2	2	2	-	-	-	-	-	-	-	-
Corporate Allocation	(19)	(19)	(19)	(19)	(19)	(19)	(19)	(17)	(16)	(16)	(16)	(16)
Other Amortization	46	44	43	42	41	40	39	38	37	36	34	33
Total Finance Expense	**$ 1,334**	**$ 1,349**	**$ 1,351**	**$ 1,348**	**$ 1,338**	**$ 1,337**	**$ 1,321**	**$ 1,301**	**$ 1,263**	**$ 1,197**	**$ 1,161**	**$ 1,116**

Finance Expense-Debt Levels MFR 5

A continuity schedule of the short and long-term debt for the fiscal years 2004 to 2032 detailing the retirement of existing debt and the issue of new debt, include the debt ratio. Indicate the proportion of short-term debt to total debt for each of the years.

The attached schedule of short and long term debt conforms to the Corporation's financial statement presentation, with measurement in Canadian dollars (CAD) and which in accordance with accounting standards specify the most outward obligation dates on any debt series (the latter of physical debt or forward interest rate swap maturity dates).

Long term debt refers to borrowings which have a term to maturity equal to or greater than one year, and is made up of fixed rate debt with non-variable interest rates and floating rate debt which have a periodic interest rate resetting mechanism prior to maturity. Note that some of the long term debt issues may be retired at their maturity. Manitoba Hydro will consider the availability of sinking fund withdrawals and surplus cash to reduce the required refinancing of maturing debt.

Short term debt refers to borrowings with non-variable interest rates which have a term to maturity of less than one year. The short term borrowing program is a $500 million credit facility with a primary objective to safeguard the Corporation from liquidity risk by providing sufficient liquidity for the Corporation's temporary cash requirements. Manitoba Hydro uses its short term debt line to fund its working capital requirements and to bridge the timing between long term debt issues.

See the Debt Management Strategy in Appendix 3.7 for additional information regarding the Corporation's debt financing requirements and strategies.

Finance Expense - Debt Levels MFR5

MANITOBA HYDRO
Continunity Schedule
Consolidated Short and Long Term Debt

Actuals to December 31, 2014
(in $ millions Canadian Dollars)

Long Term Debt	**Actual 2004**	**Actual 2005**	**Actual 2006**	**Actual 2007**	**Actual 2008**	**Actual 2009**	**Actual 2010**	**Actual 2011**	**Actual 2012**	**Actual 2013**	**Actual 2014**	**Forecast 2015**	**Forecast 2016**	**Forecast 2017**	**Forecast 2018**
Opening Balance	7,268	7,390	7,204	7,169	7,227	7,571	8,187	8,538	8,647	9,382	9,985	10,868	12,034	14,159	17,028
Long Term Debt Proceeds	1,013	300	180	173	981	423	1,425	915	698	807	1,320	1,983	2,400	3,200	3,200
Long Term Debt Matured	(473)	(241)	(111)	(80)	(311)	(366)	(452)	(723)	(25)	(242)	(613)	(835)	(312)	(334)	(330)
Carrying Value Adjustments*	(418)	(245)	(104)	(35)	(327)	559	(622)	(83)	62	38	176	18	37	3	3
Closing Balance	**7,390**	**7,204**	**7,169**	**7,227**	**7,571**	**8,187**	**8,538**	**8,647**	**9,382**	**9,985**	**10,868**	**12,034**	**14,159**	**17,028**	**19,901**

* Carrying Value Adjustments include changes in in the value of US dollar denominated debt upon conversion to CAD, as well as changes to the portfolio carrying value for transaction costs, premiums/ discounts, and dual currency bonds.

Short Term Debt	**Actual 2004**	**Actual 2005**	**Actual 2006**	**Actual 2007**	**Actual 2008**	**Actual 2009**	**Actual 2010**	**Actual 2011**	**Actual 2012**	**Actual 2013**	**Actual 2014**	**Forecast 2015**	**Forecast 2016**	**Forecast 2017**	**Forecast 2018**
Opening Balance	128	93	59	-	148	-	100	-	-	-	-	-	83	142	55
Increase (Decrease)	(35)	(34)	(59)	148	(148)	100	(100)	-	-	-	-	83	59	(87)	56
Closing Balance	**93**	**59**	**-**	**148**	**-**	**100**	**-**	**-**	**-**	**-**	**-**	**83**	**142**	**55**	**111**

Total Debt	**Actual 2004**	**Actual 2005**	**Actual 2006**	**Actual 2007**	**Actual 2008**	**Actual 2009**	**Actual 2010**	**Actual 2011**	**Actual 2012**	**Forecast 2013**	**Forecast 2014**	**Forecast 2015**	**Forecast 2016**	**Forecast 2017**	**Forecast 2018**
Long Term Debt	7,390	7,204	7,169	7,227	7,571	8,187	8,538	8,647	9,382	9,985	10,868	12,034	14,159	17,028	19,901
Short Term Debt	93	59		148	-	100	-	-	-	-	-	83	142	55	111
Total Debt	**7,483**	**7,263**	**7,169**	**7,375**	**7,571**	**8,287**	**8,538**	**8,647**	**9,382**	**9,985**	**10,868**	**12,117**	**14,301**	**17,083**	**20,012**
Proportion of Short Term Debt to Total Debt	1%	1%	0%	2%	0%	1%	0%	0%	0%	0%	0%	1%	1%	0%	1%
Consolidated Debt Ratio	87%	85%	81%	80%	73%	77%	73%	73%	74%	75%	76%	77%	81%	83%	84%

Finance Expense - Debt Levels MFR5

MANITOBA HYDRO
Continunity Schedule
Consolidated Short and Long Term Debt

Actuals to December 31, 2014
(in $ millions Canadian Dollars)

Long Term Debt	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033	Forecast 2034
Opening Balance	19,901	21,509	22,772	23,527	23,414	23,557	23,859	23,861	24,215	24,417	24,420	24,563	24,466	23,769	23,760	23,734
Long Term Debt Proceeds	2,800	1,600	1,600	600	600	600	400	800	200	-	200	-	-	-	-	-
Long Term Debt Matured	(1,195)	(315)	(850)	(718)	(461)	(300)	(402)	(450)	-	-	(60)	(100)	(700)	(13)	(30)	-
Carrying Value Adjustments*	3	(22)	5	5	5	3	4	4	2	3	3	3	3	4	4	4
Closing Balance	**21,509**	**22,772**	**23,527**	**23,414**	**23,557**	**23,859**	**23,861**	**24,215**	**24,417**	**24,420**	**24,563**	**24,466**	**23,769**	**23,760**	**23,734**	**23,738**

* Carrying Value Adjustments include changes in in the value of US dollar denominated debt upon conversion to CAD, as well as changes to the portfolio carrying value for transaction costs, premiums/ discounts, and dual currency bonds.

Short Term Debt	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033	Forecast 2034
Opening Balance	111	134	74	7	40	145	152	173	2	-	62	-	-	-	-	-
Increase (Decrease)	23	(60)	(67)	33	105	7	21	(171)	(2)	62	(62)	-	-	-	-	-
Closing Balance	**134**	**74**	**7**	**40**	**145**	**152**	**173**	**2**	**-**	**62**	**-**	**-**	**-**	**-**	**-**	**-**

Total Debt	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033	Forecast 2034
Long Term Debt	21,509	22,772	23,527	23,414	23,557	23,859	23,861	24,215	24,417	24,420	24,563	24,466	23,769	23,760	23,734	23,738
Short Term Debt	134	74	7	40	145	152	173	2	-	62	-	-	-	-	-	-
Total Debt	**21,643**	**22,846**	**23,534**	**23,454**	**23,702**	**24,012**	**24,034**	**24,217**	**24,417**	**24,482**	**24,563**	**24,466**	**23,769**	**23,760**	**23,734**	**23,738**
Proportion of Short Term Debt to Total Debt	1%	0%	0%	0%	1%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Consolidated Debt Ratio	85%	86%	87%	88%	89%	89%	89%	89%	88%	87%	86%	84%	82%	79%	76%	73%

Finance Expense-Debt Levels MFR 6

Term sheets related to long term debt issued in the last two fiscal years.

The attached information provides the terms for Manitoba Hydro's actual new and amended long term debt financings for fiscal years 2012/13, 2013/14 and 2014/15 up to December 31, 2014. See Finance Expense – Debt Levels MFR 7 for a complete summary listing of the entire debt portfolio at December 31, 2014.

Terms for New and Amended Long Term Debt
(April 1, 2012 to December 31, 2014)

The terms for Manitoba Hydro's new and amended long term debt financings are provided for fiscal years 2012/13, 2013/14 and 2014/15 (up to December 31, 2014).

2012/13 Total long term financings for the year were CAD $1,300 million, made up of:

- $754.9 million for new borrowing requirements.
- $41.1 million to refinance maturing long term debt.
- $504.0 million to refinance maturing underlying debt issues associated with ongoing interest rate swaps.

The actual long term debt financings undertaken during this fiscal year, per quarter, were as follows:

Quarter 1 On June 5, 2012, Manitoba Hydro secured long term debt series **GA** for CAD $300 million and a March 5, 2043 maturity date. GA was issued at a discount with proceeds of $296.4 million (net of commissions), a fixed rate coupon of 3.350%, and an all-in-yield of 3.413%. The debt was issued to finance new borrowing requirements.

Quarter 2 On July 12, 2012, Manitoba Hydro secured long term debt series **FN-3** for CAD $50 million and a March 5, 2050 maturity date. FN-3 was issued at a premium with proceeds of $65.3 million (net of commissions), a fixed rate coupon of 4.700%, and an all-in-yield of 3.281%. The debt was issued to finance new borrowing requirements.

On July 31, 2012, Manitoba Hydro secured long term debt series **C129** for CAD $50 million and a September 5, 2052 maturity date. C129 was issued at a discount with proceeds of $49.7 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in-yield of 3.178%. The debt was issued to finance new borrowing requirements.

On September 6, 2012, Manitoba Hydro secured long term debt series **GC** for USD $300 million and a September 6, 2022 maturity date. The issue was swapped to CAD $296.4 million and a floating rate coupon of 3 month BA + 0.499%. The debt was issued to finance new borrowing requirements.

Quarter 3 On December 3, 2012, Manitoba Hydro secured long term debt series **C132** for CAD $200 million and an April 2, 2018 maturity date. The debt, which was swapped to floating rate debt, was issued to refinance debt series ER-1 ($200 million). A forward fixed interest rate swap that was previously linked to debt series ER-1 was re-linked to the C132 underlying refinancing, which amended the fixed rate on the debt stream to 7.515%.

Quarter 4 On January 22, 2013, Manitoba Hydro secured long term debt series C132-2 for CAD $104 million and an April 2, 2018 maturity date. The debt, which was swapped to floating rate debt, was issued to refinance debt series C125-1 ($85 million) and C125-2 ($19 million). Forward fixed interest rate swaps that were previously linked to debt series C125-1 and C125-2 were re-linked to the C132-2 underlying refinancing, which amended the fixed rate on the debt streams to 4.997% (**C132-2A**) and 4.927% (**C132-2B**).

On March 13, 2013, Manitoba secured long term debt series GD for CAD $300 million and a September 5, 2018 maturity date. The first $100 million of the debt (**GD**) was issued to partially refinance debt series ER-2 ($41.1 million), with the remaining $58.9 million to finance new borrowing requirements. GD was issued at a discount with proceeds of $99.46 million (net of commissions), a fixed rate coupon of 1.850%, and an all-in yield of 1.954%. The residual $200 million of the debt, which was swapped to floating rate debt, was issued to refinance debt series C112-1 ($100 million) and C112-2 ($100 million). Forward fixed interest rate swaps that were previously linked to debt series C112-1 and C112-2 were re-linked to the GD underlying refinancing, which amended the fixed rate on the debt streams to 5.598% (**GD-1**) and 5.643% (**GD-2**). Following the maturity of the GD-1 and GD-2 interest rate swaps on September 16, 2013, these debt issues reverted to floating rate debt at a coupon rate of 3 month BA + 0.253% until the September 5, 2018 maturity date.

2013/14 Total long term financings for the year were CAD $1,951.7 million, made up of:

- $1,195.4 million for new borrowing requirements.
- $250.4 million to refinance maturing debt.
- $505.9 million to refinance maturing underlying debt issues associated with ongoing interest rate swaps.

The actual long term debt financings undertaken during this fiscal year, per quarter, were as follows:

Quarter 1 On April 2, 2013, Manitoba Hydro secured long term debt series GE for USD $400 million (CAD equivalent $405.9 million) and a June 1, 2018 maturity date. The debt, which was swapped to floating rate debt, was issued to refinance debt series FO-1 (USD $150 million), FO-2 (USD $203.1 million) and FO-3 (USD $46.9 million). Forward fixed interest rate swaps that were previously linked to debt series FO-1, FO-2 and FO-3 were re-linked to the GE underlying refinancing, which amended the fixed rate on the debt streams to 5.853% (**GE-1**), 6.901% (**GE-2**) and 6.901% (**GE-3**).

On June 10, 2013, Manitoba Hydro secured long term debt series **C137** for CAD $50 million and a March 5, 2063 maturity date. C137 was issued at a discount with proceeds of $49.5 million (net of commissions), a fixed rate coupon of 3.450%, and an all-in yield of 3.496%. The debt was issued to finance new borrowing requirements.

On June 15, 2013, Manitoba Hydro secured **HydroBonds Series 12** for new borrowing requirements. Estate redemptions are processed on all HydroBonds as necessary and the floating rate HydroBonds are subject to redemptions on an annual basis. HydroBonds were issued at par with proceeds of $128.3 million (net of commissions) as follows:

5 Year Floating Rate, June 15, 2018 maturity date	$124.4 million
3 Year Fixed Rate, June 15, 2016 maturity date	$ 3.1 million
5 Year Fixed Rate, June 15, 2018 maturity date	$ 0.7 million

Quarter 2 On July 29, 2013, Manitoba Hydro secured long term debt series **C129-2** for CAD $55 million and a September 5, 2052 maturity date. C129-2 was issued at a discount with proceeds of $46.6 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.918%. The debt was issued to finance new borrowing requirements.

On July 30, 2013, Manitoba Hydro secured long term debt series **C137-2** for CAD $25 million and a March 5, 2063 maturity date. C137-2 was issued at a discount with proceeds of $22.6 million (net of commissions), a fixed rate coupon of 3.450%, and an all-in yield of 3.887%. The debt was issued to finance new borrowing requirements.

On September 18, 2013, Manitoba Hydro secured long term debt series **GA-2** for CAD $250 million and a March 5, 2043 maturity date. GA-2 was issued at a discount with proceeds of $210.1 million (net of commissions), a fixed rate coupon of 3.350%, and an all-in yield of 4.311%. The debt was issued to finance new borrowing requirements.

On September 30, 2013, Manitoba Hydro secured long term debt series **C137-3** for CAD $37 million and a March 5, 2063 maturity date. C137-3 was issued at a discount with proceeds of $32.5 million (net of commissions), a fixed rate coupon of 3.450%, and an all-in yield of 4.019%. The debt was issued to finance new borrowing requirements.

Quarter 3 On October 10, 2013, Manitoba Hydro secured long term debt series **GG** for CAD $300 million and a September 5, 2045 maturity date. GG was issued at a discount with proceeds of $297.6 million (net of commissions), a fixed rate coupon of 4.050%, and an all-in yield of 4.096%. The debt was issued to finance new borrowing requirements.

On November 26, 2013, Manitoba Hydro secured long term debt series **GF** for CAD $300 million and a June 2, 2023 maturity date. GF was issued at a discount with proceeds of $279.5 million (net of commissions), a fixed rate coupon of 2.550%, and an all-in yield of 3.398%. The first $49.6 million of the debt was issued to finance new borrowing requirements. The residual $250.4 million was issued to refinance debt series EZ-3 ($174.6 million), HydroBonds ($60.9 million), 5B ($6.9 million), 3W ($1 million), 3X ($5 million), and 3Y ($2 million).

On November 29, 2013, Manitoba Hydro secured long term debt series **C135** for CAD $100 million and an April 2, 2019 maturity date. The debt, which was a floating rate note, was issued to refinance debt series EZ-2 ($54 million) and

EZ-5 ($46 million). Forward fixed interest rate swaps that were previously linked to debt series EZ-2 and EZ-5 were re-linked to the C135 underlying refinancing which amended the fixed rate on the debt stream to 4.801%.

On December 6, 2013, Manitoba Hydro secured long term debt series **C129-3** for CAD $50 million and a September 5, 2052 maturity date. C129-3 was issued at a discount with proceeds of $41.1 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 4.065%. The debt was issued to finance new borrowing requirements.

On December 17, 2013, Manitoba Hydro secured long term debt series **C129-4** for CAD $50 million and a September 5, 2052 maturity date. C129-4 was issued at a discount with proceeds of $40.8 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 4.099%. The debt was issued to finance new borrowing requirements.

On December 23, 2013, Manitoba Hydro secured long term debt series **C129-5** for CAD $50 million and a September 5, 2052 maturity date. C129-5 was issued at a discount with proceeds of $40.9 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 4.087%. The debt was issued to finance new borrowing requirements.

Quarter 4 On February 12, 2014, Manitoba Hydro secured long term debt series **C129-6** for CAD $50 million and a September 5, 2052 maturity date. C129-6 was issued at a discount with proceeds of $42.5 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.906%. The debt was issued to finance new borrowing requirements.

On February 18, 2014, Manitoba Hydro secured long term debt series **C129-7** for CAD $20 million and a September 5, 2052 maturity date. C129-7 was issued at a discount with proceeds of $17.0 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.915%. The debt was issued to finance new borrowing requirements.

On February 19, 2014, Manitoba Hydro secured long term debt series **C129-8** for CAD $20 million and a September 5, 2052 maturity date. C129-8 was issued at a discount with proceeds of $17.0 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.895%. The debt was issued to finance new borrowing requirements.

On February 20, 2014, Manitoba Hydro secured long term debt series **C137-4** for CAD $60 million and a March 5, 2063 maturity date. C137-4 was issued at a discount with proceeds of $54.5 million (net of commissions), a fixed rate coupon of 3.450%, and an all-in yield of 3.868%. The debt was issued to finance new borrowing requirements.

2014/15 Total long term financings for the year to date are CAD $2,072.6, made up of:

- $1,108.5 million for new borrowing requirements.
- $583.1 million to refinance maturing long term debt.
- $381.0 million to refinance maturing underlying debt issues associated with ongoing interest rate swaps.

The actual long term debt financings undertaken during this fiscal year, per quarter, were as follows:

Quarter 1 On April 10, 2014, Manitoba Hydro secured long term debt series **C136** for CAD $50 million and a September 5, 2029 maturity date. The debt, which was swapped to floating rate debt, was issued to partially refinance debt series FS-2C ($100 million). A forward fixed interest rate swap that was previously linked to debt issue FS-2C was re-linked to the C136 underlying refinancing, which amended the fixed rate on $50 million of the debt stream to 5.020%.

On April 14, 2014, Manitoba Hydro secured long term debt series **C136-2** for CAD $50 million and a September 5, 2029 maturity date. The debt, which was swapped to floating rate debt, was issued to partially refinance debt series FS-2C ($100 million). A forward fixed interest rate swap that was previously linked to debt series FS-2C was re-linked to the C136-2 underlying refinancing, which amended the fixed rate on $50 million of the debt stream to 4.882%.

On April 14, 2014, Manitoba Hydro secured long term debt series **C129-9** for CAD $60 million and a September 5, 2052 maturity date. C129-9 was issued at a discount with proceeds of $51.5 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.858%. The debt was issued to finance new borrowing requirements.

On April 14, 2014, Manitoba Hydro secured long term debt series C138 for CAD $200 million and a May 15, 2020 maturity date. The debt, which was a floating rate note, was issued to refinance debt series FS-2A ($100 million) and FS-2B ($100 million). Forward fixed interest rate swaps that were previously linked to debt series FS-2A and FS-2B were re-linked to the C138 underlying refinancing, which amended the fixed rate on the debt streams to 7.312% (**C138-A**) and 7.443% (**C138-B**).

On April 15, 2014, Manitoba Hydro secured long term debt series **C136-3** for CAD $31 million and a September 5, 2029 maturity date. The debt, which was swapped to floating rate debt, was issued to partially refinance debt series FS-2D ($81 million). A forward fixed interest rate swap that was previously linked to debt series FS-2D was re-linked to the C136-3 underlying refinancing, which amended the fixed rate on $31 million of the debt stream to 5.058%.

On April 23, 2014, Manitoba Hydro secured long term debt series **C129-10** for CAD $50 million and a September 5, 2052 maturity date. C129-10 was issued at a discount with proceeds of $43.6 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.786%. The debt was issued to finance new borrowing requirements.

On April 30, 2014, Manitoba Hydro secured long term debt series **GG-2** for CAD $250 million and a September 5, 2045 maturity date. GG-2 was issued at a premium with proceeds of $260.5 million (net of commissions), a fixed rate coupon of 4.050%, and an all-in yield of 3.819%. The debt was issued to finance new borrowing requirements.

On May 5, 2014, Manitoba Hydro secured long term debt series **C138-2** for CAD $50 million and a May 15, 2020 maturity date. The debt, which was a floating rate note, was issued to partially refinance debt series FS-2D ($81 million). A forward fixed interest rate swap that was previously linked to debt series FS-2D was re-linked to the C138-2 underlying refinancing, which amended the fixed rate on $50 million of the debt stream to 4.897%.

On June 9, 2014, Manitoba Hydro secured long term debt series **C129-11** for CAD $25 million and a September 5, 2052 maturity date. C129-11 was issued at a discount with proceeds of $22.2 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.702%. The debt was issued to finance new borrowing requirements.

On June 10, 2014, Manitoba Hydro secured long term debt series **C129-12** for CAD $40 million and a September 5, 2052 maturity date. C129-12 was issued at a discount with proceeds of $35.5 million (net of commissions), a fixed rate coupon of 3.150%, and an all-in yield of 3.699%. The debt was issued to finance new borrowing requirements.

On June 24, 2014, Manitoba Hydro secured long term debt series **C139** for CAD $50 million and a September 5, 2054 maturity date. C139 was issued at a discount with proceeds of $49.8 million (net of commissions), a fixed rate coupon of 3.650%, and an all-in yield of 3.666%. The debt was issued to finance new borrowing requirements.

Quarter 2 On July 11, 2014, Manitoba Hydro secured long term debt series **C139-2** for CAD $25 million and a September 5, 2054 maturity date. C139-2 was issued at a premium with proceeds of $25.1 million (net of commissions), a fixed rate coupon of 3.650%, and an all-in yield of 3.625%. The debt was issued to refinance HydroBonds.

On September 1, 2014, existing floating rate debt series FA for $150 million and a March 3, 2037 maturity date was linked to forward fixed interest rate swaps that were previously linked to maturing debt series FM-1 ($25 million), FM-2 ($75 million) and FM-3 ($50 million). Debt series FA, as an underlying debt issue, reduced the fixed rate on the FM swap streams by 0.423% to the swap maturity date of September 1, 2029. The amended fixed rates are 6.211% (**FA-1**), 6.311% (**FA-2**) and 6.266% (**FA-3**).

On September 3, 2014, Manitoba Hydro secured long term debt series **C140** for AUD $100 million and a March 3, 2025 maturity date. The issue was swapped to CAD $101.6 million and a fixed rate coupon of 2.916%. The debt was issued to refinance $101.6 million of maturing debt series FM (FM-1, FM-2, FM-3 and FM-4 totaling $250 million).

On September 5, 2014, Manitoba Hydro secured long term debt series **GH** for CAD $300 million and a June 2, 2024 maturity date. GH was issued at a premium with proceeds of $312.1 million (net of commissions), a fixed rate coupon of 3.300%, and an all-in yield of 2.825%. The debt was issued to refinance $148.4 million of debt series FM (FM-1, FM-2, FM-3 and FM-4 totaling

$250 million), $68.1 million of HydroBonds, as well as to finance $83.5 million of new borrowing requirements.

On September 23, 2014, Manitoba Hydro secured long term debt series **GG-3** for CAD $300 million and a September 5, 2045 maturity date. GG-3 was issued at a premium with proceeds of $322.6 million (net of commissions), a fixed rate coupon of 4.050%, and an all-in yield of 3.642%. The debt was issued to finance new borrowing requirements.

Quarter 3 On November 20, 2014, Manitoba Hydro secured long term debt series **GG-4** for CAD $400 million and a September 5, 2045 maturity date. GG-4 was issued at a premium with proceeds of $434.2 million (net of commissions), a fixed rate coupon of 4.050%, and an all-in yield of 3.589%. The debt was issued to refinance maturing debt series FC-3 ($200 million) as well as to finance new borrowing requirements ($200 million).

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.

On December 3, 2014, existing floating rate debt series **CO77-2** for $100 million and **CO77-3** for $50 million, each with a February 11, 2020 maturity date, were linked to a forward fixed interest rate swap that was previously linked to debt series FC-3 ($200 million). Debt series CO77-2 and CO77-3, as underlying debt issues, reduced the fixed rate on $150 million of the FC-3 swap stream by 0.221% to the swap maturity date of June 2, 2018. The amended fixed rate for both CO77-2 and CO77-3 is 6.927%.

On December 3, 2014, existing floating rate debt series **CO68** for $50 million and a March 5, 2044 maturity date was linked to a forward fixed interest rate swap that was previously linked to maturing debt series FC-3 ($200 million). Debt series CO68, as an underlying debt issue, reduced the fixed rate on $50 million of the FC-3 swap stream by 0.111% to the swap maturity date of June 2, 2018. The amended fixed rate for CO68 is 7.037%

On December 4, 2014, Manitoba Hydro secured long term debt series **C137-5** for CAD $50 million and a March 5, 2063 maturity date. C137-5 was issued at a premium with proceeds of $51.1 million (net of commissions), a fixed rate coupon of 3.450%, and an all-in yield of 3.354%. The debt was issued to finance new borrowing requirements.

On December 31, 2014, Manitoba Hydro secured mitigation bond **5C-1** for CAD $10 million and a December 31, 2024 maturity date. 5C-1 was issued at par, a fixed rate coupon, and all-in yield of 3.723%. The debt was issued to refinance $10 million of maturing mitigation bond 5A ($40 million).

On December 31, 2014, Manitoba Hydro secured mitigation bond **5C-2** for CAD $10 million and a December 31, 2029 maturity date. 5C-2 was issued at par, a fixed rate coupon, and all-in yield of 4.049%. The debt was issued to refinance $10 million of maturing mitigation bond 5A ($40 million).

On December 31, 2014, Manitoba Hydro secured mitigation bond **5C-3** for CAD $10 million and a December 31, 2034 maturity date. 5C-3 was issued at par, a fixed rate coupon, and all-in yield of 4.245%. The debt was issued to refinance $10 million of maturing mitigation bond 5A ($40 million).

On December 31, 2014, Manitoba Hydro secured mitigation bond **5C-4** for CAD $10 million and a December 31, 2039 maturity date. 5C-4 was issued at par, a fixed rate coupon, and all-in yield of 4.311%. The debt was issued to refinance $10 million of maturing mitigation bond 5A ($40 million).

Finance Expense-Debt Levels MFR 7

A schedule detailing the maturities of MH's current long-term debt issues.

Please see the following long term debt maturity schedule as at December 31, 2014 for each debt series, identifying the currency for both interest and principal payments. This schedule excludes short term debt, which by definition have a term to maturity of less than one year.

The Maturity Dates in the third column from the left conform to the Corporation's financial statement presentation, which in accordance with accounting standards specify the most outward obligation dates on any debt series (the latter of physical debt or forward interest rate swap maturity dates).

The Action Dates in the fourth column from the left identify the maturities of the the physical debt. Therefore in cases where the maturity of underlying physical debt is before the linked forward interest rate swap for a debt series, a refinancing of the underlying physical debt will be required on the date highlighted in brown on the schedule.

The coupon rates (rounded to three decimal places for this schedule) identify the gross interest rates for each debt issue in its specified currency. The yield rates (rounded to three decimal places) conform to the Corporation's financial statement presentation, which in accordance with accounting standards show the effective all-in interest rate over the entire term of the debt issue (converted to Canadian dollars {CAD} where applicable). As floating rate debt will be subject to periodic interest rate resetting, the yield rate calculation for floating rate debt combines actual interest rates to the balance sheet date plus forecasted interest rates for the reminder of the time to the maturity date (utilizing the Corporation's forecasted interest rates for the variable component of the coupon payments).

The principal amounts are shown at par, with US dollar debt principal translated to CAD using the USD/CAD exchange rate on the balance sheet date.

MANITOBA HYDRO
Long Term Debt Maturity Schedule with Action and Swap Dates
At December 31, 2014
(in millions $; with USD/CAD of 1.1601 at December 31, 2014)

Underlying physical debt matures before linked swap

Debt Series	Currency (Int/ Princ)	Maturity Date	Action Date	Coupon Rate	Yield Rate	Principal (CAD)	Principal (USD)	Total Principal (CAD)
C115	CAD/ CAD	05/04/15	05/04/15	3 BA + 0.230 %	1.494 %	50.0		50.0
4K	CAD/ CAD	05/12/15	05/12/15	9.125 %	9.125 %	12.0		12.0
EY2	CAD/ CAD	12/03/15	12/03/15	3 BA + 0.046 %	2.263 %	50.0		50.0
EY	CAD/ CAD	12/03/15	12/03/15	3 BA + 0.053 %	4.927 %	200.0		200.0
C121-3	CAD/ CAD	04/19/16	04/19/16	3 BA + 0.200 %	1.481 %	100.0		100.0
HB11-5FX	CAD/ CAD	06/15/16	06/15/16	2.750 %	2.961 %	7.3		7.3
HB11-5FL	CAD/ CAD	06/15/16	06/15/16	1.750 %	1.828 %	22.6		22.6
HB12-3FX	CAD/ CAD	06/15/16	06/15/16	1.650 %	1.891 %	3.2		3.2
AZ	CAD/ CAD	07/17/16	07/17/16	3 BA + 1.080 %	4.205 %	200.6		200.6
C-011	CAD/ CAD	09/22/17	09/22/17	7.525 %	7.490 %	55.5		55.5
4L	CAD/ CAD	11/17/17	11/17/17	6.250 %	6.250 %	20.0		20.0
BM	CAD/ CAD	01/15/18	01/15/18	3 BA + 3.290 %	6.660 %	255.0		255.0
C132	CAD/ CAD	04/02/18	04/02/18	7.515 %	6.891 %	200.0		200.0
HB12-5FX	CAD/ CAD	06/15/18	06/15/18	1.750 %	1.940 %	0.7		0.7
HB12-5FL	CAD/ CAD	06/15/18	06/15/18	1.750 %	2.326 %	42.0		42.0
GD	CAD/ CAD	09/05/18	09/05/18	1.850 %	1.954 %	100.0		100.0
GD-1	CAD/ CAD	09/05/18	09/05/18	3 BA + 0.253 %	2.753 %	100.0		100.0
GD-2	CAD/ CAD	09/05/18	09/05/18	3 BA + 0.253 %	2.757 %	100.0		100.0
EE	USD/ CAD	09/15/18	09/15/18	9.500 %	10.000 %	228.4		228.4
BU	USD/ USD	12/01/18	12/01/18	9.625 %	10.411 %		200.0	232.0
3V	CAD/ CAD	12/30/18	12/30/18	10.000 %	10.000 %	3.5		3.5
3W	CAD/ CAD	12/30/18	12/30/18	10.000 %	10.000 %	1.0		1.0
CO77-2	CAD/ CAD	02/11/20	02/11/20	6.927 %	4.859 %	100.0		100.0
CO77-3	CAD/ CAD	02/11/20	02/11/20	6.927 %	3.294 %	50.0		50.0
GE-1	USD/ USD	03/15/20	06/01/18	5.853 %	7.299 %		150.0	174.0
C138-A	CAD/ CAD	05/15/20	05/15/20	7.312 %	5.086 %	100.0		100.0
C138-B	CAD/ CAD	05/15/20	05/15/20	7.443 %	5.167 %	100.0		100.0
FP-2	CAD/ CAD	06/03/20	06/03/20	4.150 %	4.244 %	125.0		125.0
FP-3	CAD/ CAD	06/03/20	06/03/20	4.150 %	3.469 %	250.0		250.0
GE-2	USD/ USD	10/02/20	06/01/18	6.901 %	8.351 %		203.1	235.6
GE-3	USD/ USD	10/02/20	06/01/18	6.901 %	8.351 %		47.0	54.5
CO	USD/ USD	09/15/21	09/15/21	8.875 %	10.275 %		300.0	348.0
4A	CAD/ CAD	12/31/21	12/31/21	9.100 %	9.100 %	3.5		3.5
FH-1	USD/ USD	02/01/22	12/06/16	6.405 %	5.934 %		250.0	290.0
FH-2	USD/ USD	02/01/22	12/06/16	6.406 %	5.923 %		100.0	116.0
GC	CAD/ CAD	09/06/22	09/06/22	3 BA + 0.499 %	3.286 %	296.4		296.4
FH-3	USD/ USD	09/16/22	12/06/16	6 LIBOR + 0.130 %	2.226 %		150.0	174.0
GF	CAD/ CAD	06/02/23	06/02/23	2.550 %	3.398 %	300.0		300.0
GH	CAD/ CAD	06/02/24	06/02/24	3.300 %	2.825 %	300.0		300.0
5C-1	CAD/ CAD	12/31/24	12/31/24	3.723 %	3.723 %	10.0		10.0
C140	CAD/ CAD	03/03/25	03/03/25	2.916 %	2.916 %	101.6		101.6
C119-2	CAD/ CAD	09/05/25	09/05/25	3 BA + 0.425 %	3.104 %	150.0		150.0
DT	CAD/ CAD	12/22/25	12/22/25	7.750 %	7.952 %	170.0		170.0
DT-2	USD/ CAD	12/22/25	12/22/25	7.750 %	7.168 %	130.0		130.0
4N	CAD/ CAD	02/02/29	02/02/29	5.900 %	5.900 %	30.0		30.0
4M	CAD/ CAD	02/02/29	02/02/29	5.900 %	5.900 %	30.0		30.0
C119-1	CAD/ CAD	09/01/29	09/05/25	6.575 %	6.575 %	100.0		100.0
5C-2	CAD/ CAD	12/31/29	12/31/29	4.049 %	4.049 %	10.0		10.0
CL	CAD/ CAD	03/05/31	03/05/31	10.500 %	10.796 %	300.0		300.0
CLW	CAD/ CAD	03/05/31	03/05/31	10.500 %	10.581 %	299.9		299.9
C116	CAD/ CAD	03/05/31	03/05/31	6.300 %	4.650 %	100.0		100.0
4B	CAD/ CAD	04/01/31	04/01/31	5.840 %	7.612 %	3.8		3.8
4C	CAD/ CAD	04/01/31	04/01/31	5.840 %	5.840 %	1.4		1.4
4Y	CAD/ CAD	05/01/31	05/01/31	5.650 %	7.436 %	4.6		4.6
CO52	CAD/ CAD	10/29/32	10/29/32	6.300 %	5.730 %	30.0		30.0
5C-3	CAD/ CAD	12/31/34	12/31/34	4.245 %	4.245 %	10.0		10.0
FP-1	CAD/ CAD	04/12/35	06/03/20	5.754 %	5.196 %	175.0		175.0
C135	CAD/ CAD	12/03/35	04/02/19	4.801 %	4.801 %	100.0		100.0
FA-1	CAD/ CAD	03/05/37	03/05/37	6.211 %	5.175 %	25.0		25.0
FA-2	CAD/ CAD	03/05/37	03/05/37	6.311 %	5.213 %	75.0		75.0
FA-3	CAD/ CAD	03/05/37	03/05/37	6.266 %	5.196 %	50.0		50.0
FA-4	CAD/ CAD	03/05/37	03/05/37	4.505 %	4.505 %	50.0		50.0
FJ	CAD/ CAD	09/12/37	09/22/17	5.104 %	5.104 %	250.0		250.0

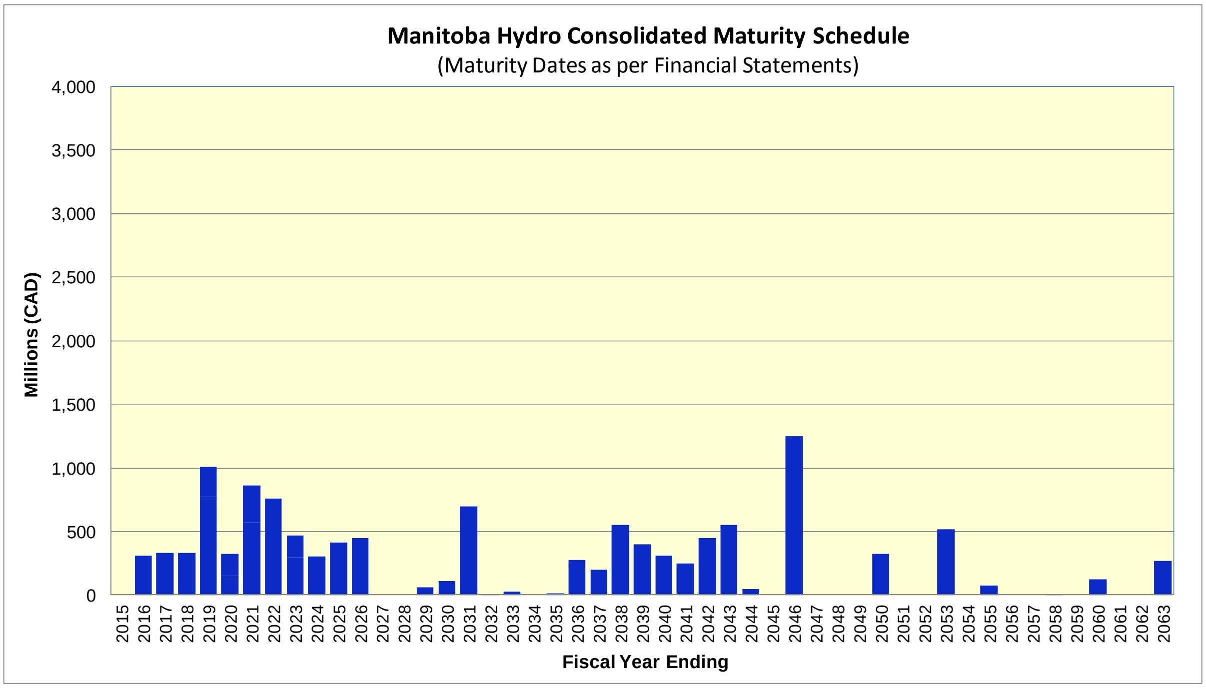
MANITOBA HYDRO
Long Term Debt Maturity Schedule with Action and Swap Dates
At December 31, 2014
(in millions $; with USD/CAD of 1.1601 at December 31, 2014)

Underlying physical debt matures before linked swap

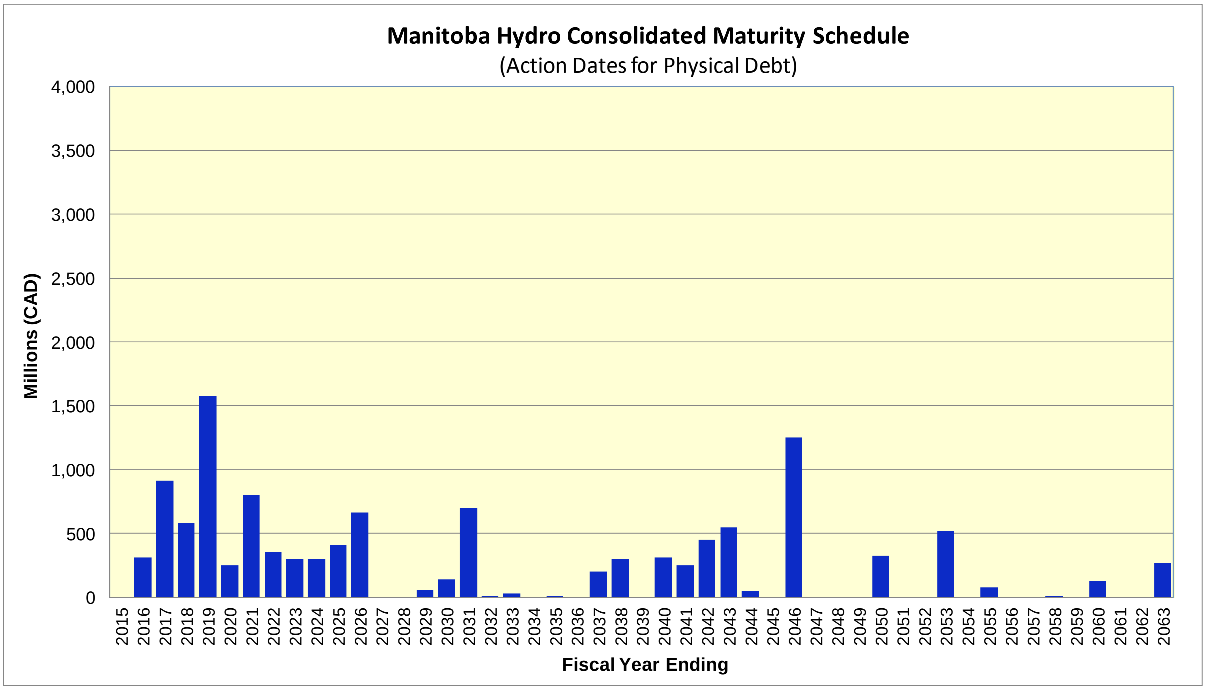
Debt Series	Currency (Int/ Princ)	Maturity Date	Action Date	Coupon Rate	Yield Rate	Principal (CAD)	Principal (USD)	Total Principal (CAD)
PB-2	CAD/ CAD	03/05/38	03/05/38	4.600 %	4.759 %	300.0		300.0
C132-2A	CAD/ CAD	11/01/38	04/02/18	4.997 %	4.997 %	85.0		85.0
C132-2B	CAD/ CAD	11/01/38	04/02/18	4.927 %	4.927 %	19.0		19.0
C136-3	CAD/ CAD	11/01/38	09/05/29	5.058 %	5.058 %	31.0		31.0
C138-2	CAD/ CAD	11/01/38	05/15/20	4.897 %	4.897 %	50.0		50.0
C119-3C	CAD/ CAD	12/01/38	09/05/25	5.245 %	5.245 %	15.0		15.0
C119-3A	CAD/ CAD	12/01/38	09/05/25	5.245 %	5.245 %	50.0		50.0
C119-3B	CAD/ CAD	12/01/38	09/05/25	5.232 %	5.232 %	50.0		50.0
C136	CAD/ CAD	03/01/39	09/05/29	5.020 %	5.020 %	50.0		50.0
C136-2	CAD/ CAD	03/01/39	09/05/29	4.882 %	4.882 %	50.0		50.0
5C-4	CAD/ CAD	12/31/39	12/31/39	4.311 %	4.311 %	10.0		10.0
FK-2	CAD/ CAD	03/05/40	03/05/40	4.650 %	5.174 %	300.0		300.0
FR-2	CAD/ CAD	03/05/41	03/05/41	4.100 %	4.599 %	250.0		250.0
CO40	CAD/ CAD	03/05/42	03/05/42	3 BA + 0.179 %	3.604 %	50.0		50.0
FT	CAD/ CAD	03/05/42	03/05/42	4.492 %	4.492 %	400.0		400.0
GA	CAD/ CAD	03/05/43	03/05/43	3.350 %	3.413 %	300.0		300.0
GA-2	CAD/ CAD	03/05/43	03/05/43	3.350 %	4.311 %	250.0		250.0
CO68	CAD/ CAD	03/05/44	03/05/44	7.037 %	4.596 %	50.0		50.0
GG	CAD/ CAD	09/05/45	09/05/45	4.050 %	4.096 %	300.0		300.0
GG-2	CAD/ CAD	09/05/45	09/05/45	4.050 %	3.819 %	250.0		250.0
GG-3	CAD/ CAD	09/05/45	09/05/45	4.050 %	3.642 %	300.0		300.0
GG-4	CAD/ CAD	09/05/45	09/05/45	4.050 %	3.589 %	400.0		400.0
FN	CAD/ CAD	03/05/50	03/05/50	4.700 %	4.726 %	200.0		200.0
FN-2	CAD/ CAD	03/05/50	03/05/50	4.700 %	3.629 %	75.0		75.0
FN-3	CAD/ CAD	03/05/50	03/05/50	4.700 %	3.281 %	50.0		50.0
C129	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.178 %	50.0		50.0
C129-2	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.918 %	55.0		55.0
C129-3	CAD/ CAD	09/05/52	09/05/52	3.150 %	4.065 %	50.0		50.0
C129-4	CAD/ CAD	09/05/52	09/05/52	3.150 %	4.099 %	50.0		50.0
C129-5	CAD/ CAD	09/05/52	09/05/52	3.150 %	4.087 %	50.0		50.0
C129-6	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.906 %	50.0		50.0
C129-7	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.915 %	20.0		20.0
C129-8	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.895 %	20.0		20.0
C129-9	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.858 %	60.0		60.0
C129-10	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.786 %	50.0		50.0
C129-11	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.702 %	25.0		25.0
C129-12	CAD/ CAD	09/05/52	09/05/52	3.150 %	3.699 %	40.0		40.0
C139	CAD/ CAD	09/05/54	09/05/54	3.650 %	3.666 %	50.0		50.0
C139-2	CAD/ CAD	09/05/54	09/05/54	3.650 %	3.625 %	25.0		25.0
4Z	CAD/ CAD	06/09/57	06/09/57	7.100 %	7.100 %	7.0		7.0
C110	CAD/ CAD	03/05/60	03/05/60	5.200 %	4.629 %	125.0		125.0
C109	CAD/ CAD	03/05/63	03/05/63	4.625 %	4.638 %	50.0		50.0
C137	CAD/ CAD	03/05/63	03/05/63	3.450 %	3.496 %	50.0		50.0
C137-2	CAD/ CAD	03/05/63	03/05/63	3.450 %	3.887 %	25.0		25.0
C137-3	CAD/ CAD	03/05/63	03/05/63	3.450 %	4.019 %	37.0		37.0
C137-4	CAD/ CAD	03/05/63	03/05/63	3.450 %	3.868 %	60.0		60.0
C137-5	CAD/ CAD	03/05/63	03/05/63	3.450 %	3.354 %	50.0		50.0
Total Long Term Debt						**10,466.9**	**1,400.0**	**12,091.0**

Note that some of the long term debt issues may be retired at their maturity. Manitoba Hydro will consider the availability of sinking fund withdrawals and surplus cash to reduce the required refinancing of maturing debt.

The Corporation's interest rate risk policy and guidelines consider debt maturities on a 12 month forward basis. For ease of comparison, the following chart depicts the volume of financial statement debt maturities (“Maturity Dates”) within each fiscal year.



The following chart depicts the volume of physical debt maturities (“Action Dates”) within each fiscal year. As noted by DBRS on page 6 of their October 23, 2014 report on the Manitoba Hydro-Electric Board (see Appendix 3.8): “Manitoba Hydro maintains a relatively smooth maturity profile with potential volatility from foreign currency debt mostly mitigated through natural and cash flow hedges, and a moderate level of floating-rate debt (19% of floating-rate debt and 7% of long-term debt to be refinanced within a year), which adds stability to debt servicing costs and minimizes interest rate risk.”



Finance Expense-Debt Levels MFR 8

A schedule detailing the current refinancing plans, the weighted average term of outstanding debt, the principle amount and proportions of debt maturing in 10 years, 20 years and greater than 20 years.

The following schedule provides the principal amount of debt outstanding at fiscal year end, as well as the relative proportion of debt maturing within specific time frames and the weighted average term to maturity of the total long term debt portfolio. Actuals were provided at March 31 for the fiscal years ended 2004 – 2014, with IFF14 forecasted year end figures to March 31, 2017.

Note that the schedule was prepared using debt maturities conforming to the Corporation's financial statement presentation, which in accordance with accounting standards specify the most outward obligation dates on any debt series (the latter of physical debt or forward interest rate swap maturity dates). Also note that the forecasted debt percentages and weighted average terms to maturity will be affected by the simplying forecast modeling assumption of a 20 year term to maturity for all new debt issuance. For example, this forecast assumption leads to a disproportionate forecasted percentage of the debt portfolio being shown as maturing between 10 – 20 years from the depicted fiscal year end. Actual terms to maturity for new debt issuance will vary from forecast, and the distribution of the future transacted debt issuance will continue to have a combination of short, medium and long term maturities. See the Debt Management Strategy in Appendix 3.7 for additional information regarding the Corporation's debt financing requirements and strategies.

MANITOBA HYDRO

Finance Expense - Debt Levels MFR 8

Actuals are shown for March 31, 2004 - 2014; with forecast information shown for March 31, 2015 - 2017.

($ in CAD millions)

	Debt Maturing Less than 10 Years		Debt Maturing Between 10 - 20 Years		Debt Maturing Greater than 20 Years		Total Long Term Debt	Weighted Average Term to Maturity
	$	% of Total	$	% of Total	$	% of Total	$	(Years)
March 31, 2004	2,586	35.1 %	3,521	47.7 %	1,268	17.2 %	7,375	13.8
March 31, 2005	2,377	33.1 %	3,346	46.5 %	1,468	20.4 %	7,191	13.8
March 31, 2006	2,397	33.5 %	3,317	46.3 %	1,443	20.2 %	7,158	13.7
March 31, 2007	2,623	36.3 %	3,094	42.9 %	1,501	20.8 %	7,218	12.9
March 31, 2008	2,996	39.5 %	2,513	33.1 %	2,081	27.4 %	7,590	13.5
March 31, 2009	3,763	45.8 %	2,026	24.7 %	2,421	29.5 %	8,209	13.6
March 31, 2010	3,963	46.0 %	1,805	21.0 %	2,846	33.0 %	8,614	14.8
March 31, 2011	3,967	45.6 %	2,241	25.7 %	2,496	28.7 %	8,704	15.3
March 31, 2012	4,841	51.4 %	1,619	17.2 %	2,962	31.4 %	9,422	14.9
March 31, 2013	5,179	51.7 %	1,499	15.0 %	3,332	33.3 %	10,010	14.8
March 31, 2014	5,160	46.9 %	1,500	13.6 %	4,349	39.5 %	11,009	16.2
March 31, 2015 *	5,028	41.4 %	1,520	12.5 %	5,609	46.1 %	12,157	17.6
March 31, 2016 *	5,194	36.4 %	3,745	26.2 %	5,334	37.4 %	14,273	17.4
March 31, 2017 *	4,860	28.4 %	7,145	41.7 %	5,134	30.0 %	17,139	17.3

* The forecasted debt percentages and weighted average terms to maturity will be affected by the simplifying modeling assumption of a 20 year term to maturity for all new debt issuance. Actual terms to maturity will vary from forecast.

DSM MFR 1

A continuity schedule showing spending, amortization expense, amortization rates and balances for demand side management for the years 2004/05 through the test years.

Please see the following schedule.

MANITOBA HYDRO
DSM CONTINUITY SCHEDULE

Fiscal Year	Beginning Balance	additions	amortization	transfer	Adjustment *	DSM** Deferral	Ending Balance	Rate
Actual 2004/05	$ 61 187 195	21 153 356	(6 019 759)				76 320 792	6.7%
Actual 2005/06	$ 76 320 792	26 780 871	(7 355 047)				95 746 616	6.7%
Actual 2006/07	$ 95 746 616	36 561 025	(9 099 268)	(432 717)			122 775 656	6.7%
Actual 2007/08	$ 122 775 656	37 773 794	(11 357 463)	(664 968)			148 527 019	6.7%
Actual 2008/09	148 527 019	35 630 172	(20 022 389)	(452 011)			163 682 791	10%
Actual 2009/10	163 682 791	31 596 457	(22 063 927)	(47 627)	(4 634 995)		168 532 699	10%
Actual 20010/11	168 532 699	28 506 968	(23 994 359)	(110 072)	(237 294)		172 697 942	10%
Actual 2011/12	172 697 942	27 461 523	(26 190 555)	(144 628)			173 824 281	10%
Actual 2012/13	173 824 281	27 619 555	(28 217 076)	(1 030 101)			172 196 660	10%
Actual 2013/14	172 196 660	26 324 718	(30 262 163)	(175 351)		16 300 000	184 383 864	10%
Forecast 2014/15	184 383 864	51 780 061	(31 576 103)				204 587 821	10%
Forecast 2015/16	204 587 821	59 158 197	(34 957 276)				228 788 743	10%
Forecast 2016/17	228 788 743	76 596 062	(37 501 478)				267 883 327	10%

* The adjustment is a result of the change in accounting standard section 3064 and the removal of ineligible costs related to research and promotions.

** As a result of a directive by the PUB in board order 43/13, Manitoba Hydro established a deferral account equal to the difference between amounts budgeted in the 2011 Power Smart report and the actual level of spending.

DSM MFR 2

An update on the Affordable Energy Fund (AEF) including the projected use of the funds, by program and a detailed description of the programs, including a continuity schedule of program spending since inception.

Please see below a description of projects supported through the Affordable Energy Fund.

- **Low-Income/Community-Based Initiative: $23.1 Million**
  This initiative targets low-income Manitobans, including Aboriginals and seniors. These funds would be incremental to incentives that are available through Manitoba Hydro's Power Smart programs.

- **Geothermal Support Program: $1.6 Million**
  This initiative supports the application of geothermal technology.

- **Community Energy Development: $7.8 Million**

  - ***Energy & Resource Fund - $750 000***
    This fund, managed by the First Peoples Economic Growth Fund, is a joint initiative between the Government of Manitoba and the Assembly of Manitoba Chiefs. The fund was created to maximize First Nations participation in Major Energy and Resource Projects.

  - ***ecoENERGY Program Funding - $4.1 Million***
    This initiative provides funding to support the cost of offering ecoENERGY audits in Manitoba at a reduced cost for customers.

  - ***Power Smart Residential Loan (Additional) - $350 000***
    This initiative provides funding to reduce the interest rate for the Power Smart Residential Loan from a cost-recovery rate to a rate of 3.9%.

  - ***Electric Bus - $1.2 Million***
    This joint initiative among the Province of Manitoba, Manitoba Hydro, Red River Community College, New Flyer Industries and Mitsubishi Heavy Industries, provides funding to assist in developing a commercially viable all-electric bus design with near-zero emissions for use in urban transit systems.

- ***Fort Whyte EcoVillage - $120 000***
  This initiative provides funding to support the research and design of a world-class EcoVillage located at Fort Whyte Alive.

- ***Diesel Community Green Pilot Demonstration - $400 000***
  This initiative provides funding to support a pilot demonstration focusing on green technologies in one of four diesel communities.

- ***Metis Generation Fund for Resource & Development - $500 000***
  This funding is to be managed by the Métis Economic Development Organization for the purposes outlined in Bill 11.

- ***Power Smart Pay As You Save (PAYS) Financing Program - $400 000***
  This initiative provides funding to reduce the interest rate for the Power Smart PAYS Financing Program from a cost-recovery rate to a rate of 3.9%.

- **Community Support and Outreach: $750 000**
  This initiative provides support for the participation of First Nation communities in the Lower Income Energy Efficiency Program through dedicated internal resources.

- **Oil and Propane-Heated Residential Homes: $250 000**
  This initiative extends the eligibility of Power Smart programs to include homes currently heated by a source other than electricity and natural gas.

- **Special Projects: $4.6 Million (including accrued fund interest as of December 31, 2014)**

  - ***Residential Energy Assessment Service - $545 000***
    This initiative funds the incremental costs associated with delivering Manitoba Hydro's In-home Energy Assessment service under the Federal ecoENERGY Retrofit program to rural and northern Manitobans.

  - ***Oil and Propane Furnace Replacement - $150 000***
    This initiative targets the replacement of oil and propane furnaces with either an electric or high efficient natural gas furnace. The program provides a rebate of $245 to participating customers. Low Income customers will be eligible to convert at a cost of $9.50 per month for five years.

- ***Residential Solar Water Heating Program - $305 000***
  This initiative supports the application of solar domestic hot water pre-heating systems and the development of the local solar industry.

- ***Power Smart Residential Loan - $2.45 Million***
  This initiative provides funding to reduce the interest rate for the Power Smart Residential Loan from the cost recovery rate to a rate of 3.9%.

- ***Oil and Propane-Heated Residential Homes (Additional) - $300 000***
  This initiative provides further funding to extend the eligibility of Power Smart programs to include homes currently heated by a source other than electricity or natural gas.

- ***Spruce Wood Loggers - $175 000***
  This initiative provides funding to support Spruce Wood Loggers in upgrading their operations to include pelletized ground wood and waste sawdust material. The pellets would provide an alternative fuel for coal-fired boilers and potentially prevent some customer in close proximity to Spruce Wood Loggers from converting to electric boilers.

The table below provides information on Affordable Energy Fund program expenditures since inception.

Affordable Energy Fund ($millions)

	Actual Expenditures (millions)								Forecasted Expenditures (millions)				
Initiative	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17*	2017/18 - 2026/27	Total
Low-Income/Community Based Initiative	0.3	0.2	0.9	1.7	2.7	3.1	3.3	3.0	4.0	3.7	1.0	-	23.9
Geothermal Support	0.6	0.3	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	1.6
Community Energy Development													
ecoENERGYProgram Funding	-	-	-	-	-	2.8	1.2	0.0	-	-	-	-	4.1
Power Smart PAYS Financing Program	-	-	-	-	-	-	-	0.0	0.1	0.1	0.1	0.1	0.4
Energy & Resource Fund	-	-	-	0.8	-	-	-	-	-	-	-	-	0.8
Manitoba Electric Bus	-	-	-	-	-	0.7	0.1	0.2	0.2	0.0	0.0	0.0	1.2
FortWhyte EcoVillage	-	-	-	-	-	0.1	-	-	-	-	-	-	0.1
Diesel Community Green Pilot Demonstration	-	-	-	-	-	-	-	-	0.4	-	-	-	0.4
Métis Generation Fund	-	-	-	-	-	-	-	0.5	-	-	-	-	0.5
Community Support and Outreach	-	-	0.0	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	0.8
Oil and Propane Heated Homes	-	0.1	0.1	0.0	0.0	0.0	-	0.0	-	-	-	-	0.3
Special Projects													
Residential ecoEnergy Audits	-	0.1	0.2	0.1	0.1	0.0	-	-	-	-	-	-	0.5
Oil and Propane Furnace Replacement	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	0.2
Solar Water Heaters	-	-	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Residential Loan	-	-	-	0.1	0.3	0.4	0.5	0.5	0.4	0.2	0.1	0.0	2.5
Oil and Propane-Heated Residential Homes -	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3
Spruce Wood Loggers	-	-	-	-	-	-	-	-	0.2	-	-	-	0.2
ANNUAL EXPENDITURES	0.9	0.6	1.4	3.1	3.5	7.5	5.4	4.4	5.3	4.1	1.3	0.5	38.0

Note: Zeros indicate a small amount that rounds to zero.

* Assumes future reallocation of unused funds to support the Low-Income/Community Based Initiative as required.

Load Forecast and Power Smart Plans MFR 2

MFR #2:

File tabular 12SEP actual load profiles as per PCOSS14 Schedule D-2 for F2009 to F2014 separately depicting

- ***Domestic Load by subclass***
- ***Firm Exports (5x16)***
- ***Peak Opportunity Exports (5x16)***
- ***Weekend Exports (2x16)***
- ***Off-peak Exports (7x8)***

The export periods requested do not coincide with those defined in PCOSS Schedule D-2. Monthly export energy quantities for 5x16 (Firm and Opportunity), 2x16, and 7x8 are provided below.

	PHYSICAL EXPORTS			
Month	**Firm 5x16 MWh**	**Opportunity 5x16 MWh**	**7x8 Off Peak MWh**	**2x16 Off Peak MWh**
April,2009	247,441	173,704	172,744	118,688
May,2009	249,439	203,198	247,181	234,155
June,2009	295,739	256,481	228,694	198,391
July,2009	324,423	278,510	381,829	214,361
August,2009	298,305	255,476	373,763	270,941
September,2009	242,396	256,307	349,223	175,792
October,2009	266,656	297,951	397,827	236,277
November,2009	199,600	261,391	236,673	230,155
December,2009	214,020	93,996	38,191	85,206
January,2010	191,875	81,165	91,481	158,284
February,2010	199,186	80,320	67,180	98,586
March,2010	229,686	279,852	99,535	130,185
April,2010	214,238	285,142	123,765	145,536
May,2010	220,538	128,244	18,010	79,915
June,2010	317,232	210,047	159,861	154,214
July,2010	331,945	233,739	373,723	240,268
August,2010	343,313	253,771	421,478	245,600
September,2010	288,880	248,337	329,000	239,054
October,2010	246,139	289,612	368,516	264,660
November,2010	187,629	239,636	284,248	151,012
December,2010	182,986	123,996	144,931	117,730

Month	PHYSICAL EXPORTS Firm 5x16 MWh	Opportunity 5x16 MWh	7x8 Off Peak MWh	2x16 Off Peak MWh
January,2011	139,327	82,504	115,329	106,516
February,2011	146,989	111,846	136,923	107,700
March,2011	197,252	187,520	235,804	137,403
April,2011	190,717	262,153	289,194	167,257
May,2011	210,187	315,910	329,731	225,110
June,2011	327,450	257,881	298,109	178,801
July,2011	317,517	221,195	481,614	309,100
August,2011	355,501	221,798	458,104	210,774
September,2011	281,434	164,531	283,470	172,219
October,2011	243,901	167,951	292,861	198,222
November,2011	231,580	137,362	158,754	150,180
December,2011	186,983	64,425	94,460	108,449
January,2012	175,171	82,760	98,717	117,438
February,2012	223,316	63,105	46,590	62,166
March,2012	248,517	172,552	50,066	74,157
April,2012	218,411	158,597	41,556	109,967
May,2012	246,100	303,712	93,525	161,585
June,2012	300,115	229,457	167,098	193,053
July,2012	317,841	221,497	427,196	271,521
August,2012	351,227	288,425	449,862	247,269
September,2012	255,959	245,900	330,288	280,249
October,2012	254,332	238,871	76,201	116,375
November,2012	213,131	132,848	90,320	110,420
December,2012	179,849	66,086	51,742	74,930

	PHYSICAL EXPORTS			
Month	Firm 5x16 MWh	Opportunity 5x16 MWh	7x8 Off Peak MWh	2x16 Off Peak MWh
January,2013	227,501	70,064	48,122	72,582
February,2013	217,018	100,946	48,489	79,753
March,2013	234,300	172,746	100,807	180,551
April,2013	238,830	187,420	129,353	137,507
May,2013	246,094	345,591	301,445	248,998
June,2013	279,960	300,673	382,078	286,912
July,2013	350,523	291,917	473,118	271,511
August,2013	340,626	328,441	505,447	291,604
September,2013	199,119	219,359	329,875	283,987
October,2013	257,206	327,709	384,418	204,372
November,2013	194,837	155,334	174,593	134,096
December,2013	177,226	52,294	42,573	70,585
January,2014	200,679	61,800	52,577	47,239
February,2014	175,743	71,238	52,829	48,328
March,2014	204,615	154,532	90,616	114,685
April,2014	238,102	197,571	162,553	163,112
May,2014	189,237	216,554	272,777	200,454
June,2014	293,121	296,744	400,971	235,720
July,2014	331,020	283,944	465,748	264,424
August,2014	328,412	247,654	485,412	292,302
September,2014	266,341	225,945	330,645	195,576
October,2014	151,279	66,269	140,324	71,435
November,2014	167,034	149,949	183,274	143,455
December,2014	193,363	132,303	142,749	139,614

The Table below provides total domestic load for each fiscal year.

Fiscal Year	Revenue Class	Spring 04/01 to 05/31			Summer 06/01 to 09/30			Fall 10/01 to 11/30			Winter 12/01 to 03/31			Total Energy
		On Peak MTWRF 07:01 - 11:00, 16:01 - 20:00	Mid Peak MTWRF 11:01 - 16:00, 20:01 - 23:00 SA, SU, Holidays 07:01 - 23:00	Off Peak Every Day 23:01 - 07:00	On Peak MTWRF 12:01 - 20:00	Mid Peak MTWRF 07:01 - 12:00, 20:01 - 23:00 SA, SU, Holidays 07:01 - 23:00	Off Peak Every Day 23:01 - 07:00	On Peak MTWRF 07:01 - 11:00, 16:01 - 20:00	Mid Peak MTWRF 11:01 - 16:00, 20:01 - 23:00 SA, SU, Holidays 07:01 - 23:00	Off Peak Every Day 23:01 - 07:00	On Peak MTWRF 07:01 - 11:00, 16:01 - 20:00	Mid Peak MTWRF 11:01 - 16:00, 20:01 - 23:00 SA, SU, Holidays 07:01 - 23:00	Off Peak Every Day 23:01 - 07:00	MWh
2009-2010	Common Bus	775,265	1,509,816	1,006,724	1,598,716	2,716,073	1,718,249	857,436	1,582,731	1,044,407	2,109,221	3,788,895	2,652,762	21,360,296
2010-2011	Common Bus	753,756	1,421,955	921,010	1,591,621	2,742,144	1,724,046	870,544	1,609,338	1,058,383	2,219,070	4,038,978	2,851,727	21,802,572
2011-2012	Common Bus	779,937	1,523,995	1,004,145	1,638,736	2,781,708	1,745,115	882,807	1,632,557	1,082,679	2,080,554	3,783,755	2,624,185	21,560,172
2012-2013	Common Bus	776,971	1,469,039	965,463	1,631,617	2,862,787	1,778,864	1,010,728	1,688,841	1,163,827	2,214,831	4,209,638	2,933,743	22,706,348
2013-2014	Common Bus	874,653	1,525,616	1,068,430	1,613,602	2,819,211	1,746,787	957,677	1,718,976	1,159,477	2,412,970	4,468,691	3,175,080	23,541,168

Load Forecast and Power Smart Plans MFR 3

Re-File NFAT-MH Exhibits #176-1 and #176-2 Domestic & Export Transmission Losses

As part of this Appendix, Manitoba Hydro is re-filing MH Exhibit #176-1 and MH Exhibit #176-2 provided during the Needs For and Alternatives To proceeding.

NEEDS FOR AND ALTERNATIVES TO (NFAT)

Manitoba Hydro's Response to PUB Question #1

Ref.: PUB/MH II-402, 2005/06 Winter & Summer

1. Please confirm that this is MH's most recent filing of the top 50 winter and top 50 summer peak hours of generation.

2. Provide the average domestic (common bus) and export transmission losses for the 50 top winter and for the 50 top summer loads.

**Ref.: PUB/MH II-402, 2005/06 Winter & Summer
Attached Tables (PUB/MH II-402, pp. 2 & 3 of 3 (amended to include incremental loss calculations))**

3. Verify or re-calculate the incremental shares (load-squared basis) of the transmission losses going to domestic/common bus firstly and then the exports secondly.

Transmission Losses Incremental Winter Averages		
Domestic	**Export**	**Overall**
5.2%	**12.55%**	**8.09%**
Incrementally Summer Averages		
5.8%	**15.7%**	**9.59%**

4. Provide a monthly tabulation of MH's peak (5x16) and off-peak during both winter and summer energy loads, and HVDC & AC transmission losses for 2005/06 and 2012/13.

Response:

1. Manitoba Hydro filed the top 50 winter and top 50 summer peak hours of generation for the years 2005/06, 2008/09 and 2010/11 in PUB/MH I-041a. The 2005/06 table was refiled in PUB/MH II-402 to include the total system loss calculation for each hour. Therefore, it is confirmed that PUB/MH II-402 is the most recent filing of the top 50 hours of generation for 2005/06.

2. Due to limited time available, statistics for the top 50 summer and winter average domestic (common bus) loads could not be compiled. Manitoba Hydro does not

consider the requested information germane to the analysis of the Preferred Development Plan.

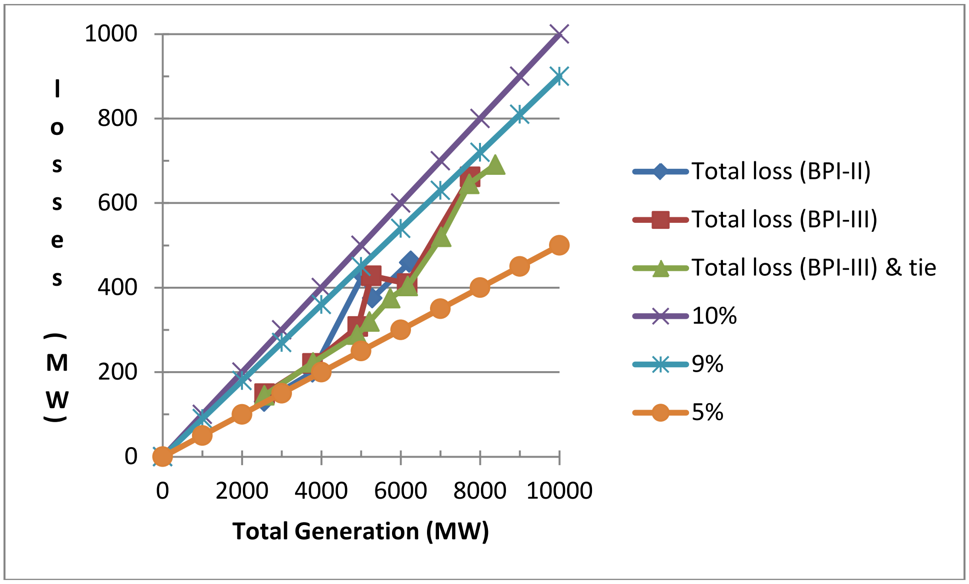
3. The accurate calculation and tracking of system losses and allocation to various load classes including exports is a complex engineering calculation. For this reason Manitoba Hydro has adopted a method for accounting purposes which determines total losses required to supply total load and assigns the same hourly loss/gain ratio to all load classes (residential, commercial, industrial, exports and imports).

   With the exception of load flow studies based on actual hourly system data, Manitoba Hydro does not endorse other incremental loss accounting methodologies including the one requested in this Undertaking. These other methodologies have no technical justification for being more accurate or appropriate than the Manitoba Hydro average loss accounting method as they ignore:

   a) That exports and imports can be scheduled simultaneously at any time during the day,
   b) That all Manitoba Hydro generators can be the source of exports or can be reduced by imports,
   c) That the marginal MW of load being served by Manitoba generation is not always an export MW,
   d) That Manitoba Hydro is not the only entity using its transmission system to export or import from Manitoba as access to Manitoba Hydro's transmission system is available to all as provided under the MH Transmission Tariff,
   e) That loop flows from the US increase losses in Manitoba and are beyond Manitoba Hydro's control. Loop flows are routine and aren't the result of Manitoba Hydro exports activities. However Manitoba Hydro, as a Balancing Authority, must supply this loop flow. In the winter case studied below, average loop flow was 136 MW or about 9% of total exports and for the summer case it was 126 MW or about 6% of total exports.
   f) That a portion of the Manitoba load is served on an interruptible basis equivalent to exports.

   An example of the potential range of losses calculated using an accurate power system model is given in the figure below. The model data used were from the same twenty-one power flow cases provided to Power Engineers[1] with HVdc station losses[2] also included.

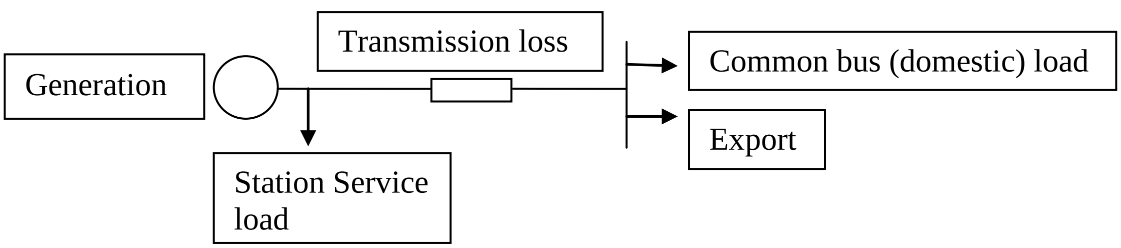
[1] Page 16-19, Power Engineers report to the Public Utilities Board, Jan. 13, 2014.
[2] See PUB/MH II-327b and PUB/MH II-328a



The expected losses ranged between five and nine percent of total generation. In the NFAT analysis Manitoba Hydro has made a conservative assumption of 10%. This value is reasonable for both the existing system and the future system including Bipole III and the new 500 kV tie to the U.S.

However as requested in the Undertaking Manitoba Hydro has calculated incremental losses below using the alternative methodology requested although as explained above it is no more accurate than the Manitoba Hydro practice.

A simple representation of losses in Manitoba can be shown by the following diagram.



Assuming transmission loss is represented by an equivalent resistance (R), then $I_{cb}^2R=Loss_{cb}$. Transmission losses associated with supplying the common bus load is ($Loss_{cb}$). Similar formulas can be derived for transmission losses associated with exports ($Loss_{export}$) and total losses ($Loss_{total}$).

$$I_{cb}^2R=Loss_{cb}$$
$$(I_{cb} + I_{export})^2R=Loss_{total}$$

Substitute I_{cb} = $Load_{cb}/V$ and I_{export} = $Load_{export}/V$ into the above.

$$Loss_{cb}=Loss_{total} * (Load_{cb}^2/(Load_{cb}+Load_{export})^2$$

The above formula assumes common bus (domestic) load is supplied first and exports are supplied next. As mentioned above, this is a hypothetical situation as exports and imports can be scheduled at any time during the day. The results of applying this loss formula are shown in the table below.

Case	A: Load at common bus (MW)	B: MB Exports (MW)	C: Total loss (MW)	D: $A^2/(A+B)^2$ *C Incremental Load losses (MW)	Domestic losses (percent of load at common bus)	E: C-D Incremental Export losses (MW)	Export losses (percent of MB exports)	Total losses (percent of generation)
05/06 Winter	3073	1557	397.6	175	5.70%	222	14.3%	8.1%
05/06 Summer	2365	2091	467.2	132	5.56%	335	16.0%	9.6%

4. Due to limited time available, monthly tabulation of the requested loads and losses could not be compiled. Please refer to PUB/MH II-464b for typical summer and winter peak losses that were analyzed for each of the last 3 years. Total losses, including a breakdown between HVDC and AC losses are given. PUB/MH II-330c can be referred to for an analysis of the losses that occur during various periods including:

- 5×16 summer (peak)
- 5×8 summer (night-time)
- 2×16 summer (weekends)
- 5×16 winter (peak)
- 5×8 winter (night-time)
- 2×16 winter(weekends)

NEEDS FOR AND ALTERNATIVES TO (NFAT)

<u>Manitoba Hydro's Response to PUB Question #2</u>

Ref. PUB/MH I-042a Revised

Confirm the following table is a reasonable extraction from PUB/MH I-042a revised of the incremental HVDC losses for dependable hydraulic energy and for average hydraulic energy minus dependable energy.

Provide another column on each of the four tables in PUB/MH I-042a revised showing the HVDC losses at maximum hydraulic generation.

HVDC
Incremental Transmission Losses (GWh)
Ref.: PUB/MH I-042a

		Dependable	Average minus Dependable	Incremental Losses Maximum minus Average
2013	Bipole I&II	7% (960/13780)	11% (740/6700)	
2019	Bipoles I/II/III w/o Keeyask	5.44% (750/13780)	8.51% (570/6700)	
2022	Bipoles I/II/III with Keeyask	5.54% (930/16780)	8.89% (720/8100)	
2029	Bipoles I/II/III with Keeyask & Conawapa	6.63% (930/16780)	10.91% (1095/10750)	

Confirm that domestic load has priority claim on dependable hydraulic generation and that only excess hydraulic generation above dependable is available for export.

Confirm the incremental losses do not include transmission losses from Dorsey or Riel to border and provide those losses under the three flow situations.

Response:

It is not confirmed that the proposed table is a reasonable extraction from PUB/MH I-042a Revised. Expected Losses and Generation are as follows:

HVDC Incremental Transmission Losses (GWh)				
		Dependable Loss/Generation (GW.h)	Average Loss/Generation (GW.h)	Maximum Loss/Generation (GW.h)
2013	Bipole I&II	6.97% 960/13780	8.30% 1700/20480	8.45% 2254/26690
2019	Bipoles I/II/III w/o Keeyask	5.44% 750/13780	6.44% 1320/20480	6.55% 1747/26690
2022	Bipoles I/II/III with Keeyask	5.54% 930/16780	6.63% 1650/24880	7.06% 2218/31430
2029	Bipoles I/II/III with Keeyask & Conawapa	6.63% 1410/21260	7.83% 2505/32010	8.34% 3434/41190

		HVDC Incremental Transmission Losses (GWh)			
		Dependable Loss/Generation (GW.h)	Average minus Dependable (GW.h)	Maximum minus Average (GW.h)	Peak Losses (MW)
2013	Bipole I&II	6.97% 960/13780	11.04% 740/6700	8.92% 554/6210	8.69% 308.9/3554
2019	Bipoles I/II/III w/o Keeyask	5.44% 750/13780	8.51% 570/6700	6.88% 427/6210	6.56% 233.2/3554
2022	Bipoles I/II/III with Keeyask	5.54% 930/16780	8.89% 720/8100	9.64% 561/5820	7.22% 305.2/4230
2029	Bipoles I/II/III with Keeyask & Conawapa	6.63% 1410/21260	10.19% 1095/10750	10.12% 929/9180	8.71% 486.2/5580

Dependable Conditions reflect annual generation and associated HVDC losses estimated for the dependable flow condition.

Average Conditions reflect the average annual generation and associated HVDC losses under the range of flow conditions.

Maximum Conditions reflect the annual generation and associated HVDC losses under the maximum historic flow condition.

Peak Losses reflects the capacity and associated losses under maximum HVDC loading conditions.

It is not confirmed that domestic load has priority claim on dependable hydraulic generation. Domestic load has a priority claim on the combined dependable energy from thermal, import, purchases and hydraulic generation. Hydraulic generation credits would be assigned as designated under export contracts.

It is confirmed that the above losses do not reflect any losses from Dorsey or Riel to the border. It is not feasible to determine what component of the HVDC generation would be transmitted to the US border from the above information, as losses on the AC system will depend on the level of generation available from generators connected to the AC system, as well as load distribution across the province. Losses on the export interface (to the border) are currently 47 MW when fully loaded at 2175 MW. For the same load (2175 MW) with a new 750 MW interconnection, losses will reduce to 31 MW. When the new interface is fully loaded (2975 MW), losses will increase, back to 52 MW.

<u>Load Forecast and Power Smart Plans MFR 4</u>

MFR #4:

Re-file Power Resource Plan Supply and Demand tables for average energy resources using progressive Incremental (12R)Transmission losses for:

- ***Domestic Load summer and winter (separately) w/o exports***
- ***Adding Peak (5x16) Exports summer and winter (separately)***
- ***Further adding Off-peak Opportunity Exports summer and winter (separately)***

Manitoba Hydro is unable to provide the requested incremental loss information. Increases (decreases) to load (either domestic, firm exports or opportunity exports) will result in an increase (decrease) in losses at the marginal loss rate. In addition, the supply demand tables provide an average of load and supply over a range of flow conditions. Incremental losses cannot be calculated for these aggregate values.

Export & Domestic Revenues MFR 2

File latest Power Resource Plans based on NFAT Plan 5 (2013/14 and 2014/15) Supply and Demand Tables:

- **system power demand (MW) and dependable energy resources (GWh)/average energy resources at generation**
- **system firm winter peak demand and capacity resources (MW) at generation**
- **new system firm summer peak demand and capacity resources (MW) at generation**

A summary system firm winter peak demand and capacity resources (MW) for the years 2014/15 to 2033/34 is provided in Figure 1.

A summary of system firm energy demand and dependable resources (GWh) for the years 2014/15 to 2033/34 is provided in Figure 2.

A summary of System Firm Energy Demand and Resources (GWh) @ generation including 2014/15 at expected water flow conditions, 2015/16 at median water flow conditions and 2016/17 to 2033/34 at the average of all water flow conditions is provided in Figure 3. Please note that the 2014 Base Load Forecast and 2014 Base DSM Forecast entries were corrected for 2014/15 and 2015/16 versus what was included in Figure 9.3 of Tab 9 filed in January 23, 2015.

Manitoba Hydro does not have summer peak demand and capacity tables as requested for the 20 year forecast. As agreed to between Manitoba Hydro and advisors to the PUB, Manitoba Hydro has provided a summary of peak demand and capacity resources (MW) for the months of July 2015 and July 2016 in Figure 4. Surplus capacity in Figure 4 was evaluated consistent with MISO practices.

Figure 1: System Firm Winter Peak Demand and Capacity Resources (MW) @ generation

	Fiscal Year		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Manitoba Hydro Power Resources																					
	New Hydro																					
	Keeyask G.S.							90	630	630	630	630	630	630	630	630	630	630	630	630	630	630
	Total New Hydro							90	630	630	630	630	630	630	630	630	630	630	630	630	630	630
	New NUG Purchase				12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
1	**Total New Power Resources**				**12**	**12**	**12**	**102**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**	**642**
	Existing Hydro		5 133	5 172	5 164	5 190	5 195	5 196	5 181	5 172	5 167	5 167	5 167	5 167	5 167	5 167	5 167	5 167	5 167	5 167	5 167	5 167
	Existing Thermal																					
	Brandon Unit 5		105	105	105	105	105															
	Selkirk Gas			66	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132	132
	Brandon Units 6-7 SCGT		280	280	280	280	280	280	280	280	280	280	280	280	280	280	280	280	280	280	280	280
	Total Existing Thermal		385	451	517	517	517	412	412	412	412	412	412	412	412	412	412	412	412	412	412	412
	Imports		605	605	605	605	605	605	605	605	605	605	605	220	220	220	220	220				20
	Bipole III Line Reduction						90	90	80	80	80	80	80	80	80	80	80	80	80	80	80	80
2	**Total Base Supply Power Resources**		**6 123**	**6 228**	**6 286**	**6 312**	**6 407**	**6 303**	**6 278**	**6 269**	**6 264**	**6 264**	**6 264**	**5 879**	**5 879**	**5 879**	**5 879**	**5 879**	**5 659**	**5 659**	**5 659**	**5 679**
3	**Total Power Resources**	**1+2**	**6 123**	**6 228**	**6 298**	**6 324**	**6 419**	**6 405**	**6 920**	**6 911**	**6 906**	**6 906**	**6 906**	**6 521**	**6 521**	**6 521**	**6 521**	**6 521**	**6 301**	**6 301**	**6 301**	**6 321**
	Peak Demand																					
	2014 Base Load Forecast		4 716	4 803	4 861	4 985	5 068	5 166	5 223	5 284	5 342	5 400	5 458	5 516	5 574	5 632	5 690	5 748	5 808	5 869	5 931	5 995
	Less: 2014 Base DSM Forecast		- 60	- 111	- 169	- 226	- 293	- 353	- 406	- 449	- 475	- 498	- 517	- 533	- 550	- 566	- 582	- 585	- 589	- 592	- 594	- 596
4	**Manitoba Net Load**		**4 656**	**4 692**	**4 692**	**4 759**	**4 775**	**4 813**	**4 817**	**4 835**	**4 867**	**4 902**	**4 941**	**4 983**	**5 024**	**5 066**	**5 108**	**5 163**	**5 219**	**5 277**	**5 337**	**5 399**
	Contracted Exports		726	484	724	724	559	559	779	908	880	880	880	385	385	275	275	275	275	275	275	275
	Proposed Exports																					
5	**Total Exports**		**726**	**484**	**724**	**724**	**559**	**559**	**779**	**908**	**880**	**880**	**880**	**385**	**385**	**275**	**275**	**275**	**275**	**275**	**275**	**275**
6	**Total Peak Demand**	**4+5**	**5 382**	**5 176**	**5 416**	**5 483**	**5 334**	**5 372**	**5 596**	**5 743**	**5 747**	**5 782**	**5 821**	**5 368**	**5 409**	**5 341**	**5 383**	**5 438**	**5 494**	**5 552**	**5 612**	**5 674**
7	Reserves		513	563	563	571	573	577	578	580	584	588	593	598	603	608	613	620	626	633	640	648
	System Surplus	**3-6-7**	**228**	**489**	**319**	**270**	**512**	**456**	**746**	**588**	**575**	**536**	**492**	**556**	**509**	**572**	**525**	**464**	**181**	**116**	**49**	**(0)**

Figure 2: System Firm Energy Demand and Dependable Resources (GWh) @ generation

	Fiscal Year		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
	Manitoba Hydro Power Resources																					
	New Hydro																					
	Keeyask							493	2 974	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003
	Total New Hydro							493	2 974	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003	3 003
	New NUG Purchase				97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97
1	**Total New Power Resources**				**97**	**97**	**97**	**590**	**3 071**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**	**3 100**
	Existing Hydro		21 928	21 924	21 892	21 878	21 880	21 863	21 816	21 775	21 743	21 743	21 733	21 723	21 723	21 713	21 703	21 703	21 693	21 693	21 683	21 673
	Existing Thermal																					
	Brandon Unit 5		811	811	811	811	811	592														
	Selkirk Gas		953	953	953	953	953	953	953	953	953	953	953	953	953	953	953	953	953	953	953	953
	Brandon Units 6-7 SCGT		2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354	2 354
	Total Existing Thermal		4 118	4 118	4 118	4 118	4 118	3 899	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307	3 307
	Imports		3 440	3 852	3 912	3 912	3 912	3 912	5 304	5 582	5 582	5 582	5 582	5144	5028	4640	4583	4616	4250	4214	4249	4285
	Existing Wind		771	771	771	771	771	771	771	771	771	771	771	771	771	771	771	771	771	771	771	771
	Bipole III Reduced Losses						101	101	177	177	177	177	177	177	177	177	177	177	177	177	177	177
2	**Total Base Supply Power Resources**		**30 257**	**30 665**	**30 693**	**30 679**	**30 782**	**30 546**	**31 375**	**31 612**	**31 580**	**31 580**	**31 570**	**31 122**	**31 006**	**30 608**	**30 541**	**30 574**	**30 198**	**30 162**	**30 187**	**30 213**
3	**Total Power Resources**	**1+2**	**30 257**	**30 665**	**30 790**	**30 776**	**30 878**	**31 136**	**34 446**	**34 711**	**34 680**	**34 680**	**34 670**	**34 222**	**34 106**	**33 708**	**33 641**	**33 674**	**33 298**	**33 262**	**33 287**	**33 313**
	Demand																					
	2014 Base Load Forecast		25 639	26 130	26 436	27 174	27 662	28 247	28 583	28 937	29 284	29 626	29 970	30 316	30 659	31 006	31 352	31 703	32 061	32 424	32 796	33 177
	Construction Power - Hydro			110	110	110	110	110	83													
	Less: 2014 Base DSM Forecast		- 283	- 487	- 780	-1 056	-1 407	-1 730	-1 988	-2 183	-2 296	-2 405	-2 487	-2 562	-2 637	-2 717	-2 797	-2 825	-2 851	-2 874	-2 895	-2 912
4	**Net Load**		**25 356**	**25 753**	**25 766**	**26 228**	**26 365**	**26 627**	**26 678**	**26 754**	**26 988**	**27 221**	**27 484**	**27 754**	**28 022**	**28 289**	**28 555**	**28 879**	**29 210**	**29 550**	**29 902**	**30 264**
	Contracted Exports		3 421	2 632	3 246	3 366	3 165	3 125	3 951	4 603	4 503	4 476	4 476	2 193	2 049	1 634	1 551	1 551	1 389	1 389	1 389	1 389
	Proposed Exports																					
	Less: Total Adverse Water			- 309	- 370	- 370	- 370	- 370	- 370	- 489	- 513	- 513	- 513	- 85								
5	**Total Net Exports**		**3 421**	**2 323**	**2 876**	**2 995**	**2 795**	**2 754**	**3 580**	**4 114**	**3 990**	**3 963**	**3 963**	**2 108**	**2 049**	**1 634**	**1 551**	**1 551**	**1 389**	**1 389**	**1 389**	**1 389**
6	**Total Demand**	**4+5**	**28 776**	**28 076**	**28 642**	**29 224**	**29 160**	**29 381**	**30 258**	**30 868**	**30 978**	**31 184**	**31 447**	**29 862**	**30 071**	**29 923**	**30 106**	**30 430**	**30 599**	**30 939**	**31 291**	**31 654**
	System Surplus	**3-6**	**1 481**	**2 589**	**2 148**	**1 552**	**1 718**	**1 754**	**4 187**	**3 843**	**3 702**	**3 496**	**3 223**	**4 360**	**4 034**	**3 784**	**3 535**	**3 244**	**2 699**	**2 323**	**1 996**	**1 659**

Figure 3: System Firm Energy Demand and Resources (GWh) @ generation
2014/15 Expected Water Flow Conditions
2015/16 Median Water Flow Conditions
2016/17 – 2033/34 Average of All Flow Conditions

Fiscal Year			2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Manitoba Hydro Power Resources																						
	Hydro Generation		35 116	34 418	31 084	31 129	30 907	31 456	34 535	35 275	35 251	35 253	35 138	35 078	35 243	35 141	35 144	35 146	35 224	35 125	35 133	35 157
	Bipole III Reduced Losses						324	324	352	352	352	352	352	352	352	352	352	352	352	352	352	352
	Thermal Generation		101	121	358	383	385	328	166	156	162	154	162	162	170	134	129	131	118	117	116	119
	Existing Wind		918	898	907	907	907	907	907	907	907	907	907	907	907	907	907	907	907	907	907	907
	New NUG Purchase				97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97	97
	Imports		180	328	1 355	1 441	1 445	1 392	1 861	2 042	2 109	2 119	2 218	2 103	2 123	2 079	2 136	2 202	2 103	2 175	2 094	2 149
1	**Total Power Resources**		**36 315**	**35 765**	**33 800**	**33 956**	**34 064**	**34 503**	**37 917**	**38 828**	**38 877**	**38 881**	**38 873**	**38 699**	**38 891**	**38 709**	**38 765**	**38 835**	**38 800**	**38 772**	**38 698**	**38 780**
Demand																						
	2014 Base Load Forecast		25 589	26 130	26 436	27 174	27 662	28 247	28 583	28 937	29 284	29 626	29 970	30 316	30 659	31 006	31 352	31 703	32 061	32 424	32 796	35 157
	Construction Power - Hydro				110	110	110	110	83													
	Less: 2014 Base DSM Forecast		- 283	- 487	- 780	-1 056	-1 407	-1 730	-1 988	-2 183	-2 296	-2 405	-2 487	-2 562	-2 637	-2 717	-2 797	-2 825	-2 851	-2 874	-2 895	-2 912
2	**Net Load**		**25 306**	**25 643**	**25 766**	**26 228**	**26 365**	**26 627**	**26 678**	**26 754**	**26 988**	**27 221**	**27 484**	**27 754**	**28 022**	**28 289**	**28 555**	**28 879**	**29 210**	**29 550**	**29 902**	**32 245**
3	Contracted Exports		4 537	4 051	3 373	3 438	3 232	3 192	4 474	5 343	5 278	5 251	5 251	2 969	2 825	2 286	2 167	2 167	2 005	2 005	2 005	2 005
4	**Total Demand**	**2+3**	**29 843**	**29 694**	**29 139**	**29 667**	**29 598**	**29 819**	**31 153**	**32 097**	**32 266**	**32 472**	**32 735**	**30 723**	**30 847**	**30 575**	**30 722**	**31 046**	**31 215**	**31 555**	**31 907**	**34 250**
	System Surplus	**1-4**	**6 472**	**6 071**	**4 661**	**4 290**	**4 466**	**4 684**	**6 764**	**6 731**	**6 611**	**6 409**	**6 138**	**7 976**	**8 044**	**8 134**	**8 043**	**7 789**	**7 585**	**7 217**	**6 791**	**4 530**

Figure 4: Summer Peak Demand and Capacity Resources (MW) @ generation (based on MISO surplus capacity calculations)

Notes / Row	Month	Jul-2015	Jul-2016
	Supply		
1	Total Generation Capacity	5474	5474
	Capacity Imports	0	0
2	Total Supply	5474	5474
	Peak Demand		
	2014 Base Load Forecast	3341	3384
	Less: 2014 Base DSM Forecast	71	116
	Less: Curtailable Load, Station Service	166	166
	Plus: 10% Export Losses	110	132
3	Manitoba Net Load	3214	3234
4	Capacity Exports	1073	1292
5	Total Peak Demand (3 + 4)	4287	4526
6	MISO Planning Reserves	228	230
7	**Surplus (2 - 5 - 6)**	**959**	**718**

Notes:

1. MISO capacity surplus based on generation unforced capacity (i.e. net of forced outage rate). Figure includes all MH supplies however, not all MH generation is necessarily offered to capacity market (e.g., Brandon 5 generation excluded)

6. MISO planning reserve (7.1%)

Manitoba Hydro

Response to Public Utilities Board Order 43/13, Directives 8 & 9

February 27, 2015

INDEX

1.0 OVERVIEW

The purpose of Appendix 11.48 is to provide additional information to the Public Utilities Board (PUB) to assess the financial impact of a change to the Equal Life Group (ELG) method of depreciation from Manitoba Hydro's existing Average Service Life (ASL) method. This is in response to PUB Order 43/13 following Manitoba Hydro's 2012/13 and 2013/14 General Rate Application (GRA) hearing. The key observations with respect to this Appendix are as follows:

1. International Financial Reporting Standards (IFRS) are more explicit than Canadian Generally Accepted Accounting Principles (CGAAP) for calculating depreciation, requiring a more granular level of asset componentization and recognizing gains and losses on asset retirements into income immediately.

2. The ELG and ASL methods are fundamentally different in terms of how they calculate depreciation expense for an asset component group. The ASL method calculates the annual depreciation expense based on the overall average service life of all the assets in a component group whereas the ELG method sub-divides the assets in a component group into sub-components of assets with very similar service lives and calculates depreciation separately for each sub-component to arrive at the total depreciation for the larger component group.

3. Manitoba Hydro's existing asset component groups include assets with a wide range of service lives which, if applying the ASL method, will not produce an annual depreciation expense that complies with IFRS. To continue to use the ASL method under IFRS, Manitoba Hydro will have to increase the number of its asset components.

4. Manitoba Hydro estimates it would take at least two years to identify and implement the new asset components required to continue with the ASL method under IFRS at a cost in excess of $2 million. These costs can be avoided and compliance with IFRS achieved by adopting the ELG method which calculates depreciation at a more granular level within existing asset component groups; satisfying the componentization requirements of IFRS.

5. The change to the ELG method will result in a similar increase ($36 million) in estimated annual depreciation expense, compared to an IFRS compliant ASL

method ($33 million) for the March 31, 2014 account balances. When the impacts of gains and losses on asset retirements are considered, the total expense could be higher under an ASL method.

6. The analysis performed on the Bipole III and Keeyask capital additions indicates the ELG method annual depreciation expense is $0.7 million lower than the depreciation expense calculated under the ASL method for these projects.

7. The depreciation changes that are proposed by Manitoba Hydro, when considered on the whole, are not driving the need for increases in customer rates. The overall decrease in the test years ranges between $25 to $57 million annually. By the end of the 10-year forecast period, depreciation expense is expected to decrease by more than $100 million annually.

8. Manitoba Hydro's position is that, from an overall fairness perspective, the PUB should consider the impacts of the proposed depreciation changes for rate-setting purposes as a whole rather than focusing only on the change to ELG.

2.0 BACKGROUND

In its 2012/13 and 2013/14 GRA, Manitoba Hydro informed the PUB that it would be changing from the ASL method of group depreciation to the ELG method upon its transition to IFRS for financial reporting purposes in order to facilitate compliance with the requirements of IFRS.

The PUB was concerned that not enough information was provided during the hearings to assess the impact on rate payers of the change to the ELG method. One of the key concerns identified during the hearing was the increase in depreciation expense in the years following the transition to IFRS. At the conclusion of Manitoba Hydro's 2012/13 and 2013/14 General Rate Application hearing process, the PUB found the following (page 18 of PUB Order 43/13):

- *The Board also is concerned that not enough information has been provided to date to assess the true impact on ratepayers of a switch to Equal Life Group. As such, the Board will require Manitoba Hydro to file additional information, including a determination of depreciation rates and schedules based on the Average Service Life methodology, to provide a meaningful comparison between the two approaches. The Board further expects Manitoba Hydro to file, as part of its next General Rate Application, additional information to specify what, if any, increased componentization is required, and at what cost.*

Based on their findings, the PUB issued the following directives to Manitoba Hydro in Order 43/13:

> *8. That Manitoba Hydro file updated depreciation rates and schedules based on an International Financial Reporting Standards-compliant Average Service Life methodology with the next General Rate Application.*
>
> *9. That Manitoba Hydro file with the Board, with the next General Rate Application, a chart showing a comparison of the impact on its Integrated Financial Forecast (i.e. 'Budget') of asset depreciation pursuant to the Average Service Life methodology (without net salvage) and the Equal Life Group methodology (without net salvage), applying both methodologies to all planned major capital additions.*

Subsequent to the receipt of Order 43/13, Manitoba Hydro exchanged correspondence with the PUB to clarify its interpretation of the Order and to inform the PUB that Manitoba Hydro would not be in a position to complete a full depreciation study based on an IFRS compliant ASL methodology in time for its next GRA. Following this exchange, Manitoba Hydro documented its intention to provide a comparison of the ELG and IFRS compliant ASL depreciation methodologies on a representative sample basis in order for the PUB to assess the financial impact of the change in depreciation method. This correspondence is provided in Attachment B of this document.

Included in this response is an identification of the differences between the requirements of CGAAP and IFRS as it pertains to the determination of depreciation expense and the reasons for changing to the ELG method. In addition, Manitoba Hydro has outlined the differences between the ASL and ELG methodologies and explained its reasons for changing to the ELG method upon transition to IFRS. Lastly, Manitoba Hydro has provided an analysis on a representative sample basis, in response to directives #8 & #9 from PUB Order 43/13.

Manitoba Hydro engaged the consulting firm of Gannett Fleming Canada ULC (Gannett Fleming) to calculate the annual depreciation expense for the March 31, 2014 asset groups identified using the ASL method applied to the sample additional asset component groups and using the ELG method based on the current level of asset componentization. Gannett Fleming also calculated ASL and ELG depreciation expense calculations for the sample forecast Bipole III and Keeyask asset component balances in a similar manner as the calculations for the March 31, 2014 asset balances. The study and analysis performed by Gannett Fleming is included in Attachment A of this document.

3.0 COMPARISON OF DEPRECIATION: CGAAP VS. IFRS

Two significant differences exist between CGAAP and IFRS as it applies to the depreciation of property, plant and equipment (PP&E).

1. IFRS is more explicit than CGAAP in terms of how depreciation is to be determined. Under IFRS, a separate component is required when a plant item is comprised of significant individual cost components that are consumed over different periods of time, such that different depreciation rates are appropriate for each component. A separate component may be either physical, such as a runner on a turbine, or non physical, such as a major inspection or overhaul. The general rule when complying with IFRS is that a separate component group is required when an item is material in cost and has a service life different than that of other assets, such that the depreciation on that item will have a material impact on net income.

   Although CGAAP encourages that assets be broken down into separate components for determining annual depreciation, it is much less explicit, such that many utilities, including Manitoba Hydro, have not developed depreciation component groups to the extent required for compliance with IFRS if using the ASL method. As IFRS requires a greater the level of componentization, depreciation expense will be higher for a given group of assets over the first half of the asset group’s service life. This occurs because the increase in the annual depreciation expense on assets with a service life less than the average exceeds the decrease in annual expense of assets with a service life longer than the average.

2. IFRS explicitly states that gains and losses on asset retirements are to be recognized immediately to net income. Currently under CGAAP, Manitoba Hydro follows a common industry practice for regulated utilities whereby asset retirement gains and losses are recorded in the accumulated depreciation account for the retired asset’s respective component group. Such gains and losses are then factored into future depreciation rate changes for the component group and are recognized in net income over time, as part of future years’ depreciation expense.

In order to comply with the componentization requirements of IFRS and to minimize the magnitude of annual asset retirement gains and losses on net income, Manitoba Hydro is changing to the ELG method of depreciation for financial reporting purposes.

The following sections further explain Manitoba Hydro's decision to change to the ELG methodology.

4.0 COMPARISON OF ASL AND ELG DEPRECIATION METHODS

4.1 Group Depreciation:

Generally, the greater the number of separate asset component groups used for calculating depreciation expense, the greater the accuracy of the depreciation expense calculation. With greater accuracy, however, comes an increase in administrative efforts to maintain a larger volume of asset components (e.g. more components to allocate time to, additional asset records to update, larger database files to maintain, etc).

Group depreciation procedures are used to depreciate plant assets when the volume of assets to be depreciated is so large that it is not practical or efficient for an entity to perform depreciation calculations on each individual plant item; such is the case for large utilities. Grouping assets with similar service lives for calculating depreciation allows for a consistent and efficient method of calculating depreciation across a large volume of assets. The group depreciation method recognizes that not all the items in a specific group will have identical service lives, but instead will have lives that are dispersed over a range of time. The extent of dispersion in the services lives of the assets will impact the accuracy of the annual depreciation expense for the individual assets within the group for a given point in time. The two more common group depreciation methods are the Average Service Life and Equal Life Group methods.

4.2 Average Service Life Method:

Under CGAAP, Manitoba Hydro currently uses the ASL method and follows a common industry practice for regulated utilities of recognizing gains and losses on asset retirements in accumulated depreciation. The ASL method calculates depreciation expense based on the average service lives of the assets in a component group. The key advantage of this approach is that it is simple to apply. The extent in which this approach accurately reflects the consumption of an asset component group on an annual basis, however, depends on the extent to which the depreciation from assets that are under-depreciated (i.e. have a shorter life than the average) is balanced by the depreciation on assets that are over depreciated (i.e. have a longer life than the average).

The annual depreciation expense recorded by Manitoba Hydro under CGAAP does not comply with the componentization requirements of IFRS due to the wide dispersion that currently exists in the service lives of many asset groups. In order to be compliant with

IFRS using the ASL method, Manitoba Hydro would have to increase the number of asset component groups of similar lived assets so that the range of service lives in any one group is smaller than currently exists. A larger number of asset component groups would also minimize the extent of gains and losses that must be recognized immediately to net income under IFRS as assets are being amortized over a more representative service life.

4.3 **Equal Life Group Method**:

The information required to determine annual depreciation under the ELG method is the same as that required for the ASL approach. This information includes the average service life of the assets in the group, retirement dispersion, net salvage and the age distribution of the assets in the component group. The ELG method of group depreciation, however, takes a different approach than the ASL method to calculating depreciation expense for an asset component group by recognizing the existence of retirement dispersion in the group.

The ELG calculation sub-divides the asset group into sub-components of estimated equal life and depreciates these sub-components over their respective service lives as opposed to the average life of the group as applied by the ASL method. The resulting annual depreciation expense for the asset group is the summation of the calculated depreciation based on the service life of each equal life group. This results in a similar depreciation expense to applying the ASL method to a larger number of component groups consisting of assets with the same service lives. This concept is demonstrated in Attachment A to this document where the application of the ASL method to a more componentized Manitoba Hydro asset structure produces comparable results to the ELG method applied to Manitoba Hydro's existing asset components. Where asset service life dispersion does not exist in an asset component group, the ELG and ASL methods will calculate the same depreciation expense.

Effectively, the ELG method is more representative of an asset's annual depreciation than an ASL method when applied to asset groups with a wide dispersion in service lives because the ELG method more accurately allocates the cost of a group of assets to annual expense in accordance with the consumption of the assets. The concept of accurately charging the annual cost of an asset to the ratepayer based on the assets consumption supports the regulatory goal of intergenerational equity in setting customer rates. This is also a fundamental concept of IFRS as published by the International Accounting

Standard Board *"Clarification of Acceptable methods of Depreciation and Amortization, Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets"* which amends the requirements of IAS 16 and IAS 38 to clarify that a depreciation method that is based on revenue is not appropriate because such a method reflects a pattern of generation of economic benefit from an asset rather than the pattern of consumption of an asset's expected future economic benefits.

The following simple example in Figure 1 below demonstrates the difference in the calculation between the ELG and ASL methods of depreciation:

Figure 1

Assumptions:

Component Group A	Cost	Service Life (Years)	Salvage	ASL Depreciation Rate	ELG Depreciation Rate
Asset 1	$ 100	1	0		100%
Asset 2	$ 100	2	0		50%
Asset 3	$ 100	3	0		33%
Average Service Life		2		50%	

ASL Depreciation Calculation	Asset 1	Asset 2	Asset 3	Total Depreciation	Total Loss (Gain) on Retirement	Total Expense
	$ 100	**$ 100**	**$ 100**			
Depreciation Year 1	50	50	50	$ 150		
Retirement	(100)	-	-			
Loss (Gain) on Retirement	50				$ 50	**$ 200**
Depreciation Year 2	-	50	50	$ 100		
Retirement		(100)				
Loss (Gain) on Retirement		-			$ -	**$ 100**
Depreciation Year 3	-	-	50	$ 50		
Retirement			(100)			
Loss (Gain) on Retirement			(50)		$ (50)	**$ -**
Total				$ 300	$ -	**$ 300**

ELG Depreciation Calculation	Sub Component Asset 1	Sub Component Asset 2	Sub Component Asset 3	Total Depreciation	Total Gain (Loss) on Retirement	Total Expense
	$ 100	**$ 100**	**$ 100**			
Depreciation Year 1	100	50	33	$ 183		
Retirement	(100)	-	-			
Loss (Gain) on Retirement	-				$ -	**$ 183**
Depreciation Year 2	-	50	33	$ 83		
Retirement		(100)				
Loss (Gain) on Retirement		-			$ -	**$ 83**
Depreciation Year 3	-	-	33	$ 33		
Retirement			(100)			
Loss (Gain) on Retirement			-		$ -	**$ 33**
Total				$ 300	$ -	**$ 300**

Observations pertaining to the example above are as follows:

- The level of asset componentization impacts annual depreciation expense. Had the assets in **Group A** been divided into three separate component groups based on their service lives, as is required under IFRS, then the annual depreciation expense would have been equal to the expense determined under the ELG method.

- When retirement dispersion exists in a group, there is a deferral and acceleration of depreciation under the ASL procedure as the ASL method depreciates assets with different service lives over the average life for the group. The longer-lived asset must be over depreciated to make up for the under depreciation on the shorter lived asset. The accuracy of the overall depreciation expense depends on the extent to which the over and under depreciation is balanced for the group of assets.

- When applying the ASL method, the combination of a wide range of service life dispersion with the IFRS requirement to immediately recognize asset retirement gains and losses will result in an increase in volatility in net income. In the example, the loss on retirement of asset 1 results in a higher total expense (depreciation plus losses) in the first year under the ASL method compared to the total expense using the ELG method. Under the ELG method, no gains or losses occurred on asset retirements since the assets were being depreciated over their individual service lives. This point demonstrates that although the change to the ELG method results in an increase to depreciation expense in the early years, when asset retirement losses are considered the ASL method can result in an overall higher expense.

- The ELG method better promotes intergenerational equity by matching the cost with the consumption of an asset. As per the example, using the ASL method, intergenerational equity is not met as the rate payer benefited from the use of Asset 3 in year 3, but was not charged for the asset in that year. The $50 depreciation expense is completely offset by the $50 gain that was recognized when the asset was retired at the end of year 3. The $50 gain is the result of the over depreciation on the asset in years 1 and 2.

5.0 ADDITIONAL COMPONENTIZATION REQUIREMENTS FOR MANITOBA HYDRO USING AN IFRS COMPLIANT ASL METHOD

Manitoba Hydro's existing level of componentization does not comply with the requirements of IFRS. Manitoba Hydro can find numerous examples where its current level of depreciable components would need to be broken down into additional components based on asset dollar cost and different service lives in order to continue with the ASL method under IFRS.

Examples where additional component groups could be developed based on estimated asset service lives are provided in Figure 2 below:

Figure 2

Asset Category	Existing Component (Service Life)	Potential New Components (Service Life)
Hydraulic Generation	Water Control Systems (65)	Water Control Systems (65) Trash, Safety & Ice Booms (20)
Hydraulic Generation	Turbines & Generators (60)	Turbine - Primary Structure (75) Turbine - Instrumentation and Electrical (20) Generator – Primary Structure (50) Generator – Instrumentation & Electrical (20)
Hydraulic Generation	A/C Electrical Power Systems (55)	A/C Electrical Power Systems (55) Generator Step up Transformers before 1950 (60) Generator Step up Transformers post1950 (40)
Distribution	Poles and Fixtures (65)	Wood Poles and Fixtures (65) Cross arms (35)
Distribution	Concrete Ductline and Manholes (75)	Concrete Ductline (75) Manholes (60)
Transmission	Poles and Fixtures (55)	Wood Poles (60) Cross Arms & Fixtures (30)
Transmission	Metal Towers & Concrete Poles (85)	Metal Towers and Concrete Poles (85) Concrete Footings (45)
Substations	Other Transformers(50)	Potential & Current Transformers (60) Station Service & Other (40)
Substations	Interrupting Equipment (50)	Vacuum Circuit Breakers (20) Min oil and SF6 Breakers (40) Air Magnetic Breakers (50) Air Blast & Oil Bulk Breakers (100) Other Interrupting Equipment (50)

Asset Category	Existing Component (Service Life)	Potential New Components (Service Life)
HVDC	Synchronous Condensers & Unit Transformers (65)	Synchronous Condensers (65 yrs) Unit Transformers (40 yrs)
Communication	Carrier Equipment (20)	Power Line Carrier, Microwave & Optical Transport (20) VHF Network (15) Standby Power Systems – Diesel (30) Standby Power Systems – Batteries & Auxiliaries (18) Span Line & High Voltage interface (35)
Buildings	360 Portage Electro/Mechanical	Finishes (20) Windows and Other (40) Millwork and Elevators (60) Interior Glaze/Drywall and Electrical (75)

The process for identifying and developing new asset component groups based on materiality of cost and differences in service life is complicated with regards to determining the actual historical costs and age for the assets that are included in the component groups. Cost and age information is required for each asset within a component group in order to determine the depreciation period, rates and the calculation of future gains and losses when the assets are retired.

Manitoba Hydro's historical asset cost and age information is comprised of thousands of transactions per year that were not captured at the level of detail required to readily develop new asset component groups. Such records date back over 70 years and are not available electronically for anything that was placed in service prior to the adoption of SAP in 1998. As a result, conversion into IFRS compliant components would require an extensive manual effort by both finance and engineering staff. For example, the records for a particular project may have captured only the total cost of a generator from the supplier as opposed to separately identifying the costs of the generator and its instrumentation and electrical components. Manitoba Hydro estimates that it would take at least two years to identify and implement the appropriate historical opening cost balances for newly identified asset components in order to continue to use the ASL method and comply with the requirements of IFRS.

This issue is not unique to Manitoba Hydro as identified by the accounting firm Price Waterhouse Coopers in their May 2014 document titled, ***"Financial reporting in the power and utilities industry, International Financial Reporting Standards, Identifying components of an asset:*** *Generating assets might comprise a significant number of components, many of which will* *have differing useful lives. The significant components of these types of assets must be separately identified. This can be a complex process, particularly on transition to IFRS, because the detailed record keeping needed for componentisation might not have been required in order to comply with national generally accepted accounting principles (GAAP). This can particularly be an issue for older power plants."*

Manitoba Hydro estimates that the cost to the rate payer to identify, develop, and convert existing asset component groups into additional groups for compliance with IFRS (assuming the ASL method) would cost in excess of $2 million, depending on the level of detail in the accounting records. The majority of these costs would include analyzing historical project and operational records, performing a detailed depreciation study (including consulting services), converting existing accounting records and related IT systems, and change management activities associated with training staff on the new components.

6.0 ANALYSIS: COMPARISON OF ELG AND AN IFRS COMPLIANT ASL METHOD

In response to PUB Order 43/13, directives #8 & #9, which requested additional information to compare a change to the ELG method to a change to an IFRS-compliant ASL method, Manitoba Hydro developed two representative samples of additional asset component groups for significant asset categories. One representative sample is based on the March 31, 2014 asset component balances and a second representative sample is based on significant forecast asset additions (Bipole III and Keeyask) over the ten year forecast period. The additional components were developed through discussions with Manitoba Hydro engineering staff, Gannett Fleming and through a review of available historical asset records and project estimates.

The additional sample asset components developed for the analysis are listed in Figure 1, page II-5 of the Gannett Fleming report in Attachment A.

The results of the comparison performed by Gannett Fleming in Attachment A indicate that an IFRS-compliant ASL approach will produce a comparable depreciation expense to the ELG method applied to a fewer number of asset components. The results are summarized in Figure 2, page III-3 of Attachment A.

March 31, 2014 Account Balances:

The analysis performed on the March 31, 2014 account balances results in a $0.7 million difference, for the sample, between an IFRS-compliant ASL and ELG method. Extrapolating the $0.7 million difference to 100% of the asset balances indicates that that an IFRS compliant ASL approach would result in a lower annual depreciation expense of approximately $3.5 million. The implementation of an IFRS compliant ASL method would result in an increase in overall annual depreciation expense of approximately $33 million, compared to a $36 million increase under the ELG method, without consideration for the impacts of gains and losses on asset retirements. The analysis performed demonstrates that compliance with the depreciation requirements of IFRS will result in a similar increase in depreciation expense, regardless of the depreciation method used.

Capital Expenditure Forecast (CEF-14):

The analysis performed on a sample of forecast additions for the Bipole III and Keeyask projects results in a $0.1 million difference, between an IFRS-compliant ASL and ELG method. Extrapolating the $0.1 million difference to 100% of forecast additions for those projects indicates that that an IFRS compliant ASL approach would result in a higher annual depreciation expense of approximately $0.7 million.

The analysis demonstrates that an increase in annual depreciation expense will occur as a result of the need for Manitoba Hydro to comply with the more explicit componentization requirements of IFRS; regardless of whether the ELG or ASL method is applied. Overall, the differences calculated between the ASL and ELG approaches, is not significant enough to impact customer electricity rates.

Moreover, Manitoba Hydro wishes to emphasize to the PUB that on an overall basis, the proposed changes to depreciation are significantly reducing the Corporation's depreciation expense. The overall decrease in the test years ranges between $25 to $57 million annually. By the end of the 10-year forecast period, depreciation expense is expected to decrease by more than $100 million annually. Please refer to the following table, which is an excerpt from Schedule A of Appendix 5.7 of the Application.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Electric only (in millions of $'s)										
DEPRECIATION EXPENSE										
Average Service Life Changes (2014 Depreciation Study)	(25)	(29)	(30)	(30)	(34)	(38)	(43)	(41)	(43)	(42)
Administrative Overhead		(0)	(2)	(4)	(6)	(7)	(9)	(11)	(13)	(14)
Meter Compliance, Exchange and Sampling		0	0	0	0	0	0	1	1	1
Removal of Net Salvage		(60)	(63)	(67)	(86)	(96)	(107)	(117)	(117)	(119)
Change to IFRS Compliant Depreciation		36	38	41	49	55	63	67	68	69
Subtotal Depreciation Changes	**(25)**	**(53)**	**(57)**	**(60)**	**(76)**	**(86)**	**(96)**	**(101)**	**(103)**	**(105)**

Manitoba Hydro's position is that, from an overall fairness perspective, the PUB should consider the impacts of the proposed depreciation changes for rate-setting purposes as a whole rather than focusing only on the change to ELG.

The depreciation changes that are proposed by Manitoba Hydro, when considered on the whole, are not driving the need for increases in customer rates. As such, Manitoba Hydro sees no incremental benefit to the rate payer of incurring additional costs to further componentize its assets to continue with the ASL depreciation method under IFRS. Additional componentization would be very costly and would require additional administrative efforts to maintain.

Manitoba Hydro

GANNETT FLEMING RESPONSE TO PROVIDE COMPLIANCE WITH MANITOBA PUBLIC UTILITIES BOARD DECISION 43/13

Prepared by:

Gannett Fleming

Excellence Delivered ***As Promised***

MANITOBA HYDRO

Winnipeg, Manitoba

GANNETT FLEMING RESPONSE TO PROVIDE COMPLIANCE WITH MANITOBA PUBLIC UTILITIES BOARD DECISION 43/13

GANNETT FLEMING CANADA ULC

Calgary, Alberta

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GANNETT FLEMING RESPONSE TO PROVIDE COMPLIANCE WITH MANITOBA PUBLIC UTITLTIES BOARD DECISION 43/13

EXECUTIVE SUMMARY

Gannett Fleming Canada ULC ("Gannett Fleming") was retained by Manitoba Hydro for assistance in responding to directives #8 and #9 from Public Utilities Board Order 43/13 for Manitoba Hydro's 2014/15 and 2015/16 General Rate Application (GRA). The directives requested information with respect to an analysis of the level of asset componentization that would be required to develop IFRS – compliant depreciation rates using the ASL procedure and an analysis comparing the depreciation expense resulting from the conversion to the ELG procedure as compared to the depreciation expense resulting from the use of an IFRS compliant ASL procedure.

In order to strictly comply with Directive #8, a detailed analysis of virtually all of the current Manitoba Hydro accounts would be required which, given the extreme volume of account information, could not be completed in time for the current GRA. In order to reasonably respond to the directives in the time period allotted, Gannett Fleming worked with Manitoba Hydro to develop a representative sample of additional asset component groups for further analysis. Representative sample components and comparisons between ELG and IFRS compliant ASL depreciation calculations were developed for both the March 31, 2014 account balances and the forecasted Bipole III and Keeyask projects. The sample accounts chosen represent approximately 20% of the total March 31, 2014 asset balance and 20% of the 10 year forecast project balances and are thus, sufficiently representative of the investment base being analyzed.

The analysis completed by Gannett Fleming on the March 31, 2014 balances, resulted in a $738,000 difference between the depreciation calculated using the ELG method and the depreciation calculated using the ASL method. Extrapolated across the full March 31, 2014 asset balance, the ELG method is $3.5 million higher on an annual basis than the ASL method applied to more components. The analysis completed on

the forecasted Bipole III and Keeyask projects resulted in a $140,000 difference between the ELG and IFRS-compliant ASL methods where the ELG procedure was lower than the IFRS compliant ASL procedure. Extrapolated across the forecasted asset balances, the ELG method is $0.7 million lower of the analyzed projects than the ASL method.

Based on the results of the testing presented in this report, Gannett Fleming views that the statements made by Manitoba Hydro in its previous GRA proceeding regarding the fact that an IFRS compliant ASL procedure would result in a similar level of depreciation expense as the proposed change to the ELG procedure have been demonstrated.

PART I. INTRODUCTION

MANITOBA HYDRO
GANNETT FLEMING RESPONSE TO PROVIDE COMPLIANCE WITH MANITOBA PUBLIC UTITLTIES BOARD DECISION 43/13

PART 1. BACKGROUND AND SCOPE

BACKGROUND

In its 2012/13 and 2013/14 General Rate Application ("GRA"), Manitoba Hydro informed the PUB that it would be changing from the Average Service Life ("ASL") procedure to the Equal Life Group ("ELG") procedure in the calculation of the depreciation rates upon its transition to IFRS in order to facilitate compliance with the requirements of IFRS. Mr. Larry Kennedy of Gannett Fleming Canada ULC ("Gannett Fleming") provided expert testimony relating to the enhanced ability of the ELG procedure to comply with the requirements of the IFRS without the need for additional componentization, as would be required to continue with the ASL procedure under IFRS. One of the key concerns identified during the hearing was the increase in depreciation expense resulting from the change to the ELG method in the years following the transition to IFRS. It was the stated view of Mr. Kennedy that the additional componentization that would be required in order to apply the ASL method under IFRS would result in a similar increase in depreciation expense. The advantage to changing to the ELG method is that very little additional componentization is required which significantly reduces existing and ongoing efforts and costs by Manitoba Hydro to comply with IFRS.

Based on their findings in Manitoba Hydro's GRA, the PUB issued the following directives to Manitoba Hydro as a means to better understand the differences between the ASL and ELG methodologies:

> ***8.*** *That Manitoba Hydro file updated depreciation rates and schedules based on an International Financial Reporting Standards-compliant Average Service Life methodology with the next General Rate Application.*

9. *That Manitoba Hydro file with the Board, with the next General Rate Application, a chart showing a comparison of the impact on its Integrated Financial Forecast (i.e. 'Budget') of asset depreciation pursuant to the Average Service Life methodology (without net salvage) and the Equal Life Group methodology (without net salvage), applying both methodologies to all planned major capital additions.*

SCOPE OF STUDY

Gannett Fleming was retained by Manitoba Hydro to provide an analysis of the level of asset componentization that would be required to develop IFRS – compliant depreciation rates using the ASL Procedure and to model a comparison of the depreciation expense resulting from the conversion to the ELG procedure as compared to the depreciation expense resulting from the use of an IFRS compliant ASL procedure. This report presents a discussion of the analysis undertaken by Gannett Fleming and provides the comparative results from the analysis.

Strict compliance with Directive 8 from the Public Utilities Board Order 43/13 would require a detailed analysis of virtually all of the current Manitoba Hydro accounts. Such an analysis would require the detailed manual review of over 70 years of detailed project capitalization records, many years of detailed retirement transactions, and a detailed review of the current investment in all accounts. These reviews are required in order to determine the amount of investment by installation year for accounts that could be componentized further, and to appropriately develop a retirement rate analysis for the support of an average life estimate for each of the new components. Additionally, the accumulated depreciation accounts would require the same level of componentization as the related asset accounts.

In order to reasonably respond to PUB Order 43/13, directives #8 and #9 in time for Manitoba Hydro's 2014/15 and 2015/16 GRA, Gannett Fleming worked with Manitoba Hydro to develop a representative sample of additional asset component groups for further review and analysis.

This report outlines the manner in which a representative sample of accounts were selected for analysis and review; presents an overview of the manner in which each of the components where assigned an average service life estimate for use in this analysis; describes the manner in which the review was undertaken; and will provide a summary of the analysis and the conclusions of Gannett Fleming resulting from the study.

PART II. ANALYSIS AND REVIEW

PART 2. ANALYSIS AND REVIEW

SELECTION OF THE MARCH 31, 2014 COMPONENTS TO REVIEW

Gannett Fleming is a large internationally acclaimed professional engineering firm that has been active in the design, construction and inspection of Dams, Levees and Hydroelectric infrastructure since 1915. Gannett Fleming is a member of the Canadian Dam Association ("CDA") and frequently presents on a number of issues to the membership of the CDA. In addition to reliance on the Manitoba Hydro engineering and operations staff, senior leadership staff of the Gannett Fleming Dam and Earth Sciences group were consulted during various phases of this project to ensure that the Gannett Fleming recommendations regarding componentization reasonably reflect current and historic engineering practices related to dams and levees.

Based on the broad experience of Gannett Fleming developing depreciation practices and policies ensuring compliance with the IFRS for utilities across Canada, Gannett Fleming does not view that the current level of Manitoba Hydro asset componentization is sufficient if using the ASL method for financial statements prepared under IFRS. In the experience of Gannett Fleming, electric generation utilities across Canada that use the ASL procedure have a significantly increased level of componentization for financial reporting purposes[1].

Gannett Fleming views that Manitoba Hydro's current level of depreciable components would need to be broken down into additional components based on asset dollar value, differing service lives and differing forces of retirement in order for Manitoba Hydro to continue using the ASL procedure in the development of depreciation rates under the IFRS.

Gannett Fleming worked with Manitoba Hydro to develop a representative sample of additional asset component groups for further review and analysis based on the following:

- Where it is easily apparent that the current group will not meet the componentization requirements of the IFRS;

[1] Including BC Hydro, Newfoundland and Labrador Hydro and SaskEnergy.

- Where a reasonable estimate of the average service life can be determined by operational staff. In this manner, a reasonable estimate of the service life estimate for the new accounts could be made without the detailed review of all historic retirement information;
- Where the current groups selected will provide a statistically significant sample size such that the results can be considered to be representative of a full review of accounts.
- Where the resultant groups selected represent a reasonable cross sample of accounts and facilities.

Based on the above criteria, the following accounts were selected for analysis:

- Turbines and Generators – Generation
- A/C Electrical Power Systems – Generation
- Poles and Fixtures – Transmission
- Other Transformers – Transmission
- Interrupting Equipment – Substations
- Poles and Fixtures – Distribution
- Buildings – 360 Portage – Electro/mechanical

The data used in the 2014 depreciation study as filed in this application was used for the analysis and componentization. As of March 31, 2014 the above account groups represented $2.9 billion of Manitoba Hydro's total March 31, 2014 cost base of $14.2 billion (or 20%). In the view of Gannett Fleming, a sample size representing 20% of the total investment comprising a broad cross section of asset groups is representative of the investment as a whole.

In order to compare the impacts of the ELG procedure to an IFRS compliant ASL procedure on a large level of new investment as identified in Manitoba Hydro's Capital Expenditure Forecast (CEF-14), current component groups relating to the future investment for the Bipole III and Keeyask Generating Station projects were tested. These two projects represent 55% of the total electric operations capital forecast over the next 10 years and the sample accounts selected represent approximately 20% of the project's balance. Specifically, the following component groups related to the new investment of the above two projects were identified for specific review:

- Synchronous Condensers and Unit Transformers – Bipole III
- Converter Equipment – Bipole III
- Water control Systems – Keeyask
- Turbines and Generators – Keeyask
- A/C electrical Power Systems – Keeyask

Figure 1, on the following page identifies the current components and the further componentized new groupings used for the purposes of comparative testing. Gannett Fleming notes that this level of componentization and new component development is reasonable for the purposes of testing in order to comply with the PUB directives. However, the continued use of an IFRS compliant ASL procedure would require a significant amount of additional review of the tested components, in addition to a complete review of all components not included in the sample.

Figure 1 – Summary of the Representative Sample of Existing and Additional Components Used in the Gannett Fleming Testing

March 31, 2014 Accounts:

Existing Asset Component	Existing Asset Component
- Turbines and Generators (Generation)	- Turbines - Generators
- A/C Electrical Power Systems (Generation)	- Step-up transformers manufactured before 1950 - Step-up transformers manufactured in 1950 or later - A/C Electrical Power Systems – other equipment
- Poles and Fixtures (Transmission)	- Wood Poles and Fixtures - Cross-arms
- Other Transformers (Substations)	- Other Transformers - Potential and Current Transformers
- Interrupting Equipment (Substations)	- Other Interrupting Equipment - Vacuum Circuit Breakers - Min Oil and SF6 Breakers - Air Magnetic Breakers - Air Blast and Oil Bulk Breakers
Existing Asset Component	**Existing Asset Component**
- Poles and Fixtures (Distribution)	- Wood Poles and Fixtures - Cross-arms
- Buildings (360 Portage) – Electro/mechanical	- Finishes - Mechanical/Windows and Other - Millwork and Elevators - Interior Glaze/Drywall and Electrical

Capital Expenditure Forecast (CEF-14):

Existing Asset Component	Test Sample Asset Component
- Synchronous Condensers and Unit Transformers (Bipole III)	- Synchronous Condensers - Unit Transformers
- Converter Equipment (Bipole III)	- HVDC Converter Valves and Valve Cooling Equipment - HVDC Converter Transformers
- Water Control Systems (Keeyask)	- Water Control Systems - Ice, Debris and Public Safety Booms
- Turbines and Generators (Keeyask)	- Turbines - Generators
- A/C Electrical Power Systems (Keeyask)	- Step-up transformers manufactured in 1950 or later - A/C Electrical Power Systems – other equipment

DEVELOPMENT OF AVERAGE SERVICE LIFE ESTIMATES FOR THE NEW COMPONENT GROUPS

In order to test the impacts of the ELG Procedure to an IFRS compliant ASL procedure, an average service life estimate is required for the additional level of componentization used in the development of the ASL depreciation expense. The average service life estimates as used in the depreciation study filed with Manitoba Hydro's current application were used as the basis for the development of the new more componentized average service life estimates. The comparisons to the ELG procedure used average service lives as used in the current 2014 depreciation study.

Gannett Fleming notes that in the development of the additional components, the componentization used for ELG purposes in the 2014 depreciation study was used as a starting point. Each of the new ASL components were then analyzed to determine if the new component would have a longer or shorter life than the ELG component. In some circumstances, one of the new components represented such a large percentage of investment in the existing account that the larger component has been assigned the same life estimate as the larger ELG component.

The development of the average service life estimates for the IFRS compliant ASL procedure included the following review for each new account:

- Review by Manitoba Hydro Operations staff to provide an indication of the average service life of each of the components;
- Review of the Manitoba Hydro internal estimates by Gannett Fleming;
- Review to determine if the lives for the new components are consistent with the lives as determined for the ELG components in the current depreciation study; and
- The lives of all components were rounded to the nearest 5 years.

The resultant average service life estimates for all new components are identified on the Table of results in Part 3 of this report.

TESTING AND REVIEW

The Gannett Fleming testing was completed in two parts. Firstly, for the investment as of March 31, 2014, Gannett Fleming completed a series of ASL procedure calculations on the increased level of componentization which included the new average service life estimates for each of the components. The ELG calculations were developed in the current depreciation study filed with this application. Secondly, a first year calculation was made for the investment related to the two new capital projects, which required development of detailed depreciation calculations for the ELG and IFRS compliant ASL procedures.

A component of the depreciation rates includes the true-up of accumulated depreciation variances between the level of actual accumulated depreciation balances and the calculated (or theoretical) accumulated depreciation balances. In order to develop the true-up calculations, Gannett Fleming developed an allocation of the accumulated depreciation amounts as of March 31, 2014 for use with the IFRS compliant ASL procedure. For the ELG components, the true up calculations were developed in the current depreciation study.

A table summarizing the results of the analysis is provided in Part 3 of this report.

PART III. RESULTS AND CONCLUSIONS

PART 3. RESULTS AND CONCLUSIONS

RESULTS

Based on the analysis completed by Gannett Fleming on the March 31, 2014 balances, the depreciation expense related to the proposed use of the ELG procedure on the $2.9 billion of original cost is $738,000 higher as compared to the use of the IFRS compliant ASL procedure. Extrapolating the $0.7 million difference to 100% of the March 31, 2014 asset balance equates to an approximately $3.5 million annual difference between the two approaches. However, on the analysis of the forecast Bipole III and Keeyask projects the depreciation expense related to the proposed ELG procedure is $140,000 less than the IFRS compliant ASL procedure. Extrapolating the ($0.1) million difference between the IFRS-compliant ASL method and the ELG method results over the total of the analyzed project additions over the next 10 years, equates to an approximately ($0.7) million annual difference between the two approaches. The results of the Gannett Fleming Analysis is summarized in Table 1 on page III-5 and in more detail by account in Tables 2, 3 and 4 provided at pages III-6, III-7 and III-8 of this report.

Figure 2 - Summary of Differences in Depreciation Procedures

Component	Depreciation Expense ($ millions)		
	ELG Method	ASL Method	Difference
March 31, 2014 Accounts:			
A/C Electrical Power Systems (Generation)	7.16		
- Step-up Transformers Manufactured before 1950		-	
- Step-up Transformers Manufactured in 1950 or later		3.63	
- A/C Electrical Power Systems – Other Equipment		4.35	
Turbines and Generators (Generation)	23.45		
- Turbines		8.80	
- Generators		15.15	
Poles and Fixtures (Transmission)	2.11		
- Wood Poles and Fixtures		1.31	
- Cross-arms		0.42	
Other Transformers (Substations)	2.54		
- Other Transformers		1.61	
- Potential and Current Transformers		0.50	
Interrupting Equipment (Substations)	4.85		
- Other Interrupting Equipment		2.67	
- Vacuum Circuit Breakers		0.73	
- Min Oil and SF6 Breakers		1.09	
- Air Magnetic Breakers		0.44	
- Air Blast and Oil Bulk Breakers		0.09	
Poles and Fixtures (Distribution)	10.59		
- Wood Poles and Fixtures		7.62	
- Cross-arms		1.41	
Buildings (360 Portage)	1.98		
- Electro/mechanical - Finishes		0.73	
- Electro/mechanical – Mechanical/Windows and Other		1.05	
- Electro/mechanical – Millwork and Elevators		0.16	
- Electro/mechanical – Interior Glaze/Drywall and Electrical		0.17	
Sub-Total March 31, 2014 Balances	**52.67**	**51.93**	**0.74**
Capital Expenditure Forecast:			
Synchronous Condensers and Unit Transformers (Bipole III)*	3.66		
- Synchronous Transformers		1.93	
- Unit Transformers		1.68	
Converter Equipment (Bipole III)	14.97		
- HVDC Converter Valves and Valve Cooling Equipment		6.17	
- HVDC Converter Transformers		8.83	
Water Control Systems (Keeyask)**	9.04		
- Water Control Systems		8.15	
- Ice, Debris and Public Safety Booms		0.71	
Turbines and Generators (Keeyask)	9.79		
- Turbines		3.95	
- Generators		6.59	
A/C Electrical Power Systems (Keeyask)	4.77		
- Step-up Transformers Manufactured in 1950 or later		1.03	
- A/C Electrical Power Systems – Other Equipment		3.33	
Sub-Total Forecast Balances	**42.23**	**42.37**	**(0.14)**

* *Assumes Fiscal 2019 when Bipole III is fully in service*

** *Assumes 2021 when Keeyask GS is fully in service*

CONCLUSION

The $738,000 difference based on the accounts tested as of March 31, 2014 between an IFRS-compliant ASL and ELG method demonstrates that compliance with the depreciation requirements of IFRS will result in a similar increase in depreciation expense, regardless of the depreciation method used. In Appendix 5.7 of this application, Manitoba Hydro indicates the estimated annual increase in depreciation expense for complying with IFRS by changing to the ELG method is $36 million. This annual increase in depreciation would be approximately $33 million if Manitoba Hydro were to continue with an IFRS compliant ASL method.

The difference of $140,000 resulting from analysis comparing the impact on the two large new capital projects (Bipole III and Keeyask) also demonstrates the convergence of the depreciation expense between the two methods.

Overall, the testing completed by Gannett Fleming indicates that a similar impact will result when the two methods are applied to a significant level of asset costs (both as of March 31, 2014, and on the two large forecasted capital projects). Gannett Fleming strongly cautions that depreciation expense is an estimate, and that this analysis is on a representative sample basis only and it is possible that the results of a complete study of existing and projected asset additions could be smaller or larger than the balances provided in this analysis. Such differences may also be altered by differences between actual and projected levels of capital expenditures and asset retirements.

Based on the results of the testing presented in this report, Gannett Fleming views that the statements made in the 2013/2014 General Rate Application Proceeding regarding the fact that an IFRS compliant ASL Procedure would result in a similar level of depreciation expense as the proposed change to the ELG procedure have been demonstrated. The over-riding benefit of the proposed ELG procedure is the elimination of the need to undertake a very significant effort to develop the level of componentization required for the use of an IFRS compliant ASL procedure.

MANITOBA HYDRO
TABLE 1. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
PLANT AS OF MARCH 31, 2014

		FILED ELG								ASL - COMPONENTIZATION							
ACCOUNT	ACCOUNT DESCRIPTION	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2014	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)	ANNUAL PROVISION FOR TRUE-UP	TOTAL DEPRECIATION RELATED TO LIFE EXPENSE	TOTAL DEPRECIATION RELATED TO LIFE RATE (%)	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2014	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)	ANNUAL PROVISION FOR TRUE-UP	TOTAL DEPRECIATION RELATED TO LIFE EXPENSE	TOTAL DEPRECIATION RELATED TO LIFE RATE (%)
	(1)		(2)	(3)	(4)	(5)=(4)/(3)	(6)	(7)=(4)+(6)	(8)=(7)/(3)		(9)	(10)	(11)	(12)=(11)/(10)	(13)	(14)=(11)+(13)	(15)=(14)/(10)
Great Falls 1105P A/C Electrical Power Systems:																	
1105P1	Step-Up Transformers Manufactured before 1950									2063	60-R4	163,626	2,733	1.67	(25,260)	(22,527)	(13.77)
1105P2	Step-up Transformers Manufactured in 1950 or later									2063	40-R4	3,811,668	95,292	2.50	(7,877)	87,415	2.29
1105P3	A/C Electrical Power Systems - Other Equipment									2063	55-R4	5,517,794	100,696	1.82	(9,812)	90,884	1.65
1105P	**A/C Electrical Power Systems - Total for Parent Account**	2063	55-R4	**9,493,088**	**178,427**	**1.88**	**(20,168)**	**158,259**	**1.67**			**9,493,088**	**198,721**	**2.09**	**(42,949)**	**155,772**	**1.64**
Point du Bois 1110P A/C Electrical Power Systems:																	
1110P1	Step-Up Transformers Manufactured before 1950																
1110P2	Step-up Transformers Manufactured in 1950 or later									2040	40-R4	6,324,690	211,361	3.34	(42,537)	168,824	2.67
1110P3	A/C Electrical Power Systems - Other Equipment									2040	55-R4	1,435,296	49,693	3.46	(6,326)	43,367	3.02
1110P	**A/C Electrical Power Systems - Total for Parent Account**	2040	55-R4	**7,759,986**	**264,381**	**3.41**	**(48,663)**	**215,718**	**2.78**			**7,759,986**	**261,054**	**3.36**	**(48,863)**	**212,191**	**2.73**
Seven Sisters 1115P A/C Electrical Power Systems:																	
1115P1	Step-Up Transformers Manufactured before 1950									2072	60-R4	348,199	5,815	1.67	(11,285)	(5,470)	(1.57)
1115P2	Step-up Transformers Manufactured in 1950 or later									2072	40-R4	4,455,082	111,377	2.50	(18,944)	92,433	2.07
1115P3	A/C Electrical Power Systems - Other Equipment									2072	50-R4	7,120,950	135,967	1.91	(14,934)	121,033	1.70
1115P	**A/C Electrical Power Systems - Total for Parent Account**	2072	55-R4	**11,924,230**	**223,527**	**1.87**	**(37,834)**	**185,693**	**1.56**			**11,924,231**	**253,159**	**2.12**	**(45,163)**	**207,996**	**1.74**
Slave Falls 1120P A/C Electrical Power Systems:																	
1120P1	Step-Up Transformers Manufactured before 1950									2072	60-R4	960,483	16,328	1.70	(827)	15,501	1.61
1120P2	Step-up Transformers Manufactured in 1950 or later																
1120P3	A/C Electrical Power Systems - Other Equipment									2072	55-R4	20,671,367	382,740	1.85	(13,147)	369,593	1.79
1120P	**A/C Electrical Power Systems - Total for Parent Account**	2072	55-R4	**21,631,850**	**421,951**	**1.95**	**(9,787)**	**412,164**	**1.91**			**21,631,850**	**399,068**	**1.84**	**(13,974)**	**385,094**	**1.78**
Pine Falls 1125P A/C Electrical Power Systems:																	
1125P1	Step-Up Transformers Manufactured before 1950									2092	60-R4	350,135	5,847	1.67	(11,236)	(5,389)	(1.54)
1125P2	Step-up Transformers Manufactured in 1950 or later																
1125P3	A/C Electrical Power Systems - Other Equipment									2092	55-R4	4,746,843	86,393	1.82	(11,299)	75,094	1.58
1125P	**A/C Electrical Power Systems - Total for Parent Account**	2092	55-R4	**5,096,978**	**92,115**	**1.81**	**(11,342)**	**80,773**	**1.58**			**5,096,978**	**92,240**	**1.81**	**(22,535)**	**69,705**	**1.37**
McArthur Falls 1130P A/C Electrical Power Systems:																	
1130P1	Step-Up Transformers Manufactured before 1950									2095	60-R4	319,824	5,341	1.67	(8,255)	(2,914)	(0.91)
1130P2	Step-up Transformers Manufactured in 1950 or later																
1130P3	A/C Electrical Power Systems - Other Equipment									2095	55-R4	2,201,937	40,075	1.82	(9,572)	30,503	1.39
1130P	**A/C Electrical Power Systems - Total for Parent Account**	2095	55-R4	**2,521,761**	**43,075**	**1.71**	**(9,746)**	**33,329**	**1.32**			**2,521,761**	**45,416**	**1.80**	**(17,827)**	**27,589**	**1.09**
Kelsey 1135P A/C Electrical Power Systems:																	
1135P1	Step-Up Transformers Manufactured before 1950																
1135P2	Step-up Transformers Manufactured in 1950 or later									2101	40-R4	15,764,992	394,125	2.50	22,946	417,071	2.65
1135P3	A/C Electrical Power Systems - Other Equipment									2101	55-R4	24,729,522	450,077	1.82	30,199	480,276	1.94
1135P	**A/C Electrical Power Systems - Total for Parent Account**	2101	55-R4	**40,494,515**	**779,913**	**1.93**	**42,291**	**822,204**	**2.03**			**40,494,514**	**844,202**	**2.08**	**53,145**	**897,347**	**2.22**
Grand Rapids 1140P A/C Electrical Power Systems:																	
1140P1	Step-Up Transformers Manufactured before 1950																
1140P2	Step-up Transformers Manufactured in 1950 or later									2091	40-R4	2,957,039	73,926	2.50	(4,628)	69,298	2.34
1140P3	A/C Electrical Power Systems - Other Equipment									2091	55-R4	5,283,506	96,160	1.82	(15,370)	80,790	1.53
1140P	**A/C Electrical Power Systems - Total for Parent Account**	2091	55-R4	**8,240,545**	**153,036**	**1.86**	**(16,600)**	**136,436**	**1.66**			**8,240,545**	**170,086**	**2.06**	**(19,998)**	**150,088**	**1.82**
Kettle 1145P A/C Electrical Power Systems:																	
1145P1	Step-Up Transformers Manufactured before 1950																
1145P2	Step-up Transformers Manufactured in 1950 or later									2111	40-R4	36,244,611	906,115	2.50	24,903	931,018	2.57
1145P3	A/C Electrical Power Systems - Other Equipment									2111	50-R4	2,535,002	50,700	2.00	22,041	72,741	2.87
1145P	**A/C Electrical Power Systems - Total for Parent Account**	2111	55-R4	**38,779,613**	**745,736**	**1.92**	**12,798**	**758,534**	**1.96**			**38,779,613**	**956,815**	**2.47**	**46,944**	**1,003,759**	**2.59**
Laurie River 1150P A/C Electrical Power Systems:																	
1150P1	Step-Up Transformers Manufactured before 1950																
1150P2	Step-up Transformers Manufactured in 1950 or later																
1150P3	A/C Electrical Power Systems - Other Equipment									2035	55-R4	1,441,945	39,580	2.74	3,966	43,546	3.02
1150P	**A/C Electrical Power Systems - Total for Parent Account**	2035	55-R4	**1,441,945**	**40,426**	**2.80**	**4,948**	**45,374**	**3.15**			**1,441,945**	**39,580**	**2.74**	**3,966**	**43,546**	**3.02**
Jenpeg 1155P A/C Electrical Power Systems:																	
1155P1	Step-Up Transformers Manufactured before 1950																
1155P2	Step-up Transformers Manufactured in 1950 or later									2118	40-R4	5,710,258	142,756	2.50	(56,656)	86,100	1.51
1155P3	A/C Electrical Power Systems - Other Equipment									2118	55-R4	15,931,351	289,951	1.82	(30,158)	259,793	1.63
1155P	**A/C Electrical Power Systems - Total for Parent Account**	2118	55-R4	**21,641,608**	**394,933**	**1.82**	**(63,837)**	**331,096**	**1.53**			**21,641,609**	**432,707**	**2.00**	**(86,814)**	**345,893**	**1.60**
Churchill River Diversion 1165P A/C Electrical Power Systems:																	
1165P1	Step-Up Transformers Manufactured before 1950																
1165P2	Step-up Transformers Manufactured in 1950 or later																
1165P3	A/C Electrical Power Systems - Other Equipment										55-R4	1,710,889	31,138	1.82	(6,356)	24,782	1.45
1165P	**A/C Electrical Power Systems - Total for Parent Account**		55-R4	**1,710,889**	**31,121**	**1.82**	**(4,201)**	**26,920**	**1.57**			**1,710,889**	**31,138**	**1.82**	**(6,356)**	**24,782**	**1.45**
Long Spruce 1170P A/C Electrical Power Systems:																	
1170P1	Step-Up Transformers Manufactured before 1950																
1170P2	Step-up Transformers Manufactured in 1950 or later									2118	40-R4	19,424,177	485,604	2.50	9,325	494,929	2.55
1170P3	A/C Electrical Power Systems - Other Equipment									2118	55-R4	11,186,563	203,595	1.82	1,202	204,797	1.83
1170P	**A/C Electrical Power Systems - Total for Parent Account**	2118	55-R4	**30,610,740**	**560,009**	**1.83**	**(99,219)**	**460,790**	**1.51**			**30,610,740**	**689,199**	**2.25**	**10,527**	**699,726**	**2.29**

MANITOBA HYDRO
TABLE 1. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
PLANT AS OF MARCH 31, 2014

		FILED ELG								ASL - COMPONENTIZATION							
ACCOUNT	ACCOUNT DESCRIPTION	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2014	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)	ANNUAL PROVISION FOR TRUE-UP	TOTAL DEPRECIATION RELATED TO LIFE EXPENSE	TOTAL DEPRECIATION RELATED TO LIFE RATE (%)	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2014	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)	ANNUAL PROVISION FOR TRUE-UP	TOTAL DEPRECIATION RELATED TO LIFE EXPENSE	TOTAL DEPRECIATION RELATED TO LIFE RATE (%)
	(1)		(2)	(3)	(4)	(5)=(4)/(3)	(6)	(7)=(4)+(6)	(8)=(7)/(3)		(9)	(10)	(11)	(12)=(11)/(10)	(13)	(14)=(11)+(13)	(15)=(14)/(10)
Limestone 1175P A/C Electrical Power Systems:																	
1175P1	Step-Up Transformers Manufactured before 1950																
1175P2	Step-up Transformers Manufactured in 1950 or later									2131	40-R4	43,746,177	1,093,654	2.50	(99,436)	994,218	2.27
1175P3	A/C Electrical Power Systems - Other Equipment									2131	55-R4	100,842,764	1,835,338	1.82	(94,006)	1,741,332	1.73
1175P	**A/C Electrical Power Systems - Total for Parent Account**	2131	55-R4	**144,588,941**	**2,741,516**	**1.90**	**(233,699)**	**2,507,817**	**1.73**			**144,588,941**	**2,928,992**	**2.03**	**(193,442)**	**2,735,550**	**1.89**
Wuskwatim 1180P A/C Electrical Power Systems:																	
1180P1	Step-Up Transformers Manufactured before 1950																
1180P2	Step-up Transformers Manufactured in 1950 or later									2152	40-R4	403,600	10,090	2.50	(71)	10,019	2.48
1180P3	A/C Electrical Power Systems - Other Equipment									2152	55-R4	1,288,063	23,443	1.82	(118)	23,325	1.81
1180P	**A/C Electrical Power Systems - Total for Parent Account**	2152	55-R4	**1,691,663**	**32,649**	**1.93**	**(192)**	**32,457**	**1.92**			**1,691,663**	**33,533**	**1.98**	**(189)**	**33,344**	**1.97**
Wuskwatim Power Limited Partnership ("WPLP") 1181P A/C Electrical Power Systems:																	
1181P1	WPLP - Step-Up Transformers Manufactured before 1950																
1181P2	WPLP - Step-up Transformers Manufactured in 1950 or later									2152	40-R4	11,907,305	297,683	2.50	(2,902)	294,781	2.48
1181P3	WPLP - A/C Electrical Power Systems - Other Equipment									2152	55-R4	38,001,362	691,625	1.82	(4,846)	686,779	1.81
1181P	**A/C Electrical Power Systems - Total for Parent Account**	2152	55-R4	**49,908,667**	**963,237**	**1.93**	**(7,597)**	**955,640**	**1.91**			**49,908,667**	**989,308**	**1.98**	**(7,748)**	**981,560**	**1.97**
1105G1	Turbines									2063	75-S3	14,949,264	250,605	1.68	16,610	267,215	1.79
1105G2	Generators									2063	45-S3	18,869,048	419,849	2.23	27,659	447,508	2.37
1105G	**Turbines and Generators - Total for Parent Account**	2063	60-S3	**33,818,312**	**647,992**	**1.92**	**39,027**	**687,019**	**2.03**			**33,818,312**	**670,454**	**1.98**	**44,269**	**714,723**	**2.11**
Pointe du Bois 1110G:																	
1110G1	Turbines									2040	75-S3	27,977,470	884,721	3.16	(223,804)	660,917	2.36
1110G2	Generators									2040	45-S3	3,921,590	127,123	3.24	(31,420)	95,703	2.44
1110G	**Turbines and Generators - Total for Parent Account**	2040	60-S3	**31,899,060**	**1,036,836**	**3.25**	**(256,998)**	**779,838**	**2.44**			**31,899,060**	**1,011,844**	**3.17**	**(255,224)**	**756,620**	**2.37**
Seven Sisters 1115G:																	
1115G1	Turbines									2072	75-S3	34,324,616	538,754	1.57	(29,435)	509,319	1.48
1115G2	Generators									2072	45-S3	20,124,707	448,104	2.23	(51,168)	396,936	1.97
1115G	**Turbines and Generators - Total for Parent Account**	2072	60-S3	**54,449,323**	**986,438**	**1.81**	**(64,103)**	**922,335**	**1.69**			**54,449,323**	**986,858**	**1.81**	**(80,603)**	**906,255**	**1.66**
Slave Falls 1120G:																	
1120G1	Turbines									2072	75-S3	5,916,360	92,011	1.56	(488)	91,523	1.55
1120G2	Generators									2072	45-S3	6,330,169	140,617	2.22	(1,131)	139,486	2.20
1120G	**Turbines and Generators - Total for Parent Account**	2072	60-S3	**12,246,529**	**224,685**	**1.83**	**(3,206)**	**221,479**	**1.81**			**12,246,529**	**232,628**	**1.90**	**(1,619)**	**231,009**	**1.89**
Pine Falls 1125G:																	
1125G1	Turbines									2092	75-S3	4,890,684	65,401	1.34	(9,048)	56,353	1.15
1125G2	Generators									2092	45-S3	4,427,470	98,290	2.22	(27,038)	71,252	1.61
1125G	**Turbines and Generators - Total for Parent Account**	2092	60-S3	**9,318,154**	**150,312**	**1.61**	**(22,361)**	**127,951**	**1.37**			**9,318,154**	**163,691**	**1.76**	**(36,086)**	**127,605**	**1.37**
McArthur Falls 1130G:																	
1130G1	Turbines									2095	75-S3	2,902,707	38,684	1.33	(16,087)	22,597	0.78
1130G2	Generators									2095	45-S3	2,476,911	54,987	2.22	(59,614)	(4,627)	(0.19)
1130G	**Turbines and Generators - Total for Parent Account**	2095	60-S3	**5,379,618**	**77,690**	**1.44**	**(27,218)**	**50,472**	**0.94**			**5,379,618**	**93,671**	**1.74**	**(75,701)**	**17,970**	**0.33**
Kelsey 1135G:																	
1135G1	Turbines									2101	75-S3	78,758,820	1,077,668	1.37	26,857	1,104,525	1.40
1135G2	Generators									2101	45-S3	67,625,037	1,501,276	2.22	78,692	1,579,968	2.34
1135G	**Turbines and Generators - Total for Parent Account**	2101	60-S3	**146,383,857**	**2,613,973**	**1.79**	**91,265**	**2,705,238**	**1.85**			**146,383,857**	**2,578,944**	**1.76**	**105,549**	**2,684,493**	**1.83**
Grand Rapids 1140G:																	
1140G1	Turbines									2091	75-S3	60,479,918	821,891	1.36	(22,537)	799,354	1.32
1140G2	Generators									2091	45-S3	52,733,707	1,170,688	2.22	(52,693)	1,117,995	2.12
1140G	**Turbines and Generators - Total for Parent Account**	2091	60-S3	**113,213,625**	**2,003,975**	**1.77**	**(36,364)**	**1,967,611**	**1.74**			**113,213,625**	**1,992,579**	**1.76**	**(75,230)**	**1,917,349**	**1.69**
Kettle 1145G:																	
1145G1	Turbines									2111	75-S3	27,147,622	361,172	1.33	3,205	364,377	1.34
1145G2	Generators									2111	45-S3	72,015,762	1,598,750	2.22	8,311	1,607,061	2.23
1145G	**Turbines and Generators - Total for Parent Account**	2111	60-S3	**99,163,384**	**1,693,671**	**1.71**	**23,758**	**1,717,429**	**1.73**			**99,163,384**	**1,959,922**	**1.98**	**11,516**	**1,971,438**	**1.99**
Laurie River 1150G:																	
1150G1	Turbines									2035	75-S3	371,894	10,496	2.82	613	11,109	2.99
1150G2	Generators									2035	45-S3	4,231,242	147,942	3.50	4,990	152,932	3.61
1150G1	Turbines																
1150G	**Turbines and Generators - Total for Parent Account**	2035	60-S3	**4,603,136**	**160,625**	**3.49**	**6,099**	**166,724**	**3.62**			**4,603,136**	**158,438**	**3.44**	**5,603**	**164,041**	**3.56**
Jenpeg 1155G:																	
1155G1	Turbines									2118	75-S3	47,800,851	637,186	1.33	(2,443)	634,743	1.33
1155G2	Generators									2118	45-S3	43,915,520	974,925	2.22	(14,206)	960,719	2.19
1155G	**Turbines and Generators - Total for Parent Account**	2118	60-S3	**91,716,371**	**1,582,037**	**1.72**	**12,804**	**1,594,841**	**1.74**			**91,716,371**	**1,612,111**	**1.76**	**(16,649)**	**1,595,462**	**1.74**
Long Spruce 1170G:																	
1170G1	Turbines									2118	75-S3	63,342,196	842,451	1.33	(17,270)	825,181	1.30
1170G2	Generators									2118	45-S3	79,986,447	1,775,699	2.22	(93,529)	1,682,170	2.10
1170G	**Turbines and Generators - Total for Parent Account**	2118	60-S3	**143,328,643**	**2,453,827**	**1.71**	**(25,472)**	**2,428,355**	**1.69**			**143,328,643**	**2,618,150**	**1.83**	**(110,799)**	**2,507,351**	**1.75**

MANITOBA HYDRO
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PLANT AS OF MARCH 31, 2014

ACCOUNT	ACCOUNT DESCRIPTION	FILED ELG: LIFE SPAN DATE	FILED ELG: SURVIVOR CURVE	FILED ELG: SURVIVING ORIGINAL COST AS OF MARCH 31, 2014	FILED ELG: CALCULATED ANNUAL ACCRUAL AMOUNT	FILED ELG: CALCULATED ANNUAL ACCRUAL RATE (%)	FILED ELG: ANNUAL PROVISION FOR TRUE-UP	FILED ELG: TOTAL DEPRECIATION RELATED TO LIFE EXPENSE	FILED ELG: TOTAL DEPRECIATION RELATED TO LIFE RATE (%)	ASL - COMPONENTIZATION: LIFE SPAN DATE	ASL - COMPONENTIZATION: SURVIVOR CURVE	ASL - COMPONENTIZATION: SURVIVING ORIGINAL COST AS OF MARCH 31, 2014	ASL - COMPONENTIZATION: CALCULATED ANNUAL ACCRUAL AMOUNT	ASL - COMPONENTIZATION: CALCULATED ANNUAL ACCRUAL RATE (%)	ASL - COMPONENTIZATION: ANNUAL PROVISION FOR TRUE-UP	ASL - COMPONENTIZATION: TOTAL DEPRECIATION RELATED TO LIFE EXPENSE	ASL - COMPONENTIZATION: TOTAL DEPRECIATION RELATED TO LIFE RATE (%)
	(1)		(2)	(3)	(4)	(5)=(4)/(3)	(6)	(7)=(4)+(6)	(8)=(7)/(3)		(9)	(10)	(11)	(12)=(11)/(10)	(13)	(14)=(11)+(13)	(15)=(14)/(10)
Limestone 1175G:																	
1175G1	Turbines									2131	75-S3	180,982,160	2,407,063	1.33	43,437	2,450,500	1.35
1175G2	Generators									2131	45-S3	223,347,469	4,958,314	2.22	199,599	5,157,913	2.31
1175G	**Turbines and Generators - Total for Parent Account**	2131	60-S3	**404,329,629**	**7,181,521**	**1.78**	**134,341**	**7,315,862**	**1.81**			**404,329,629**	**7,365,377**	**1.82**	**243,036**	**7,608,413**	**1.88**
Wuskwatim 1180G:																	
1180G1	Turbines									2152	75-S3	2,279,516	30,318	1.33	(170)	30,148	1.32
1180G2	Generators									2152	45-S3	2,372,558	52,671	2.22	(496)	52,175	2.20
1180G	**Turbines and Generators - Total for Parent Account**	2152	60-S3	**4,652,074**	**83,272**	**1.79**	**(581)**	**82,691**	**1.78**			**4,652,074**	**82,989**	**1.78**	**(666)**	**82,323**	**1.77**
Wuskwatim Power Limited Partnership ("WPLP") 1181G:																	
1181G1	WPLP - Turbines									2152	75-S3	73,430,216	976,622	1.33	(95)	976,527	1.33
1181G2	WPLP - Generators									2152	45-S3	76,427,367	1,696,688	2.22	(278)	1,696,410	2.22
1181G	**WPLP - Turbines and Generators - Total for Parent Account**	2152	60-S3	**149,857,582**	**2,682,451**	**1.79**	**(322)**	**2,682,129**	**1.79**			**149,857,583**	**2,673,310**	**1.78**	**(373)**	**2,672,937**	**1.78**
2000J1	Wood Poles and Fixtures										65-R3	98,335,498	1,514,367	1.54	(204,145)	1,310,222	1.33
2000J2	Crossarms										35-R2	18,730,571	535,694	2.86	(117,120)	418,574	2.23
2000J	**Poles and Fixtures - Total for Parent Account**		55-R3	**117,066,069**	**2,279,899**	**1.95**	**(175,193)**	**2,104,706**	**1.80**			**117,066,069**	**2,050,061**	**1.75**	**(321,265)**	**1,728,796**	**1.48**
3100S1	Other Transformers										45-R1.5	80,244,655	1,781,431	2.22	(169,730)	1,611,701	2.01
3100S2	Potential and Current Transformers										60-S0.5	32,245,815	538,505	1.67	(42,387)	496,118	1.54
3100S	**Other Transformers - Total for Parent Account**		50-S1	**112,490,470**	**2,488,670**	**2.21**	**48,344**	**2,537,014**	**2.26**			**112,490,470**	**2,319,936**	**2.06**	**(212,117)**	**2,107,819**	**1.87**
3100T1	Other Interrupting Equipment										50-R2.5	128,502,890	2,570,058	2.00	104,140	2,674,198	2.08
3100T2	Vacuum Circuit Breakers										20-R2.5	13,442,631	664,282	4.94	68,600	732,882	5.45
3100T3	Min Oil and SF6 Breakers										40-R2.5	41,157,542	1,028,939	2.50	59,529	1,088,468	2.64
3100T4	Air Magnetic Breakers										50-R2.5	18,181,824	363,636	2.00	71,600	435,236	2.39
3100T5	Air Blast and Oil Bulk Breakers										100-R2.5	8,760,820	87,608	1.00	6,290	93,898	1.07
3100T	**Interrupting Equipment - Total for Parent Account**		50-R2.5	**210,045,708**	**4,428,834**	**2.11**	**418,260**	**4,847,094**	**2.31**			**210,045,707**	**4,714,523**	**2.24**	**310,159**	**5,024,682**	**2.39**
4000J1	Wood Poles and Fixtures										65-S1	601,525,314	9,263,490	1.54	(1,648,252)	7,615,238	1.27
4000J2	Crossarms										35-R2.5	67,430,774	1,928,520	2.86	(516,735)	1,411,785	2.09
4000J	**Poles and Fixtures - Total for Parent Account**		65-S0.5	**668,956,088**	**11,903,877**	**1.78**	**(1,315,678)**	**10,588,200**	**1.58**			**668,956,088**	**11,192,010**	**1.67**	**(2,164,987)**	**9,027,023**	**1.35**
Breakdown for Existing Account 8000E - 360 Portage - Electro/Mechanical																	
Account#	**Account Description**																
8000E1	360 Portage - Electro/mechanical - Finishes										20-R2.5	13,901,418	695,071	5.00	30,470	725,541	5.22
8000E2	360 Portage - Electro/mechanical - Mechanical/Windows & Other										40-R3	41,266,289	1,031,657	2.50	21,210	1,052,867	2.55
8000E3	360 Portage - Electro/mechanical - Millwork & Elevators										60-R2	9,262,022	154,676	1.67	1,879	156,555	1.69
8000E4	360 Portage - Electro/mechanical - Interior Glaze/Drywall & Electrical										75-R1.5	12,909,669	171,699	1.33	1,544	173,243	1.34
8000E	**360 Portage - Total for Parent Account**		45-R3	**77,339,398**	**1,937,503**	**2.51**	**39,260**	**1,976,763**	**2.56**			**77,339,398**	**2,053,103**	**2.65**	**55,103**	**2,108,206**	**2.73**
				2,887,794,051	**54,284,140**	**1.88**	**(1,617,187)**	**52,666,953**	**1.82**			**2,887,794,050**	**54,895,817**	**1.90**	**(2,967,360)**	**51,928,457**	**1.80**

Note:
Totals May Not Sum Due To Rounding

MANITOBA HYDRO
TABLE 2. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
NEW PLANT ADDITIONS IN 2019

				FILED ELG					ASL - COMPONENTIZATION				
ACCOUNT	ACCOUNT DESCRIPTION	FORECAST CAPITAL ADDITIONS	ESTIMATED AVERAGE SERVICE LIFE	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2019	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2019	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)
					(2)	(3)	(4)	(5)=(4)/(3)		(6)	(7)	(8)	(9)=(8)/(7)
BiPole III - Future HVDC Converter Stations - Riel and Keetawinohk:													
SubStations 3200M Synchronous Condensers and Unit Transformers:													
3200M1	Synchronous Condensers	125,600,000	65 Years						65	R4	125,600,000	1,934,240	1.54
3200M2	Unit Transformers	67,000,000	40 Years						40	R4	67,000,000	1,675,000	2.50
		192,600,000		56	R4	**192,600,000**	**3,659,400**	**1.90**			**192,600,000**	**3,609,240**	**2.00**
SubStations 3200P Converter Equipment			25 Years										
3200P1	HVDC Converter Valves and Valve Cooling Equipment	154,300,000	40-50 Years						25	S4	154,300,000	6,172,000	4.00
3200P2	HVDC Converter Transformers	353,300,000							40	S4	353,300,000	8,832,500	2.50
		507,600,000		35	S4	**507,600,000**	**14,974,200**	**2.95**			**507,600,000**	**15,004,500**	**3.00**
Other Components		**1,974,900,000**											
CEF14	BiPole III Converter Stations	**2,675,100,000**											
		26% *											
	TOTAL BIPOLE III AND KEEYASK FORECAST ADDITIONS					**700,200,000**	**18,633,600**	**2.66**			**700,200,000**	**18,613,740**	**2.66**

* Percentage of Forecast Item for Which Component Breakdown Provided

MANITOBA HYDRO
TABLE 3. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
NEW PLANT ADDITIONS IN 2020

				FILED ELG					ASL - COMPONENTIZATION				
ACCOUNT	ACCOUNT DESCRIPTION	FORECAST CAPITAL ADDITIONS	ESTIMATED AVERAGE SERVICE LIFE	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2020	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)	LIFE SPAN DATE	SURVIVOR CURVE	SURVIVING ORIGINAL COST AS OF MARCH 31, 2020	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE (%)
					(2)	(3)	(4)	(5)=(4)/(3)		(6)	(7)	(8)	(9)=(8)/(7)
BiPole III - Future HVDC Converter Stations - Riel & Keetawinohk:													
SubStations 3200M Synchronous Condensers and Unit Transformers:													
3200M1	Synchronous Condensers	125,600,000	65 Years						65	R4	125,600,000	1,934,240	1.54
3200M2	Unit Transformers	67,000,000	40 Years						40	R4	67,000,000	1,675,000	2.50
		192,600,000		56	R4	**192,600,000**	**3,659,400**	1.90			**192,600,000**	**3,609,240**	**2.00**
SubStations 3200P Converter Equipment													
3200P1	HVDC Converter Valves and Valve Cooling Equipment	154,300,000	25 Years						25	S4	154,300,000	6,172,000	4.00
3200P2	HVDC Converter Transformers	353,300,000	40-50 Years						40	S4	353,300,000	8,832,500	2.50
		507,600,000		35	S4	**507,600,000**	**14,974,200**	2.95			**507,600,000**	**15,004,500**	**3.00**
Other Components		**1,974,900,000**											
CEF14	BiPole III Converter Stations	**2,675,100,000**											
		26% *											
Keeyask - Future Hydraulic Generating Station													
Manitoba Hydro Owned Assets (Interest Capitalized on MH Equity in KHLP Physical Assets)													
Keeyask 1185E Water Control Systems													
1185E1	Water Control Systems	30,700,000	65 Years						65	R4	21,900,000	337,260	1.54
1185E2	Ice, Debris and Public Safety Booms	1,200,000	30 Years						30	R4	1,200,000	39,960	3.33
		31,900,000		65	R4	**23,100,000**	**378,840**	1.64			**23,100,000**	**377,220**	**2.00**
Keeyask 1185G Turbines and Generators													
1185G1	Turbines	17,200,000	75 Years						75	S3	7,400,000	98,420	1.33
1185G2	Generators	17,200,000	50 Years						45	S3	7,400,000	164,280	2.22
		34,400,000		65	S3	**14,800,000**	**244,200**	1.65			**14,800,000**	**262,700**	**2.00**
Keeyask 1185P A/C Electrical Power Systems													
1185P2	Step-up Transformers Manufactured in 1950 or later	2,400,000	40 Years						40	R4	1,000,000	25,000	2.50
1185P3	A/C Electrical Power Systems - Other Equipment	10,600,000	55 Years						55	R4	4,500,000	81,900	1.82
		13,000,000		50	R4	**5,500,000**	**117,150**	2.13			**5,500,000**	**106,900**	**2.00**
Other Components		**286,000,000**											
CEF14	Keeyask GS - Interest on MH Equity	**365,300,000**											
		22% *											
Keeyask Hydropower Limited Partnership Assets (tangible)													
Keeyask (KHLP) 1186E Water Control Systems													
1186E1	KHLP - Water Control Systems	498,800,000	65 Years						65	R4	356,300,000	5,487,020	1.54
1186E2	KHLP - Ice, Debris and Public Safety Booms	20,200,000	30 Years						30	R4	20,200,000	672,660	3.33
		519,000,000		65	R4	**376,500,000**	**6,174,600**	1.64			**376,500,000**	**6,159,680**	**2.00**
Keeyask (KHLP) 1186G Turbines and Generators													
1186G1	Turbines	279,500,000	75 Years						75	S3	119,800,000	1,593,340	1.33
1186G2	Generators	279,500,000	50 Years						45	S3	119,800,000	2,659,560	2.22
		559,000,000		65	S3	**239,600,000**	**3,953,400**	1.65			**239,600,000**	**4,252,900**	**2.00**

MANITOBA HYDRO
TABLE 3. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
NEW PLANT ADDITIONS IN 2020

				FILED ELG					ASL - COMPONENTIZATION				
ACCOUNT	**ACCOUNT DESCRIPTION**	**FORECAST CAPITAL ADDITIONS**	**ESTIMATED AVERAGE SERVICE LIFE**	**LIFE SPAN DATE**	**SURVIVOR CURVE**	**SURVIVING ORIGINAL COST AS OF MARCH 31, 2020**	**CALCULATED ANNUAL ACCRUAL AMOUNT**	**CALCULATED ANNUAL ACCRUAL RATE (%)**	**LIFE SPAN DATE**	**SURVIVOR CURVE**	**SURVIVING ORIGINAL COST AS OF MARCH 31, 2020**	**CALCULATED ANNUAL ACCRUAL AMOUNT**	**CALCULATED ANNUAL ACCRUAL RATE (%)**
					(2)	(3)	(4)	(5)=(4)/(3)		(6)	(7)	(8)	(9)=(8)/(7)
Keeyask (KHLP) 1186P A/C Electrical Power Systems													
1186P2	Step-up Transformers Manufactured in 1950 or later	38,800,000	40 Years						40	R4	16,600,000	415,000	2.50
1186P3	A/C Electrical Power Systems - Other Equipment	172,200,000	55 Years						55	R4	73,800,000	1,343,160	1.82
		211,000,000		50	R4	**90,400,000**	**1,925,520**	2.13			**90,400,000**	**1,758,160**	**2.00**
Other Components		**4,639,600,000**											
CEF14	Keeyask GS - Interest on MH Equity	**5,928,600,000**											
		22% *											
	TOTAL PLANT					**1,450,100,000**	**31,427,310**	**2.17**			**1,450,100,000**	**31,531,300**	**2.17**

* Percentage of Forecast Item for Which Component Breakdown Provided

MANITOBA HYDRO
TABLE 4. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
NEW PLANT ADDITIONS IN 2021

ACCOUNT	ACCOUNT DESCRIPTION	FORECAST CAPITAL ADDITIONS	ESTIMATED AVERAGE SERVICE LIFE	ELG (AGGREGATE LEVEL - COMPARABLE ACCOUNTS): LIFE SPAN DATE	SURVIVOR CURVE (2)	SURVIVING ORIGINAL COST AS OF MARCH 31, 2021 (3)	CALCULATED ANNUAL ACCRUAL AMOUNT (4)	CALCULATED ANNUAL ACCRUAL RATE (%) (5)=(4)/(3)	ASL (COMPONENTIZATION - COMPARABLE SUB-COMPONENTS FOR ACCOUNTS): LIFE SPAN DATE	SURVIVOR CURVE (6)	SURVIVING ORIGINAL COST AS OF MARCH 31, 2021 (7)	CALCULATED ANNUAL ACCRUAL AMOUNT (8)	CALCULATED ANNUAL ACCRUAL RATE (%) (9)=(8)/(7)
BiPole III - Future HVDC Converter Stations - Riel & Keetawinohk:													
SubStations 3200M Synchronous Condensers and Unit Transformers:													
3200M1	Synchronous Condensers	125,600,000	65 Years						65	R4	125,600,000	1,934,240	1.54
3200M2	Unit Transformers	67,000,000	40 Years						40	R4	67,000,000	1,675,000	2.50
		192,600,000		56	R4	**192,600,000**	**3,659,400**	1.90			**192,600,000**	**3,609,240**	**2.00**
SubStations 3200P Converter Equipment													
3200P1	HVDC Converter Valves and Valve Cooling Equipment	154,300,000	25 Years						25	S4	154,300,000	6,172,000	4.00
3200P2	HVDC Converter Transformers	353,300,000	40-50 Years						40	S4	353,300,000	8,832,500	2.50
		507,600,000		35	S4	**507,600,000**	**14,974,200**	2.95			**507,600,000**	**15,004,500**	**3.00**
Other components		**1,974,900,000**											
CEF14	BiPole III Converter Stations	**2,675,100,000**											
		26% *											
Keeyask - Future Hydraulic Generating Station													
Manitoba Hydro Owned Assets (Interest Capitalized on MH Equity in KHLP Physical Assets)													
Keeyask 1185E Water Control Systems													
1185E1	Water Control Systems	30,700,000	65 Years						65	R4	30,700,000	472,780	1.54
1185E2	Ice, Debris and Public Safety Booms	1,200,000	30 Years						30	R4	1,200,000	39,960	3.33
		31,900,000		65	R4	**31,900,000**	**523,160**	1.64			**31,900,000**	**512,740**	**2.00**
Keeyask 1185G Turbines and Generators													
1185G1	Turbines	17,200,000	75 Years						75	S3	17,200,000	228,760	1.33
1185G2	Generators	17,200,000	50 Years						45	S3	17,200,000	381,840	2.22
		34,400,000		65	S3	**34,400,000**	**567,600**	1.65			**34,400,000**	**610,600**	**2.00**
Keeyask 1185P A/C Electrical Power Systems													
1185P2	Step-up Transformers Manufactured in 1950 or later	2,400,000	40 Years						40	R4	2,400,000	60,000	2.50
1185P3	A/C Electrical Power Systems - Other Equipment	10,600,000	55 Years						55	R4	10,600,000	192,920	1.82
		13,000,000		50	R4	**13,000,000**	**276,900**	2.13			**13,000,000**	**252,920**	**2.00**
Other components		**286,000,000**											
CEF14	Keeyask GS - Interest on MH Equity	**365,300,000**											
		22% *											
Keeyask Hydropower Limited Partnership Assets (tangible)													
Keeyask (KHLP) 1186E Water Control Systems													
1186E1	KHLP - Water Control Systems	498,800,000	65 Years						65	R4	498,800,000	7,681,520	1.54
1186E2	KHLP - Ice, Debris and Public Safety Booms	20,200,000	30 Years						30	R4	20,200,000	672,660	3.33
		519,000,000		65	R4	**519,000,000**	**8,511,600**	1.64			**519,000,000**	**8,354,180**	**2.00**

MANITOBA HYDRO
TABLE 4. SUMMARY OF AVERAGE SERVICE LIFE VERSUS EQUAL LIFE GROUP
NEW PLANT ADDITIONS IN 2021

ACCOUNT	ACCOUNT DESCRIPTION	FORECAST CAPITAL ADDITIONS	ESTIMATED AVERAGE SERVICE LIFE	ELG (AGGREGATE LEVEL - COMPARABLE ACCOUNTS) LIFE SPAN DATE	ELG SURVIVOR CURVE	ELG SURVIVING ORIGINAL COST AS OF MARCH 31, 2021	ELG CALCULATED ANNUAL ACCRUAL AMOUNT	ELG CALCULATED ANNUAL ACCRUAL RATE (%)	ASL (COMPONENTIZATION - COMPARABLE SUB-COMPONENTS FOR ACCOUNTS) LIFE SPAN DATE	ASL SURVIVOR CURVE	ASL SURVIVING ORIGINAL COST AS OF MARCH 31, 2021	ASL CALCULATED ANNUAL ACCRUAL AMOUNT	ASL CALCULATED ANNUAL ACCRUAL RATE (%)
					(2)	(3)	(4)	(5)=(4)/(3)		(6)	(7)	(8)	(9)=(8)/(7)
Keeyask (KHLP) 1186G Turbines and Generators													
1186G1	Turbines	279,500,000	75 Years						75	S3	279,500,000	3,717,350	1.33
1186G2	Generators	279,500,000	50 Years						45	S3	279,500,000	6,204,900	2.22
		559,000,000		65	S3	**559,000,000**	**9,223,500**	1.65			**559,000,000**	**9,922,250**	**2.00**
Keeyask (KHLP) 1186P A/C Electrical Power Systems													
1186P2	Step-up Transformers Manufactured in 1950 or later	38,800,000	40 Years						40	R4	38,800,000	970,000	2.50
1186P3	A/C Electrical Power Systems - Other Equipment	172,200,000	55 Years						55	R4	172,200,000	3,134,040	1.82
		211,000,000		50	R4	**211,000,000**	**4,494,300**	2.13			**211,000,000**	**4,104,040**	**2.00**
Other components		**4,639,600,000**											
CEF14	Keeyask GS - Interest on MH Equity	**5,928,600,000**											
		22% *											
	TOTAL PLANT					**2,068,500,000**	**42,230,660**	**2.04**			**2,068,500,000**	**42,370,470**	**2.05**

* Percentage of Forecast Item for Which Component Breakdown Provided

Excellence Delivered **As Promised**

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Manitoba Hydro

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Telephone / N° de téléphone : (204) 360-3257 • Fax / N° de télécopieur : (204) 360-6147 • baczarnecki@hydro.mb.ca

May 6, 2014

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Mr. H. Singh, Board Secretary and Executive Director

Dear Mr. Gosselin:

RE: Directive 8 and 9 of Order 43/13 re: Average Service Life and Equal Life Group Methods of Depreciation

As part of its 2012/13 & 2013/14 General Rate Application ("GRA"), Manitoba Hydro filed its most recent depreciation study, which included International Financial Rreporting Standards ("IFRS") compliant depreciation rates. Manitoba Hydro will transition to IFRS for its fiscal year beginning April 1, 2015, with comparative information required for the previous fiscal year 2014/15. Upon conversion to IFRS, Manitoba Hydro is moving from the Average Service Life ("ASL") method of depreciation to the Equal Life Group ("ELG") method for finanicial reporting purposes.

On April 26, 2013, the Public Utilities Board ("PUB") issued Order 43/13 with respect to Manitoba Hydro's 2012/13 & 2013/14 GRA. Directives 8 and 9 of this Order are related to the use of the ASL and ELG methods of depreciation, as follows:

> *8. That Manitoba Hydro file updated depreciation rates and schedules based on an International Financial Reporting Standards-compliant Average Service Life methodology with the next General Rate Application.*
>
> *9. That Manitoba Hydro file with the Board, with the next General Rate Application, a chart showing a comparison of the impact on its Integrated Financial Forecast (i.e. 'Budget') of asset depreciation pursuant to the Average Service Life methodology (without net salvage) and the Equal Life Group methodology (without net salvage), applying both methodologies to all planned major capital additions.*

Manitoba Hydro is of the view that the ELG methodology will produce an equivalent annual depreciation expense as compared to an IFRS compliant ASL methodology applied to more asset components.

To respond to Directives 8 and 9 of Order 43/13, Manitoba Hydro has developed an approach that will provide a comparison of the two IFRS compliant depreciation methodologies in the timeframe directed given the size of its property, plant and equipment (approximately $19 billion as at March 31, 2014). As part of this approach, Manitoba Hydro will first develop new asset component groups for each significant asset category (eg. generation, transmission, sub-stations) consistent with an IFRS compliant ASL methodology. The expanded list of asset component groups will be applied to a representative sample of physical facilities. Historical asset records will be analyzed for the selected sample in order to allocate vintaged asset costs and historical retirements between the existing and new components. The results of the asset re-componization from the selected sample will then be extrapolated to the entire asset category.

In developing the IFRS compliant ELG methodology, Manitoba Hydro required approximately two years to review the past 70 years of historical work to be in a position to quantify and vintage the existing asset costs that were allocated between new and existing components. An IFRS compliant ASL method will require additional component groups, and as such the effort required will be significant. By extrapolating the results of a representative sample over each asset category, Manitoba Hydro will be in a position to respond to the directive by Manitoba Hydro's next GRA.

Rather than replicating a full depreciation study, this approach will identify additional asset components for each asset category, which will then be used to produce a set of IFRS compliant ASL depreciation rates that will be used to provide a comparison to the ELG depreciation expense, as sought in Directives 8 and 9 of Order 43/13.

For example, additional components will be identified for hydro electric generating stations. A representative sample of generating station assets will then be selected, analyzed and re-componentized. A representative sample of generating stations would include an older plant, mid-life plant, and a newer plant, such as Wuskwatim. The total cost for each new and existing component will be determined for each representative sample through a review of historic asset records in order to allocate vintaged asset costs and historical retirements between the existing and new components. The total cost by asset component group will be determined by extrapolating the results of the analysis performed on the selected sample for each of the additional generating stations, resulting in the total original cost as of March 31, 2013 being re-allocated to a new set of asset component groups for all generating stations. New depreciation rates will be determined for the new components, and an annual expense impact will be estimated for all generating stations. The annual total depreciation expense for generating stations under the IFRS compliant ASL methodology will then be compared to the annual total depreciation expense under the ELG methodology. This procedure will be performed for each significant asset category and will provide the PUB with a realistic comparison of the differences in depreciation expense between the two IFRS compliant methodologies.

Manitoba Hydro has engaged Gannett Fleming to perform this work. The cost to engage Gannett Fleming for this purpose is expected to be $225,000 including disbursements.

Should you have any questions, please contact the writer at (204) 360-3257 or Greg Barnlund at (204) 360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION
Per:

Brent Czarnecki
Barrister & Solicitor

The Public Utilities Board
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July 8, 2014

Mr. Brent Czarnecki
Law Department
Manitoba Hydro
22nd floor
360 Portage Avenue
Winnipeg MB R3C 0G8

Dear Mr. Czarnecki:

RE: Directive 8 & 9 of Order 43/13
Average Service Life (ASL) and Equal Life Group (ELG) Methods of Depreciation

In Order 43/13, dated April 26, 2013, the Board did not approve Manitoba Hydro's (MH's) proposed change to the ELG method of depreciation for rate setting purposes. In that Order the Board expressed concern that not enough information had been provided to assess the financial consequences on ratepayers, of a change to the ELG method. To address that deficiency, the Board issued Directives 8 & 9 of Order 43/13:

8. *That Manitoba Hydro file updated depreciation rates and schedules based on an International Financial Reporting Standards-compliant Average Service Life methodology with the next General Rate Application.*

9. *That Manitoba Hydro file with the Board, with the next General Rate Application, a chart showing a comparison of the impact on its Integrated Financial Forecast (i.e. 'Budget') of asset depreciation pursuant to the Average Service Life methodology(without net salvage) and the Equal Life Group methodology (without net salvage), applying both methodologies to all planned major capital additions.*

From Manitoba Hydro's May 6, 2014 letter, (a copy of which is attached) the Board understands that Manitoba Hydro has proposed meeting the above directives by developing new asset component groups for each significant asset category consistent with an IFRS compliant ASL Methodology. This expanded list of asset component groups will then be applied to a representative sample of physical facilities.

...2

The results of the asset re-componentization from the selected sample will then be extrapolated to the entire asset category. Rather than replicating a full depreciation study, this approach will identify additional asset components for each asset category. Manitoba Hydro will produce a set of IFRS compliant ASL depreciation rates that will be used to provide a comparison to the ELG depreciation expense.

The Board has not approved Manitoba Hydro's change to the use of the ELG methodology for rate-setting purposes. The depreciation methodology is expected to be addressed in Manitoba Hydro's next General Rate Application (GRA), to be filed later this year or early in 2015. To that end, the Board expects that to meet Directives 8 and 9 of Order 43 /13, Manitoba Hydro will file its GRA with fully IFRS compliant ASL based depreciation rates and schedules (that can be compared to fully IFRS compliant ESL based depreciation rates and schedules). The Board will expect Manitoba Hydro to file sufficient evidence to support the implementation of IFRS compliant ASL based depreciation rates (if so Ordered by the Board) for rate-setting purposes.

The Board will also expect Manitoba Hydro to provide a concise comparative analysis of the impact of Major new Generation and Transmission investments (including Wuskwatim G.S.; Bipole III; Keeyask G.S. and 750 Interconnection and GNTL) on future depreciation expense utilizing both the ELG methodology (without net salvage) and the ASL methodology (without net salvage) based on fully IFRS compliant ASL methodology rates.

The specifics of the engagement of external consultants by Manitoba Hydro, if required, are to be determined by Manitoba Hydro so as to be in a position to provide the Board with the required evidence as indicated above.

Sincerely,

"Original Signed By"

Kurt Simonsen, P. Eng.
Associate Secretary

KS/nac

c.c. Mr. Bob Peters, Board Counsel
Mr. Roger Cathcart, Board Advisor
Mr. Greg Barnlund, Manitoba Hydro
Interveners of Record, 2013/14 GRA and NFAT Review

Manitoba Hydro

PO Box 815 • Winnipeg Manitoba Canada • R3C 2P4
Street Location for DELIVERY: 22nd floor – 360 Portage Avenue
Telephone / N° de téléphone : (204) 360-3257 • Fax / N° de télécopieur : (204) 360-6147 • baczarnecki@hydro.mb.ca

October 22, 2014

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Mr. H. Singh, Board Secretary and Executive Director

Dear Mr. Singh:

RE: Directives 8 and 9 of Order 43/13 re: Average Service Life and Equal Life Group Methods of Depreciation

On May 6, 2014, Manitoba Hydro filed a letter with the Public Utilities Board of Manitoba ("PUB") providing an update in response to Directives 8 and 9 of Order 43/13. These directives required Manitoba Hydro to file updated depreciation rates based on an International Financial Reporting Standards ("IFRS") compliant Average Service Life ("ASL") methodology, and to file a comparison of the impact on the Corporation's Integrated Financial Forecast of using the ASL methodology versus the Equal Life Group ("ELG") method of depreciation. In its letter, Manitoba Hydro indicated that it has developed a representative sampling approach that would provide a comparison of the two IFRS compliant depreciation methodologies in time for Manitoba Hydro's next General Rate Application ("GRA").

By letter of July 8, 2014, the PUB indicated that to meet Directives 8 and 9 of Order 43/13, it expects Manitoba Hydro to file its next GRA with fully IFRS compliant ASL depreciation rates and schedules that can be compared to fully IFRS compliant ELG depreciation rates and schedules.

As the PUB is aware, upon conversion to IFRS, Manitoba Hydro is moving from the ASL method of depreciation to the ELG method for financial reporting purposes. Manitoba Hydro understands that the PUB has not yet accepted the use of the ELG methodology for rate-setting purposes, and that the PUB is seeking additional information in order to assess the impact of the change in methodology on ratepayers.

As noted in its May 6, 2014 letter, in developing IFRS compliant ELG rates, Manitoba Hydro required approximately two years to review the past 70 years of historical asset records to be in a position to quantify and vintage the existing asset costs that were allocated between new and existing asset components. An IFRS compliant ASL method would require the development of additional asset component groups, which would entail a similar effort in time (i.e. two years) and resources to complete. As such, Manitoba Hydro will not be in a position to complete a full depreciation study based on an IFRS compliant ASL methodology in time for the next GRA.

In order to provide the PUB with information to assess the financial impact of the change in depreciation methodology in time for the next GRA, Manitoba Hydro has proposed a representative sampling approach. This approach would identify additional asset components for each significant asset category as would be required for an IFRS compliant ASL methodology; recognizing that the existing Canadian Generally Accepted Accounting Principles ("CGAAP") asset component groupings are not sufficient for an IFRS compliant ASL methodology. For the sample selected, Manitoba Hydro will develop IFRS compliant ASL depreciation rates. The resultant impacts from using these depreciation rates would then be extrapolated to produce a comparison of the annual depreciation expense between the IFRS compliant ASL and ELG methodologies. Manitoba Hydro believes that this analysis would support the move to the ELG methodology for rate setting purposes.

In the event that the PUB determines that the ELG method should not be used for rate-setting purposes, Manitoba Hydro could continue to use the existing CGAAP ASL depreciation rates for setting customer rates. However, in consideration of Manitoba Hydro's existing asset component structure, Manitoba Hydro is adopting the ELG method for IFRS compliant financial reporting purposes (as opposed to rate setting purposes). In this circumstance, Manitoba Hydro would be required, for financial reporting purposes, to establish a rate-regulated account to capture the difference between depreciation expense recorded for rate-setting purposes (existing CGAAP ASL methodology) and depreciation expense that will be recorded for financial reporting purposes (ELG methodology). The approach to capture the differences in a rate-regulated account is an interim measure for rate-setting purposes and would subsequently have to be re-examined at a future GRA.

In an effort to further the mutual understanding between Manitoba Hydro and the PUB on these technical financial issues, Manitoba Hydro is prepared to meet with the PUB's technical financial/accounting advisor. Should you have any questions, please contact the writer at (204) 360-3257 or Greg Barnlund at (204) 360-5243.

Yours truly,

MANITOBA HYDRO LAW DIVISION
Per:

Brent Czarnecki
Barrister & Solicitor

cc. Mr. R. Cathcart, Cathcart Advisors Inc.

<u>WPLP Agreement Changes (Directive 11, Order 43/13)</u>

11. That Manitoba Hydro file with the Board any negotiated agreements or changes with respect to the Wuskwatim Power Limited Partnership when finalized, and detail the impacts on Manitoba Hydro's operating results and rates.

Status: Complete

Manitoba Hydro and Nisichawayasihk Cree Nation ("NCN") have recently concluded negotiations and signed the Wuskwatim Project Development Agreement (PDA) Second Supplementary Agreement (Supplement #2) on April 16, 2015 and is effective April 1, 2014. The original PDA was executed in 2006 and the first PDA supplementary agreement was signed in 2011. Two supplemental agreements were required due to significant and evolving changes to Wuskwatim Power Limited Partnership's financial forecast, primarily due to lower than expected export prices and higher capital costs. The changes in forecasts since 2006 resulted in a deferral and reduction in distributions to Partners, and consequently, higher TPC and NCN loan balances. The two supplements were negotiated to ensure that NCN will benefit from the Wuskwatim project which is consistent with the intent and spirit of the original arrangement. Although lower than anticipated when the PDA was ratified in 2006, the income benefits will provide a long-term source of revenue for NCN.

As noted in IFF14 at page 13, the projected net impact to Manitoba Hydro of the terms of Supplement #2 averages approximately $15 million per year over the 20-year forecast period compared to the 2006 PDA terms. The $15 million is about 1% of the 2015/16 and 2016/17 total projected domestic electricity revenues of $1.512 and $1.578 billion, respectively. Over time, the $15 million net income impact will be about 0.4% of projected domestic revenues of $3.344 billion by the end of IFF14 in 2033/34.

The impacts on MH14 net income are explained as follows:

- Reductions in accrued interest income on NCN loans receivable which increases finance expense;
- Accretion of the obligation related to the annual payments from Manitoba Hydro which increases finance expense;
- Amortization of the obligation related to the annual payments from Manitoba Hydro which increases depreciation & amortization expense;
- Reductions in non-controlling interest due to the potential dilution in NCN ownership interest as a result of the elimination of operating cash call advances available; and
- Amendments to the WPLP pricing formula to a weighted average of domestic and export unit sales which increases WPLP revenues and reduces the net losses (or increases net income).

A reduction in WPLP net losses reduces the non-controlling interest that is attributed to TPC and as a result reduces Manitoba Hydro's net income.

The detailed impacts to MH14 net income are shown in the following table:

($Millions)

	Finance Expense	Depreciation & Amortization	Capital & Other Taxes	Non-Controlling Interest	Total Impact to MH14 Net
2015	(3)	(1)	(0)	(13)	(16)
2016	(5)	(1)	(0)	(10)	(16)
2017	(3)	(1)	(0)	(10)	(13)
2018	(4)	(1)	(0)	(9)	(15)
2019	(5)	(1)	(0)	(8)	(14)
2020	(6)	(1)	(0)	(8)	(15)
2021	(8)	(1)	(0)	(9)	(18)
2022	(9)	(1)	(0)	(8)	(18)
2023	(9)	(1)	(0)	(9)	(18)
2024	(11)	(1)	(1)	(6)	(18)
2025	(12)	(1)	(1)	0	(13)
2026	(13)	(1)	(1)	(0)	(15)
2027	(13)	(1)	(1)	0	(14)
2028	(14)	(1)	(1)	1	(14)
2029	(17)	(1)	(1)	1	(18)
2030	(15)	(1)	(1)	2	(15)
2031	(15)	(1)	(1)	2	(14)
2032	(16)	(1)	(1)	3	(14)
2033	(16)	(1)	(1)	3	(14)
2034	(17)	(1)	(1)	4	(14)
Average					(15)

The table in Attachment A provides a summary comparison of terms between Supplement #2, the 2006 PDA and the 2011 Supplement. The response to PUB/MH-I-36b has also been revised to explain the changes to the agreements.

Under Supplement #2, cash flows to NCN over the next 25 years are projected to be approximately $160 million, including $10 million for 2014, $8 million for 2015, and approximately $6 million per year thereafter until all of NCN loans payable to Manitoba Hydro have been repaid in approximately 30 to 35 years. This cash flow includes repayable dividend advances from Manitoba Hydro, water rental relief payments from the Province, coupon payments on the $40 million principal of NCN's Nisi Trust bond, and annual payments of $2.5 million from Manitoba Hydro.

Based on the WPLP financial projections at the time of the 2006 PDA ratification, NCN's average projected annual cash flows were slightly greater than $7 million per year over the same 25 year period. Under MH14 assumptions and the same 2006 PDA terms results in average projected cash flows to NCN which are slightly greater than $2 million per year over the same 25 year period.

NCN has undertaken extensive community consultations regarding the negotiations over the past two years and will be making their final presentations to community members in the coming weeks. A community ratification is not required to conclude Supplement #2.

The Second Supplementary Agreement and tracked-change versions of the Amended and Restated TPC Financing, NCN Financing, Limited Partnership and Power Purchase Agreements can be found in Appendix 11.50 to Tab 11.

Agreement	Provision	2006 PDA	2011 Supplement	2015 Supplement #2
Supplement #2	Refinance $40 million Nisi Trust bond	n.a.	n.a.	At market coupon rates for terms 10 to 30 years
Supplement #2	Adjustment to NCN's projected return	n.a.	Approximately $1 million for 10 years	$2.5 million for 20 years
TPC Financing Agreement	Final investment closing	June 29, 2012 (Final Close)	July 3, 2013	March 31, 2015
TPC Financing Agreement	Maximum Equity Loans	< 4 times TPC invested cash and < 22% of partner total equity	< 6 times TPC invested cash and < 24% of partner total equity	TPC invested cash of $22 million and equity loans up to 33% of total equity ($88million)
TPC Financing Agreement	Operating cash calls	To maintain 85:15 for 1st ten years, 75:25 thereafter	No change from 2006 PDA	Debt/equity operating cash calls at discretion of WPLP Board
TPC Financing Agreement	Operating cash call loans to TPC	Yes	No change from 2006 PDA	No, if TPC unable contribute, then ownership interest diluted
TPC Financing Agreement	Equity loan interest rate premiums	1% during construction & 1st ten years; 3% thereafter	No change from 2006 PDA	0%
NCN Financing Agreement	Dividend advance loan interest rate premiums	3% from 1st advance to Maturity Date	No change from 2006 PDA	0%
NCN Financing Agreement	Increase advance available in 2014 & 2015	n.a.	No change from 2006 PDA	Total cash flow to NCN up to $10 million in 2014 and up to $8 million in 2015 after all other cash payments to NCN
Power Purchase Agreement	Revenue Pricing Formula	Average export transactions	No change from 2006 PDA	Adjusts the pricing formula for the 1st ten years to be the weighted average of domestic

Agreement	Provision	2006 PDA	2011 Supplement	2015 Supplement #2
				and export transactions and then reverts back to average of export transactions
Power Purchase Agreement	Marketing Risk Fee	3%	No change from 2006 PDA	0% until TPC equity loans repaid, then 36% thereafter
Power Purchase Agreement	Excess Spill Revenue Adjustment	n.a.	n.a.	Calculated WPLP revenue loss based on reduced generation at Wuskwatim due to spill at Missi to benefit system as a whole in excess of projected spill at 2006 ratification
2011 Supplementary Agreement	Preferred Distribution Option	n.a.	Preferred minimum distribution (30 year bond rate less 1.5%) Or Preferred participating distribution: 3.1% of adjusted gross revenues (AGR) <$175 million; 4.7% of AGR $175-$475 million; and 6.3% of AGR >$475 million	n.a. (option stale-dated as NCN did not deliver preferential distribution notice at final close)
2011 Supplementary Agreement	Operational Jobs	n.a.	Implementation under negotiation	Implementation under negotiation

n.a. = not applicable

THIS SECOND SUPPLEMENTARY AGREEMENT dated as of March 31, 2015.

BETWEEN:

NISICHAWAYASIHK CREE NATION
(hereinafter referred to as "**NCN**")

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD
(hereinafter referred to as " **Hydro**")

- and -

TASKINIGAHP POWER CORPORATION
(hereinafter referred to as "**TPC**")

- and -

5022649 MANITOBA LTD.
(hereinafter referred to as the "**General Partner**")

- and -

WUSKWATIM POWER LIMITED PARTNERSHIP
(hereinafter referred to as the "**Limited Partnership**")

(together the "**Parties**")

PREAMBLE

WHEREAS:

A. **NCN** and **Hydro**, among others, entered into a Trust Indenture effective March 18, 1996 as part of the arrangements between NCN, Hydro and others to resolve outstanding issues involving the Northern Flood Agreement ("the 1996 Agreement") pursuant to which **Hydro**, among other things, issued a bond in the principal amount of forty million ($40,000,000) dollars to be held by **Nisichawayasihk Trust** in accordance with the **Trust Indenture** ("the Original Bond");

B. The Original Bond was sold and reinvested and **NCN** and **Hydro** subsequently entered into an agreement dated November 28, 2013 (the "**One-Year Agreement**") to provide for interim arrangements while the **Parties** concluded the negotiation of this agreement, including, among other things, an extension of the maturity date of the reinvested bond to December 31, 2014;

C. As of December 31, 2014, the forty million dollar ($40,000,000) principal of the reinvested bond has been invested in four bonds of ten million dollars ($10,000,000) each issued by **Hydro**, with maturities of ten, fifteen, twenty and twenty-five years, respectively (together the "**Hydro Bonds**" and each separately a "**Hydro Bond**");

D. The **Parties** entered into the Wuskwatim Project Development Agreement on June 26, 2006 (the "**PDA**") which was supplemented and amended by the Wuskwatim Project Development Supplementary Agreement made among the **Parties** to this agreement and dated March 15, 2011 ("the **PDA Supplement No. 1**"), together being referred to in this agreement as the "**Amended PDA**";

E. The **Parties** have identified the need for further amendments to the **Amended PDA** and certain related agreements that are schedules to the **Amended PDA** to maintain harmonious relationships between them, their continued joint participation in the Project, and short and long-term benefits for **NCN** from the Project;

F. The **PDA** authorizes Chief and Council by written agreement between the **Parties** to make revisions or amendments to the **PDA** which Chief and Council in its discretion considers advisable or appropriate as long as there is no material and substantial change to the development or operation of the Wuskwatim Project; and

G. To maintain ownership of thirty-three percent (33%) of the Units in the **Limited Partnership**, **TPC** invested twenty-one million one hundred seventy-eight thousand dollars ($21.178 Million) of TPC's Own Invested Cash in the **Limited Partnership** by January 1, 2015, which investment includes a credit from the **Limited Partnership** in favour of **TPC** in the amount of $750,000 (the "**Asset Credit**") and which credit has been accepted by **NCN** in lieu of the transfer by the **Limited Partnership** to **NCN** of a mobitel and trailer pursuant to Section 7.0 of the **One-Year Agreement**.

NOW THEREFORE the **Parties** agree as follows:

ARTICLE 1- GENERAL

1.1 <u>Amended PDA Definitions and Interpretation</u>

Unless otherwise defined in this **PDA Supplement No. 2**, words in bold shall have the same definitions as set out in the **Amended PDA** and the interpretation principles in Article 1 of the **Amended PDA** shall apply to the interpretation of this **PDA Supplement No. 2**.

1.2 <u>PDA Supplement No. 2 Definitions</u>

"**Business Day**" means any day on which **Hydro's** head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba.

"**Nisichawayasihk Trust**" means the trust established pursuant to the Nisichawayasihk Trust Indenture and includes any amalgamated or replacement trust;

"**Nisichawayasihk Trust Indenture**" means the trust indenture dated March 18, 1996 between **NCN**, **Hydro** and others;

"**One-Year Agreement**" means the agreement dated November 28, 2013 made between **NCN** and **Hydro**;

"**PDA Supplement No. 1**" means the Wuskwatim Project Development Supplementary Agreement made between **NCN**, **Manitoba Hydro**, **TPC** the **General Partner** , and **WPLP** dated March 15, 2011;

"**PDA Supplement No. 2**" means this agreement which amends the **PDA** and the **PDA Supplement No. 1**.

ARTICLE 2 - HYDRO BOND

2.1 Hydro Bonds

As long as the Wuskwatim Project continues to generate hydro electricity **Nisichawayasihk Trust** shall, subject to Section 2.2, be entitled to maintain its investment of up to an aggregate capital amount of up to $40 million in the **Hydro Bonds**, and reinvest the principal amount of each **Hydro Bond** upon maturity of that **Hydro Bond** in one or more replacement bonds issued by **Hydro** (together the "**Replacement Hydro Bonds**" and individually a "**Replacement Hydro Bond**"). (For purposes of reinvestment on maturity, a **Replacement Hydro Bond** will be considered to be a **Hydro Bond** under this Section 2.1.)

2.2 Cabinet Approval

The **Parties** acknowledge that the issuance of a **Replacement Hydro Bond** by **Hydro** is subject to approval by the Lieutenant Governor in Council pursuant to *The Manitoba Hydro Act*, as may be amended from time to time. On receipt of notice under Section 2.4, **Hydro** shall act diligently and in a timely manner in seeking all necessary approvals to permit the requested issuance.

2.3 **Terms of Replacement Bond**

The terms and conditions of each **Replacement Bond** will incorporate the following:

(a) interest will be payable semi-annually on June 30 and December 31 of each year prior to and including maturity, at an interest rate determined in accordance with Section 2.6 and expressed as a percentage per annum;

(b) interest will not accrue after maturity;

(c) **Hydro** will maintain a register of the name and address of the registered holder of the **Replacement Bond** at its head office in the City of Winnipeg, Manitoba, Canada

(d) the **Replacement Bond** is non-transferable, non-assignable, and non-negotiable;

(e) the **Replacement Bond** is non-redeemable unless mutually agreed to be otherwise;

(f) the **Replacement Bond** is repayable for its full principal upon maturity; and

(g) the **Replacement Bond** will rank equally with all other debt obligations of **Manitoba Hydro**.

2.4 **Notice of Reinvestment**

After consulting with the **Nisichawayasihk Trust** trustees, NCN shall provide **Hydro** with written notice of its intention to reinvest the principal of a maturing Hydro Bond or Replacement Hydro Bonds as the case may be, the amount of the reinvestment and the desired maturity date of the Replacement Hydro Bond not less than one hundred twenty (120) days' prior to the maturity date of the **Hydro Bond** or of a **Replacement Hydro Bond.**

2.5 Tranches

Any investment by **Nisichawayasihk Trust** in **Replacement Hydro Bonds** pursuant to this Article 2 may be made in tranches, having different maturity dates, provided that the amount of each tranche shall be a whole multiple of ten million dollars ($10,000,000.00), and that the term of any **Replacement Hydro Bond** shall be for a term of not more than thirty (30) years with its maturity date being a **Hydro Business Day**.

2.6 Interest

The interest rate payable to **Nisichawayasihk Trust** on a **Replacement Hydro Bond** will be determined by the middle quote of three bid price quotes, for a marketable bond of **Hydro** guaranteed by the Province of Manitoba, having the same interest rate and maturity date as the **Replacement Hydro Bond** and including any provincial guarantee fee payable to the Province of Manitoba at that time. The bid price quotes will be supplied in writing by three investment dealers used by the Province of Manitoba to underwrite its securities. The interest rate for each new **Replacement Hydro Bond** will be set by **Hydro** five (5) business days prior to the maturity of an existing **Hydro Bond** or **Replacement Hydro Bond**, as the case may be.

2.7 Non-Revolving

Any proceeds of a **Hydro Bond** on its maturity that is not reinvested by **Nisichawayasihk Trust** in a **Replacement Hydro Bond** shall not be eligible for investment in a **Replacement Hydro Bond** at any later date and the aggregate amount that may be invested in **Hydro Bonds** under Section 2.1 shall be reduced by that amount.

ARTICLE 3 - AMENDMENTS TO SUPPLEMENT AGREEMENT NO. 1

3.1 Amendments to Supplement No. 1:

Articles I, II, and IV and Schedules 4-1 and 4-2 of PDA Supplement No. 1 are of no further force and effect as of March 31, 2015.

ARTICLE 4- AMENDED AND RESTATED POWER PURCHASE AGREEMENT

4.1 **Amendments to Power Purchase Agreement:**

The Power Purchase Agreement is replaced by the Amended and Restated Power Purchase Agreement attached hereto as Schedule 4.1, effective April 1, 2014.

ARTICLE 5 - AMENDMENTS TO WUSKWATIM PDA

5.1 **Amendments to Amended PDA**

The **PDA** is amended by:

(a) revising the definitions in Section 1.2, as follows:

(i) by adding:

"**Excess Spill Energy Review**" means a review of the methodology and assumptions for determining the CRD Wuskwatim Spill Energy and Spill Energy Revenue Adjustment calculations under the Power Purchase Agreement conducted in accordance with Article XVII of this PDA.

(ii) deleting and replacing the definition of Final Closing Date with:

"**Final Closing Date**" means June 29, 2012.

(iii) by adding:

"**Final Investment Date**" means January 1, 2015.

(iv) by adding:

"**Third Limited Partnership Agreement**" means the amended and restated Second Limited Partnership Agreement;

(v) by adding:

"**Second NCN Financing Agreement**" means the amended and restated NCN financing agreement effective April 1, 2014.

(vi) by adding:

"**Second Power Purchase Agreement**" means the amended and restated power purchase agreement effective April 1, 2014.

(vii) by adding:

"**Second TPC Financing Agreement**" means the amended and restated TPC financing agreement effective April 1, 2014.

(viii) by adding the word "First" in front of the words "NCN Financing Agreement", "Power Purchase Agreement" and "TPC Financing Agreement" and the word "Second" in front of the words "Limited Partnership Agreement";

(ix) by deleting the definition of "NCN Loan Agreements" and replacing it with:

"**NCN Loan Agreements**" means the First TPC Financing Agreement and the First NCN Financing Agreement both dated June 28, 2006 which remained in effect up to and including March 31, 2015 and thereafter the Second TPC Financing Agreement and the Second NCN Financing Agreement;

(b) by adding in the ninth line of Section 3.2 after the word "one" the words "third of the number of directors from time to time";

(c) by deleting in Section 4.2 the words "Subject to the Debt Ratio and except as otherwise contemplated by this PDA or by the Limited Partnership Agreement, twenty-five percent (25%) of the Capital Requirements will be funded by equity and seventy-five percent (75%) will be funded by debt";

(d) by deleting in Section 4.8 the words "Subject to section 4.9"; by deleting Section 4.9, Debt Ratio;

(e) by changing in Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.9 "TPC Financing Agreement" to "First TPC Financing Agreement";

(f) by deleting Section 5.8, Cash Call Credit Facility and deleting the phrase "and the Cash Call Credit Facility" in the second line of Section 5.15

(g) by changing in Sections 5.10, 5.11 and 5.12 "TPC Financing Agreement" to "Second TPC Financing Agreement";

(h) by changing in Sections 5.13 "NCN Financing Agreement" to "Second NCN Financing Agreement";

(i) by adding "Excess Spill Energy Reviews" after "Transaction Rate Reviews" in Section 17.1;

(j) by adding "any amendments thereto" after "Power Purchase Agreement" in the third line of Section 17.2;

(k) by adding the following as Section 17.18:

Excess Spill Energy Review

17.18 Unless waived by **NCN** and Hydro, once in every five year period during the Term of the Power Purchase Agreement, commencing with the five year period ending on the year-end for the Hydro Financial Year occurring five years after the Final Investment Closing, provided there has not been an Excess Spill Energy Review within the immediately two preceding years, either Hydro or **NCN**, upon written notice given to the other party, may cause an Expert to be appointed pursuant to section 17.15, to review the Spill Energy Revenue Adjustment under the Power Purchase Agreement and provide non-binding recommendations as to what changes, if any, any required to the CRD Wuskwatim Spill Energy and the Spill Energy Revenue Adjustment (as defined in the Power Purchase Agreement) and any related matters as set out in Article 9 of the Power Purchase Agreement.

(l) by adding the following as Section 17.19:

Process for Spill Energy Rate Review

17.19 Sections 17.7, 17.8, 17.9, 17.13, 17,.14, 17.15, 17. 16 and 17.17 shall apply with any necessary modifications to any Spill Energy Rate Review;

ARTICLE 6- AMENDED AND RESTATED NCN FINANCING AGREEMENT

6.1 **Amendments to the NCN Financing Agreement:**

The **NCN Financing Agreement** is replaced by the Amended and Restated NCN Financing Agreement attached hereto as Schedule 6.1 effective April 1, 2014.

ARTICLE 7- AMENDED AND RESTATED TPC FINANCING AGREEMENT

7.1 **Amendments to TPC Financing Agreement:**

The **TPC Financing Agreement** is replaced by the Amended and Restated TPC Financing Agreement attached hereto as Schedule 7.1 effective March 31, 2015.

ARTICLE 8- AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

8.1 **Amendments to the Second Amended and Restated Limited Partnership Agreement:**

The **Second Limited Partnership Agreement** is replaced by the Third Amended and Restated Limited Partnership Agreement attached hereto as Schedule 8.1 effective March 31, 2015.

ARTICLE 9 - AMENDMENTS TO PROJECT FINANCING AGREEMENT

9.1 **Amendments to Project Financing Agreement:**

The **Project Financing Agreement** is amended by deleting Section 8.3 "Financial Covenants" and replacing it with the following:

> 8.3 **Financial Covenants.**
>
> So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Credit Facility Commitment under this Agreement, unless Hydro shall otherwise consent, the Limited Partnership agrees that no Distributions shall be made which shall cause the Debt Ratio to exceed 75%.

ARTICLE 10 - CREDIT FOR ASSETS

10.1 In lieu of the transfer by the **Limited Partnership** to **NCN** of a mobitel and trailer pursuant to Section 7.0 of the **One-Year Agreement**, **NCN** acknowledges receipt of the **Asset Credit** made by the **Limited Partnership** to **TPC's** capital account, which amount the **Parties** agree forms part of **TPC's Invested Cash** totalling twenty-one million one hundred seventy-eight thousand dollars ($21,178,000.00) as of December 31, 2014.

ARTICLE 11 - HYDRO ANNUITY

11.1 **Hydro Annuity.**

(a) Provided that **TPC** has not exercised a **TPC Sale Right**, upon execution of this **PDA Supplement No. 2**, in accordance with the **Deed of Assignment Hydro** shall pay **Taskinigahp Trust** the sum of three million one hundred twelve thousand one hundred thirteen dollars ($3,112,113.00).

(b) For so long as **TPC** maintains a minimum investment as **a Limited Partner** in the **Limited Partnership** of not less than twenty-one million one hundred seventy-eight thousand dollars ($21,178,000.00) in **TPC's Own Invest Cash, Hydro** shall pay to **NCN** the sum of two million five hundred thousand dollars ($2,500,00.00) per annum on the first day of January in each year commencing January 1 2016, and continuing to and including January 1, 2033.

ARTICLE 12 - GENERAL AND TRANSITIONAL PROVISIONS

12.1 **General**

(a) Applicable Law

This **PDA Supplement No. 2** will be interpreted, implemented and enforced in accordance with the laws in force in the Province of Manitoba.

(b) Notices

Any notice or other communication pursuant to this **PDA Supplement No. 2** will be in writing, and given in accordance with Section 26.2 of the **Amended PDA**.

(c) Enurement

This **PDA Supplement No. 2** will endure to and be binding upon the successors and any permitted assigns of the **Parties**.

(d) Arbitration

In the event of a dispute arising under or in relation to this **PDA Supplement No. 2**, the dispute resolution process under Article XXI of the **Amended PDA** will apply.

12.2 **Amendment Process**

The **Parties** agree that the amendments in this **PDA Supplement No. 2** do not materially or substantially change the arrangements between them with respect to the operation of the Wuskwatim Project which was developed pursuant to the terms of the **Amended PDA** and has been commercially in operation since June 22, 2012.

[Execution pages follow]

IN WITNESS WHEREOF the parties hereto have executed this Second Supplementary Agreement as of the date first above written.

NISICHAWAYASIHK CREE NATION

Per: ______________________

Per: ______________________

Per: ______________________

Per: ______________________

Per: ______________________

Per: ______________________

Per: ______________________

THE MANITOBA HYDRO-ELECTRIC BOARD

Per: ______________________

Per: ______________________

TASKINIGAHP POWER CORPORATION

Per: ______________________________

Per: ______________________________

5022649 MANITOBA LTD.

Per: ______________________________

Per: ______________________________

WUSKWATIM POWER LIMITED PARTNERSHIP

Per: ______________________________

Per: ______________________________

SCHEDULE 4.1
AMENDED AND RESTATED POWER PURCHASE AGREEMENT

AMENDED AND RESTATED POWER PURCHASE AGREEMENT

between

WUSKWATIM POWER LIMITED PARTNERSHIP

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD

DATED as of APRIL 1, 2014

TABLE OF CONTENTS

AMENDED AND RESTATED POWER PURCHASE AGREEMENT

DATED as of the first day of April, 2014

B E T W E E N:

WUSKWATIM POWER LIMITED PARTNERSHIP,

(hereinafter referred to as the "Limited Partnership")

- and –

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter referred to as "Hydro")

WHEREAS pursuant to the Construction Agreement dated June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, as project manager, Hydro either directly or indirectly through subcontractors planned, designed, engineered, constructed and commissioned the Wuskwatim Project;

AND WHEREAS the Wuskwatim Project is being operated in conjunction with the Integrated Power System;

AND WHEREAS pursuant to the Interconnection and Operating Agreement entered into between Hydro (Transmission and Distribution Business Unit) and Hydro (Power Supply Business Unit) dated May 4, 2005 and subsequently assigned by Hydro (Power Supply Business Unit) to the Limited Partnership, the Wuskwatim Project will be interconnected to the Integrated Power System;

AND WHEREAS pursuant to the Operations and Maintenance Agreement dated June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, as contractor, Hydro is managing and will continue to manage the operations and maintenance of the Wuskwatim Project;

AND WHEREAS pursuant to the System Operations and Dispatch Agreement dated June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, the Limited Partnership granted to Hydro the right and authority to control and operate the Wuskwatim Project, including matters related to the dispatch of the Wuskwatim Generating Station;

AND WHEREAS pursuant to the Power Purchase Agreement dated June 28, 2006 the Limited Partnership agreed to sell exclusively to Hydro and Hydro agreed to purchase all of the Net Actual Generation and capacity of the Wuskwatim Generating Station;

AND WHEREAS the parties have agreed to amend and restate the Power Purchase Agreement;.

NOW THEREFORE the Parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Defined Terms.

In this Agreement and the preamble hereto, defined terms shall have the following meanings:

"**Additional Costs**" shall have the meaning specified in Section 3.1(h);

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under direct or indirect common Control with, such Person;

"**Adjustments**" shall have the meaning specified in Section 2.4;

"**Agreement**" means this amended and restated Power Purchase Agreement and the schedules attached hereto and instruments in amendment or confirmation of it; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement;

"**Applicable Domestic Transactions**" means those Domestic Transactions or portions thereof for energy sold during the Applicable Domestic Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice;

"**Applicable Domestic Transaction Time Period**" means the twelve (12) month time period comprised of the month for which the applicable Domestic Transaction Rate is being determined plus the prior eleven (11) months;

"**Applicable Export Factor Time Period**" means the twelve (12) month time period comprised of the month for which the Export Factor is being determined plus the prior eleven (11) months plus the prior eleven (11) months;

"**Applicable Long-Term Transactions**" means the Long-Term Transactions or portion thereof for energy sold during the Applicable Long-Term Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice;

"**Applicable Long-Term Transaction Time Period**" means the twelve (12) month time period comprised of the month for which the applicable Long-Term Transaction Rate is being determined plus the prior eleven (11) months;;

"**Applicable On-Peak Opportunity Transactions**" shall have the meaning specified in Section 5.2;

"**Applicable Opportunity Transaction Time Period**" means the twelve (12) month time period comprised of the month for which the applicable Opportunity Transaction Rate is being determined plus the prior eleven (11);

"**Applicable Opportunity Transactions**" means those Opportunity Transactions or portions thereof for energy sold during the Applicable Opportunity Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice; "**Applicable Reliability Organization**" means any reliability standards organization whose standards Hydro has contracted to adhere to or having authority in the region in which the Wuskwatim Project is located;

"**Applicable Transaction Rate**" means the rate equal to the actual weighted average price over a twelve (12) month period, Hydro, as purchaser or as seller, is obligated to pay or is to be paid for the energy and capacity purchased or sold by Hydro;

"**Applicant**" shall have the meaning specified in Section 11.4;

"**Arbitrator**" means an arbitrator appointed in accordance with the procedures set out in Article XI of this Agreement;

"**Business**" means, the business carried on by the Limited Partnership consisting of the development, ownership, operation and maintenance of the Wuskwatim Project and any activities incidental or related thereto;

"**Business Day**" means any day on which Hydro's head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba;

"Canadian Dollars" and **"$"** each mean lawful money of Canada;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participation or equivalent interests in (however designated) the equity (including, without limitation, common shares, preferred shares, trust units and partnership interests) of such Person and any rights (other than debts securities convertible into an equity interest), warrants or options to subscribe for or acquire an equity interest in such Person;

"**Construction Agreement**" means the agreement dated June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, as project manager, whereby Hydro, either directly or indirectly through subcontractors, designed, engineered, constructed and commissioned the Wuskwatim Project;

"**Control**" for the purposes of this Agreement, a Person (the "**first Person**") shall be deemed to be Controlled by another Person or Persons if the Capital Stock of the first Person directly or indirectly held by or for the benefit of the other Person or Persons, acting in concert, other than by way of security only, is either:

(a) more than 50% of the Capital Stock of the first Person outstanding at the time of such determination; or

(b) sufficient to permit the other Person or Persons to replace or elect the majority of the board of directors of the first Person, and "**Controlled**" **and** "**Controlling**" shall have the corresponding meaning;

"**Dispute**" shall have the meaning specified in Section 11.4;

"**Dispute Notice**" shall have the meaning specified in Section 11.4;

"Domestic Factor" shall have the meaning specified in Section 2.11;

"**Domestic Transactions**" means all written agreements or undertakings between Hydro and a Person located in Manitoba, other than an Affiliate of Hydro for the sale of energy and capacity;

"Domestic Transaction Rate" shall have the meaning specified in Section 2.13;

"**Energy Calculation**" means the compensation determined to be payable by Hydro to the Limited Partnership for Net Actual Generation under Article 2 or following an Energy Rate Review;

"**Energy Rate**" means the rate per MWh, Hydro will pay to the Limited Partnership in accordance with Sections 2.6, 2.7, 2.8 and 2.9 for the On-Peak Energy and the Off-Peak Energy respectively received by Hydro at the Point of Interconnection;

"**Energy Rate Review**" means a review conducted in accordance with Article XVII of the PDA of the pricing mechanisms used under this Agreement to determine the Energy Calculations;.

"**Equivalent Canadian Dollar Amount**" means, on any day with respect to any amount of U.S. Dollars, the equivalent amount of Canadian Dollars determined by using the Bank of Canada noon spot rate quoted by the CDCFUSD index in Bloomberg to provide Canadian Dollars in exchange for U.S. Dollars at approximately 12 noon (Toronto time) on such day;

"**Equivalent U.S. Dollar Amount**" means, on any day with respect to any amount of Canadian Dollars, the equivalent amount of U.S. Dollars determined by using the Bank of Canada noon spot rate quoted by the CDCFUSD index in Bloomberg to provide U.S. Dollars in exchange for Canadian Dollars at approximately 12 noon (Toronto time) on such day;

"**Event of Hydro Default**" shall have the meaning specified in Section 10.3.

"**Event of Limited Partnership Default**" shall have the meaning specified in Section 9.1.

"Excess Spill Energy Review" means the review of the methodology, assumptions and pricing principles for the determination of Excess Spill Energy Revenue Adjustment pursuant to Section 9.4;

"**Expert**" means an expert appointed pursuant to the PDA to conduct an Energy Rate Review or a Transaction Rate Review;

"Export Factor" shall have the meaning specified in Section 2.10;

"**GAAP**" means, at any time, generally accepted accounting principles in Canada as recommended in the Handbook of the Chartered Professional Accountants of Canada, or any successor Person at such time;

"**General Partner**" means 5022649 Manitoba Ltd. in its capacity as general partner of the Limited Partnership pursuant to the terms of the Limited Partnership Agreement;

"**Generator Units**" means the three units, each consisting of a vertical-shaft, fixed blade propeller-type turbine and vertical umbrella-type generator installed as part of the Wuskwatim Project pursuant to the Construction Agreement and "**Generator Unit**" means any of the Generator Units;

"**Good Utility Practice**" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region;

"**Governmental Authority**" means any federal, provincial, local or other governmental, regulatory or administrative agency, court, commission, department, board or other governmental subdivision, legislature, rulemaking board, tribunal, or arbitration body having jurisdiction over either Party;

"**GWh**" means gigawatt-hours;

"**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by the *Hydro Act*;

"**Hydro Act"** means *The Manitoba Hydro Act*,C.C.S.M. , c. H190, as amended from time to time;

"**Hydro Contractual Obligation**" means any provision of any agreement, instrument or written undertaking to which Hydro is a party or by which it or any of its Property is bound, which materially impacts on the Integrated Power System and was entered into without regard to the ownership of the Wuskwatim Project and the existence of this Agreement;

"**Hydro Financial Year**" means, the financial year of Hydro, currently commencing on April 1 of each calendar year and ending on March 31 of the next calendar year;

"**Hydro High Voltage Transmission System**" means that portion of the Hydro Transmission System designated by Hydro, as such, from time to time;

"**Hydro High Voltage Transmission System Energy Losses**" shall have the meaning specified in Section 4.2;

"**Hydro Metering Equipment**" shall have the meaning specified in Section 4.3;

"**Hydro Transmission System**" means the transmission facilities owned and operated or operated by Hydro which are a component of the Integrated Power System;

"**Initial Closing Date**" shall have the meaning ascribed thereto in the PDA;

"**Initial Limited Partnership Agreement**" means the limited partnership agreement entered into between the General Partner, and Hydro in its capacity as limited partner, dated the 9th day of December, 2004;

"**Initial PPA**" means the Power Purchase Agreement dated June 28, 2006 between Hydro and the Limited Partnership;

"**In-Service" or "In-Service Date**" means the date on which a particular Generator Unit was fully commissioned and came into service as evidenced by a commissioning certificate issued for the unit by Hydro's commissioning engineer;

"**Insufficient Long-Term Transaction Year**" shall have the meaning ascribed thereto in Section 5.2;

"Insufficient Transactions" means for the relevant rate calculation either less than a total of 800 GWh of energy bought or sold as Long-Term Transactions applicable at that time or less than a total of 1500 GWh of energy bought or sold as the Opportunity Transactions during the time;

"**Integrated Power System**" means the system of hydraulic and thermal electric generation and power transmission facilities owned and operated or operated by Hydro, which system is interconnected with other power utilities;

"**Interconnection and Operating Agreement**" means the Interconnection and Operating Agreement entered into between Hydro (Transmission and Distribution Business Unit) and Hydro (Power Supply Business Unit) dated May 4, 2005, as amended or replaced from time to time and subsequently assigned by Hydro (Power Supply Business Unit) to the Limited Partnership, whereby the Wuskwatim Project will be interconnected to the Integrated Power System;

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of such Laws;

"**Licences**" means all authorizations, approvals, consents, registrations and certificates required by any Governmental Authority for the construction, operation or maintenance of the Wuskwatim Project;

"**Limited Partner**" means one or both of Hydro and Taskinigahp Power Corporation as the context requires, in their capacity as limited partners of the Limited Partnership; "**Limited Partnership**" means the Wuskwatim Power Limited Partnership created pursuant to the Initial Limited Partnership Agreement as amended and restated by the second and third Limited Partnership Agreements, for the purposes of owning and directly or indirectly planning, designing, constructing, operating and maintaining the Wuskwatim Project

"**Limited Partnership Agreement**" means the third amended and restated limited partnership agreement amending and restating the second amended and restated limited partnership agreement dated June 28, 2006 and the Initial Limited Partnership Agreement, dated the same day as this Agreement between the General Partner in its capacity as General Partner and Hydro and Taskinigahp Power Corporation as limited partners;

"**Limited Partnership Contractual Obligation**" means any provision of any agreement, instrument or undertaking to which the Limited Partnership is a party or by which it or any of its Property is bound;

"**Long-Term Transaction Rate**" shall have the meaning specified in Section 2.12;

"**Long-Term Transactions**" means all written agreements or undertakings between Hydro and a Person, other than an Affiliate of Hydro, for the purchase or sale of energy physically crossing a Manitoba border and the cross-border capacity, which meets the following criteria:

(a) Hydro is pursuant to the written agreement or undertaking exporting or importing energy to or from electricity markets outside of Manitoba;

(b) the written agreement or undertaking was entered into on or after the Initial Closing Date;

(c) the seller under the written agreement or undertaking has included the commitments made under the written agreement or undertaking, as a factor in the operation, planning and development of its energy system, in order to maintain sufficient resources to meet those commitments, and either:

(i) the time period between the date the written agreement or undertaking is entered into and the date energy is first supplied pursuant to the written agreement or undertaking is at least 365 days in duration; or

(ii) if the time period is less than 365 days, but the written agreement or undertaking has a component whereby energy will be supplied 365 days after the date the written agreement or undertaking is entered into, that component of the written agreement, or undertaking shall be included as part of the Long-Term Transactions;

"**Material Adverse Business Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in and of itself, but which cumulatively results in a material adverse effect) that precludes or materially restricts the ability of the Limited Partnership from performing any of its obligations under this Agreement;

"**MWh**" means megawatt-hours

"NCN Total Outstandings" means the Total Outstandings of NCN (as that term is defined in the Second NCN Financing Agreement), plus all accrued and unpaid interest and all other amounts owing under the Dividend Credit Facility (as that term is defined in the Second NCN Financing Agreement)**;**

"**Net Actual Generation**" means the actual energy generated by the Wuskwatim Project during the applicable period less any energy generated which is used for the Wuskwatim Project's station service or auxiliaries but includes only the energy generated from each Generator Unit after its In-Service Date;

"**Notice**" means any written notice, citation, directive, request for information, writ, summons and statement of claim or other communication from any Person other than the Parties;

"**Off-Peak Energy**" means that portion of the Net Actual Generation delivered by the Wuskwatim Project to the Point of Interconnection during Off-Peak Hours;

"**Off-Peak Energy to Date**" means the Off-Peak Energy received by Hydro during the period of time from the first day of the applicable Hydro Financial Year to the last day of the applicable month in that Hydro Financial Year for which the Off-Peak Energy Payment is to be calculated in accordance with sections 2.8 and 2.9 of this Agreement;

"**Off-Peak Hours**" means the period of time which is not included in the On-Peak Hours;

"**Off-Peak Opportunity Transactions**" means those Opportunity Transactions where the sale or purchase of energy and capacity is in respect of energy sold or received only during Off-Peak Hours but if an Opportunity Transaction includes energy sold or received during Off-Peak Hours and On-Peak Hours, only those Opportunity Transactions sold or received during Off-Peak Hours shall be considered Off-Peak Opportunity Transactions;

"**On-Peak Energy**" means that portion of the Net Actual Generation delivered by the Wuskwatim Project to the Point of Interconnection during On-Peak Hours;

"On-Peak Energy to Date" means the On-Peak Energy received by Hydro during the period of time from the first day of the applicable Hydro Financial Year to the last day of the applicable month in that Hydro Financial Year for which the On-Peak Energy Payment is to be calculated in accordance with section 2.6 and 2.7 of this Agreement;

"**On-Peak Hours**" means the period of time between 6:00 a.m. and 10:00 p.m. central standard time, Monday through Friday excluding holidays designated by the North American Electric Reliability Council or any successor agency;

"**On-Peak Opportunity Transaction Rate**" shall have the meaning specified in Section 5.2;

"**On-Peak Opportunity Transactions**" means those Opportunity Transactions where the sale or purchase of energy is for energy sold or received only during the On-Peak Hours but if an Opportunity Transaction includes energy sold or received during Off-Peak Hours and On-Peak Hours, only those Opportunity Transactions sold or received during the On-Peak Hoursshall be considered On-Peak Transactions;

"**Operations and Maintenance Agreement**" means an agreement dated June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project and Hydro, whereby Hydro will manage the operations and maintenance of the Wuskwatim Project, as amended or replaced from time to time;

"**Opportunity Transaction Rate**" shall have the meaning specified in Section 2.14;

"**Opportunity Transactions**" means all agreements or undertakings between Hydro and a Person, other than an Affiliate of Hydro, for the sale or purchase of energy physically crossing a Manitoba border and cross-border capacity which meets the following criteria:

(a) the agreement or undertaking was entered into on or after the Initial Closing Date;

(b) the agreement or undertaking is not a Long-Term Transaction; and

(c) Hydro is pursuant to the agreement or undertaking exporting or importing energy to or from electricity markets outside of Manitoba;

"**PDA**" means for purposes of this Agreement, the Wuskwatim Project Development Agreement dated June 28, 2006 amended by the PDA Supplement No. 1 dated March 15, 2011 and PDA Supplement No. 2 dated as of March 31, 2015;

"**Party**" means either the Limited Partnership or Hydro and "**Parties**" means both the Limited Partnership and Hydro;

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture or other entity or Governmental Authority, and pronouns have a similarly extended meaning;

"**Point of Interconnection**" shall mean the point on the output (high) side of the step up transformer located on the tail race deck of the Wuskwatim Generating Station at which each of the Generator Units connects to one of the three 230 kV transmission lines running from the Wuskwatim Generating Station to the switching station;

"**Pricing Criteria**" shall have the meaning specified in Section 6.3;

"**Pricing Principle**" shall have the meaning specified in Section 6.2;

"**Property**" means, with respect to any Person, any interest of such Person in any land or property or asset of every kind, wherever situate, whether now owned or hereafter acquired, whether real or immovable, personal, movable or mixed, tangible or corporeal, intangible or incorporeal, including Capital Stock in any other Person;

"**Rate Review**" means an Energy Rate Review, an Excess Spill Energy Review or a Transaction Rate Review, as the case may be and "**Rate Reviews**" means all of them;

"**Reply**" shall have the meaning specified in Section 11.5;

"**Respondent**" shall have the meaning specified in Section 11.5;

"**Second NCN Financing Agreement"** means the amended and restated NCN Financing Agreement dated April 16, 2015;

"Second TPC Financing Agreement" means the amended and restated TPC Financing Agreement dated April 16, 2015;

"**System Operations and Dispatch Agreement**" means an agreement dated even date herewith, between the Limited Partnership and Hydro whereby Hydro will control and operate the Wuskwatim Project on behalf of the Limited Partnership, including matters related to the dispatch of the Wuskwatim Generating Station as amended or replaced from time to time;

"TPC Total Outstandings" means the Total Outstandings of TPC (as that term is defined in the Second TPC Financing Agreement), plus all accrued and unpaid interest and all other amounts owing by NCN under the Equity Credit Facility (as that term is defined in the Second TPC Financing Agreement);

"**Term**" means the initial and subsequent term of this Agreement as specified in Section 2.19;

"**Transaction Rate Review**" means a review conducted in accordance with Article XVII of the PDA of the determination, allocation and Adjustments made by Hydro pursuant to Article 2 of this Agreement in the calculation of the Long Term Transaction Rate, the Domestic Transaction Rate and the Opportunity Transaction Rate;

"**Transmission Owner Interconnection Facilities**" shall have the meaning ascribed thereto in the Interconnection and Operating Agreement;

"**U.S. Dollars** means lawful money of the United States of America;

"**Wuskwatim Generating Station**" shall have the meaning ascribed thereto in the PDA; and

"**Wuskwatim Project**" shall have the meaning ascribed thereto in the PDA.

1.2 Interpretation.

This Agreement shall be interpreted in accordance with the following:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) headings are inserted for convenience only and shall not affect the interpretation of this Agreement, or any provisions hereof;

(c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;

(d) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(e) the expressions "the aggregate", "the total", "the sum" and expressions of similar meaning shall mean "the aggregate (or total or sum) without duplication";

(f) in the computation of periods of time, unless otherwise expressly provided, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding"; and

(g) accounting terms not specifically defined shall be construed in accordance with GAAP.

1.3 Severability.

If any provision of this Agreement is, or becomes, illegal, invalid or unenforceable, such provision shall be severed from this Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability. The remaining provisions of this Agreement shall continue to be valid and enforceable.

1.4 Entire Agreement.

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, of the Parties, whether oral or written, prior to the date of this Agreement.

1.5 Waiver.

No failure on the part of a Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right; nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No Notice to or demand on the Limited Partnership in any case shall entitle it to any Notice or demand in similar or other circumstances. No waiver of any of the provisions of this Agreement shall be effective unless it is in writing duly executed by the waiving Party.

1.6 No Presumption.

The Parties have endeavoured to ensure that the terms of this Agreement are as clear and unambiguous so unless expressly provided there shall be no presumption in favour of or against any Party.

1.7 Governing Law.

This Agreement shall be governed by, and interpreted in accordance with, the applicable Laws of Manitoba and Canada.

1.8 Incorporation of Schedules.

The following schedules shall be incorporated into and form an integral part of this Agreement:

Schedule A	-	Arbitrator's Undertaking
Schedule B	-	Notices

1.9 Acknowledgement.

The Parties acknowledge that:

(a) the Limited Partnership is a limited partnership formed under the Laws of Manitoba, and each limited partner is only liable for its respective liabilities or losses to the extent of the amount that the limited partner has contributed or agreed to contribute to the capital of the limited partnership and the limited partner's pro rata share of any undistributed income;

(b) the obligations of the Limited Partnership shall not be personally binding upon, nor shall resort be had to, the property of any of the limited partners, their successors and assigns, and that resort shall only be had to the property of the Limited Partnership or the property of its General Partner;

(c) the General Partner is the sole general partner of the Limited Partnership; and

(d) nothing in this Agreement shall be deemed to detract from or limit or restrict in any way the limited liability of any Limited Partner.

ARTICLE II
SALE AND PURCHASE OF ENERGY

2.1 <u>Net Actual Generation and Charge.</u>

Subject to the terms and conditions of this Agreement, the Limited Partnership agrees to sell and Hydro agrees to purchase the Net Actual Generation and capacity of the Wuskwatim Project and the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection determined in accordance with Sections 2.2 and 2.3 and capacity in accordance with Section 2.4.

2.2 <u>Energy Calculations – Financial Years 2014/15 to 2023/24.</u>

Subject to the terms and conditions of this Agreement including any Adjustments, Rate Reviews and the set-off of any amounts the Limited Partnership is obligated to pay Hydro pursuant to the provisions of Section 3.1(j), for the Hydro Financial Years 2014/15 to 2023/24 the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection, on a Canadian Dollar per MWh basis, determined by calculating the On-Peak Energy in accordance with Section 2.6, the Off-Peak Energy in accordance with Section 2.8, the On-Peak Energy to Date, the Off-Peak Energy to Date, the Export Factor in accordance with Section 2.10, the Domestic Factor in accordance with Section 2.11, the Long Term Transaction Rate in accordance with Section 2.12, the Domestic Transaction Rate in accordance with Section 2.13, the Opportunity Transaction Rate in accordance with Section 2.14 and the Spill Energy Revenue Adjustment in accordance with Article IX.

2.3 Energy Calculations – Financial Years 2024/25 and Onward.

Subject to the terms and conditions of this Agreement including any Adjustments, Rate Reviews and the set-off of all amounts the Limited Partnership is obligated to pay Hydro pursuant to the provisions of Section 3.1(j), for the Hydro Financial Years commencing April 1, 2024 and each Hydro Financial Year thereafter the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection, on a Canadian Dollar per MWh basis, determined by calculating the On-Peak Energy in accordance with Section 2.7, the Off-Peak Energy in accordance with Section 2.9, the On-Peak Energy to Date, the Off-Peak Energy to Date, the Export Factor in accordance with Section 2.10, the Long Term Transaction Rate in accordance with Section 2.12, the Opportunity Transaction Rate in accordance with Section 2.14, and the Spill Energy Revenue Adjustment in accordance with Article IX.

2.4 Allocations and Adjustments.

When making the Energy Calculations in Sections 2.2 and 2.3 Hydro, acting reasonably shall make the allocations and adjustments permitted by this Agreement, including in the case of energy exported and sold across Manitoba borders, (i) the portion of the price, if any, payable for capacity attributable to the portion of the energy that physically crossed a Manitoba border; and (ii) the actual costs or expenses incurred which were reasonably necessary to provide access to export markets or facilitate Hydro entering into export markets, but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses for which Hydro has been reimbursed pursuant to other provisions of this Agreement ("the **Adjustments**");

2.5 Hydro to Provide Monthly Information to the Limited Partnership.

Hydro shall, within ten (10) Business Days of the last day of each month during each Hydro Financial Year except in the last month, in which case, within fifteen (15) Business Days, provide the Limited Partnership with written notice of:

(a) the Domestic Transaction Rate;

(b) the Long Term Transaction Rate;

(c)the Opportunity Transaction Rate; and

(d) the amounts paid for On-Peak Energy and Off-Peak Energy for the month less any Adjustments or set-off pursuant to Section 3.1(j);

2.6 On-Peak Energy Payment - Financial Years 2014/15 to 2023/24.

For each month in a Hydro Financial Year from April 1, 2014 to March 31, 2024, Hydro shall pay to the Limited Partnership for On-Peak Energy an amount equal to the product of the monthly Long Term Transaction Rate, the On Peak Energy to Date, and the Export Factor plus the product of the Domestic Transaction Rate, the On-Peak Energy to Date and the Domestic Factor, minus the sum of the amounts paid or payable by Hydro for On-Peak Energy to the end of the prior month ("**On-Peak Energy Payments to Date**"). The calculation of the amount payable for On-Peak Energy under this Section 2.6 may be expressed by the following formula:

(A x B x C) + (D x B x E) – On-Peak Energy Payments to Date

Where:

A = Long Term Transaction Rate

B = On Peak Energy to Date

C = Export Factor

D = Domestic Transaction Rate

E = Domestic Factor

2.7 On- Peak Energy Payments - Financial Years 2024/25 and Onward.

For each month in the Hydro Financial Year commencing April 1, 2024 and thereafter Hydro shall pay to the Limited Partnership for On-Peak Energy an amount equal to the product of the monthly Long Term Transaction Rate, the On Peak Energy to Date, and the Export Factor minus the On-Peak Energy Payments to Date. The calculation of the amount payable for On-Peak Energy under this Section 2.7 may be expressed by the following formula:

(A x B x C) – On-Peak Energy Payments to Date

Where:

A = Long Term Transaction Rate

B = On Peak Energy to Date

C = Export Factor

2.8 Off-Peak Energy Payments - Financial Years 2014/15 to 2023/24.

For each month in a Hydro Financial Year from April 1, 2014 to March 31, 2014, Hydro shall pay to the Limited Partnership for Off-Peak Energy an amount equal to the product of the Opportunity Transaction Rate, the Export Factor and the Off Peak Energy To Date, plus the product of the Domestic Transaction Rate, the Off-Peak Energy to Date and the Domestic Factor, minus the sum of the amounts paid or payable by Hydro for Off-Peak Energy to the end of the prior month ("**Off-Peak Energy Payments to Date**"). The calculation of the amount payable for Off-Peak Energy under this Section 2.8 may be expressed by the following formula:

(F x G x C) + (D x G x E) – Off-Peak Energy Payments to Date

Where:

C = Export Factor

D = Domestic Transaction Rate

E = Domestic Factor

F = Opportunity Transaction Rate

G = Off-Peak Energy to Date

2.9 Off-Peak Energy Payment Financial Years 2024/25 and Onward.

For each month in the Hydro Financial Years commencing April 1, 2024 and thereafter, Hydro shall pay to the Limited Partnership for Off-Peak Energy an amount equal to the product of the Opportunity Transaction Rate, the Export Factor and the Off-Peak Energy To Date minus the Off-Peak Energy Payments to Date. The calculation of the amount payable for Off-Peak Energy under this Section 2.9 may be expressed by the following formula:

(F x G x C) – Off-Peak Energy Payments to Date

Where:

C = Export Factor

F = Opportunity Transaction Rate

G = Off-Peak Energy to Date

2.10 Export Factor.

The "**Export Factor**" means a factor that is equal to the weighted average proportion of Net Energy Delivered by the Integrated Power System over a twelve (12) month period that is exported by Hydro, during that twelve (12) month period. The monthly Export Factor shall be calculated for each month during the Hydro Financial Year using the following formula:

A / (A + B) where,

A is equal to the total energy generated by Hydro related to the export sales that physically crossed a Manitoba border; and

B is equal to the total energy generated by Hydro delivered in Manitoba

For any period from and after April 1, 2024 the monthly Export Factor shall be one (1.00).

2.11 Domestic Factor.

The Domestic Factor means a factor equal to one (1.00) minus the monthly Export Factor for each month during the Hydro Financial Year.

2.12 Long-Term Transaction Rate.

The "**Long-Term Transaction Rate**" means the Applicable Transaction Rate for Long-Term Transactions determined for each month during a Hydro Financial Year for the applicable Long Term Transaction Time Period determined in the following manner:

(a) adjustments to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Long-Term Transactions;

(b) the price paid or payable for Applicable Long-Term Transactions determined in Canadian Dollars per MWh, and if the payments are in U.S. Dollars for any of the Applicable Long Term Transactions the amounts shall be converted to Canadian Dollars pursuant to Section 2.15 after the adjustments referred to in Section 2.12 (b) using the average Equivalent Canadian Dollar Amount for the month during which the entitlement to be paid arises; and

(c) the Long-Term Transaction Rate expressed in Canadian Dollars per MWh calculated by dividing the total net amount that Hydro is entitled to be paid or is obligated to pay for the Applicable Long-Term Transactions by the total energy imported or exported as Applicable Long-Term Transactions.

2.13 Domestic Transaction Rate.

The "**Domestic Transaction Rate**" means the Applicable Transaction Rate for Domestic Transactions determined for each month during a Hydro Financial Year for the Applicable Domestic Transactions expressed in Canadian Dollars per MWh and calculated by dividing the total net amount Hydro is entitled to be paid or is obligated to pay for the Applicable Domestic Transactions by the total energy delivered as Applicable Domestic Transactions.

2.14 Opportunity Transaction Rate.

The "**Opportunity Transaction Rate**" means the Applicable Transaction Rate for Opportunity Transactions determined for each month during a Hydro Financial Year for the applicable Opportunity Transaction Time Period determined in the following manner:

(a) adjustments to reflect the price at a Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Opportunity Transactions;

(b) the price paid or payable for Applicable Opportunity Transactions determined in Canadian Dollars per MWh, and if the payments are in U.S. Dollars for any of the Applicable Opportunity Transactions the amounts shall be converted to Canadian Dollars in accordance with Section 2.15 after the adjustments referred to in Section 2.16 (b) using the average Equivalent Canadian Dollar Amount for the month during which the entitlement to payment arises; and

(c) the Opportunity Transaction Rate expressed in Canadian Dollars per MWh and calculated by dividing the total net amount Hydro is entitled to be paid or obligated to pay for the Applicable Opportunity Transactions by the total energy delivered as Applicable Opportunity Transactions.

2.15 U.S. Dollar Conversion Option.

The Limited Partnership can if it has provided written notice to Hydro on or before the last Business Day of any particular month require that a percentage not exceeding fifty percent (50%) of the amount that would otherwise be billed to Hydro in Canadian Dollars, for the Net Actual Generation received by Hydro during that month, be converted to U.S. Dollars, by reference to the Equivalent U.S. Dollar Amount as of the last Business Day of that month and that amount shall be paid to the Limited Partnership, in U.S. Dollars, by the dates specified in accordance with Section 8.1(3).

2.16 Acknowledgement of Limited Partnership.

The Limited Partnership expressly acknowledges and agrees that:

(a) the compensation to be paid under this Agreement entitles Hydro to receive all the capacity and the energy from the Wuskwatim Project;

(b) the rates and compensation to be paid in this Agreement, subject to Section 2.20 is based on the Net Actual Generation actually received by Hydro at the Point of Interconnection; and

(c) the Limited Partnership is not entitled to an additional payment or separate rate for the capacity of the Wuskwatim Project which Hydro is entitled to receive pursuant to this Agreement.

2.18 Insufficiency of Capacity, Disruption or Failure of the Hydro Transmission System.

Notwithstanding any other provision of this Agreement, if the Net Actual Generation cannot be generated and delivered to the Point of Interconnection primarily due to insufficient capacity of the Hydro Transmission System or the disruption to or failure of the Hydro Transmission System and as a direct consequence thereof, water is spilled at the Wuskwatim Project spillway, Hydro shall be deemed for the purposes of this Agreement to have received the energy that could have been generated from the water that was spilled at the Wuskwatim Project spillway during that time period less the applicable Hydro High Voltage Transmission System Energy Losses. This Section 2.18 shall not apply and Hydro shall not be deemed for the purposes of this Agreement or otherwise to have received energy that was not generated and delivered to the Point of Interconnection if the insufficient capacity of the Hydro Transmission System, disruption to or failure of the Hydro Transmission System occurred as a result of or was primarily due to: (i) a breach by the Limited Partnership of any provision of the Limited Partnership's Contractual Obligation; or (ii) any act or omission reasonably associated with the provisions of the Construction Agreement, the System Operations and Dispatch Agreement or the Operations and Maintenance Agreement, including without limiting the generality of the foregoing in respect of services or work performed or to be performed by Hydro under the provisions of those Agreements or the breach by Hydro of any provision of those Agreements. If this Section 2.18 is applicable, Hydro shall provide to the Limited Partnership a calculation of the amount of energy that could have been generated and delivered during the applicable time period from the water that was spilled using the best information and data available and Hydro shall be required to pay to the Limited Partnership the amount that would otherwise be determined to be owing pursuant to the provisions of this Agreement (after all set-offs, deductions and adjustments provided for in this Agreement including adjustment for the Hydro High Voltage Transmission System Energy Losses applicable for the period of time during which water was spilled) if that amount of energy had been generated and delivered to the Hydro Transmission System during that period of time from the water that was spilled. The Limited Partnership expressly acknowledges that the risk of the Limited Partnership not being able to generate and deliver energy to the Point of

Interconnection from all other matters or circumstances is borne solely by the Limited Partnership.

2.19 Term.

(a) The Term of this Agreement shall be from April 1, 2013 to March 31, 2038 unless extended or terminated pursuant to the provisions of this Agreement. The Term shall automatically be extended for periods of twenty-five (25) years each starting on April 1, 2038 subject to the following conditions being in effect for the period of time for which the Term is to be extended:

(i) Hydro or an Affiliate of Hydro must have an agreement with the Limited Partnership to operate and dispatch the Wuskwatim Project on substantially the same terms and conditions as those contained in the System Operations and Dispatch Agreement, or the Term shall be extended, subject to such amendments to the terms and conditions of this Agreement as Hydro acting reasonably may require if Hydro or an Affiliate of Hydro is not operating and controlling the Wuskwatim Project, including matters related to the dispatch of the Wuskwatim Generating Station on substantially the same terms and conditions as those contained in the System Operations and Dispatch Agreement or if any other Person is operating and controlling the Wuskwatim Project, including matters related to the dispatch of the Wuskwatim Generating Station; and

(ii) Hydro or an Affiliate of Hydro must have an agreement with the Limited Partnership to maintain and operate the Wuskwatim Project on substantially the same terms and conditions as those contained in the Operations and Maintenance Agreement, or the Term shall be extended, subject to such amendments to the terms and conditions of this Agreement as Hydro acting reasonably may require if Hydro or an Affiliate of Hydro is not operating and maintaining on substantially the same terms and conditions in the Operations and Maintenance Agreement or if any other Person is maintaining and operating the Wuskwatim Project.

(b)Upon expiry of a Term or upon the termination of this Agreement, Hydro shall have no future or further obligation to purchase the Net Actual Generation and capacity of the Wuskwatim Generating Station or to make any further payments to the Limited Partnership and except for Hydro's and the Limited Partnership's rights and obligations arising prior to the expiry of the

Term, the rights and obligations of the Parties under this Agreement shall end and the Limited Partnership shall be entitled to sell the energy and capacity of the Wuskwatim Generating Station to another Person. This Agreement shall not be construed to provide a residual value to either the Limited Partnership or Hydro or to any Person, for the right to use or benefit from the Limited Partnership's or Hydro's Property or the Integrated Power System following the expiry of the Term.

ARTICLE III
AFFIRMATIVE COVENANTS

3.1 Covenants.

During the Term of this Agreement the Limited Partnership agrees to be bound by and to perform each of the following affirmative obligations:

(a) **Licences**. The Limited Partnership shall seek, obtain, maintain, comply with and as necessary, review and modify from time to time, at the Limited Partnership's sole expense, the Licences.

(b) **Maintenance and Operation of the Wuskwatim Project**. The Limited Partnership shall operate, maintain and repair at the Limited Partnership's sole expense, the Wuskwatim Project in accordance with the reasonable guidelines, procedures, decisions, practices and policies of Hydro (or any Affiliate of Hydro) as amended from time to time and communicated by Hydro to the Limited Partnership and in accordance with the provisions of the Limited Partnership Contractual Obligations.

(c) **Applicable Reliability Organization and Governmental Authority**. The Limited Partnership shall at the Limited Partnership's sole expense:

(i) cooperate to a reasonable extent with Hydro in fulfilling Hydro's duties and obligations (or the duties and obligations of any Affiliate of Hydro) as a participant in the Applicable Reliability Organization and pursuant to the Hydro Contractual Obligations, as amended from time to time in the same manner and to the same extent as Hydro (or any Affiliate of Hydro), as Hydro may advise;

(ii) cooperate with and provide in a timely manner any and all information or data required by the Applicable Reliability Organization or by Hydro for the Applicable Reliability Organization and any other necessary approvals related to the Wuskwatim Project, as Hydro may advise;

(iii) comply with the Applicable Reliability Organization procedures, decisions and policies, as Hydro may advise;

(iv) be bound by those requirements, decisions and policies of the Applicable Reliability Organization, as Hydro may advise, and those Hydro Contractual Obligations as amended from time to time, in the same manner and to the same extent as Hydro (or any Affiliate of Hydro), as Hydro may advise; and

(v) reimburse Hydro for actual costs and expenses imposed on Hydro (or any Affiliate of Hydro) by the Applicable Reliability Organization or Government Authority or pursuant to the Hydro Contractual Obligations which are associated with this Agreement or the Wuskwatim Project and any filing fees incurred by Hydro as a result of the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement.

(d) **Point of Interconnection**. The Limited Partnership shall at the Limited Partnership's sole expense:

(i) cooperate with Hydro in maintaining the interconnection of the Wuskwatim Project to the Integrated Power System, and comply with all provisions of the Interconnection and Operating Agreement;

(ii) subject to Articles 2.10 to 2.13 of the PDA, modify the design of the Wuskwatim Project at any time in a manner consistent with Hydro's direction to ensure the interconnection and synchronous operation of the Wuskwatim Project with the Integrated Power System will be safe and reliable and will not adversely affect the Integrated Power System or any other utility's system, or services provided to Hydro's customers; and

(iii) cause the Net Actual Generation to be delivered to Hydro at the Point of Interconnection.

(e) **Fines and Penalties**. If fees, levies, fines, penalties, or costs or expenses are assessed against Hydro by any Governmental Authority due to non-compliance by the Limited Partnership of any provision of this Agreement or reasonably attributed to by the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement unless same relates to an Event of Hydro Default, the Limited Partnership shall indemnify and hold Hydro harmless against any and all losses, liabilities, damages, and claims suffered or incurred by Hydro, including claims for indemnity or contribution made by third parties against Hydro.

(f) **Taxes and Fees**. Subject to Section 3.1(h) the Limited Partnership shall be responsible for and pay all present or future federal, provincial, municipal or other lawful taxes (for greater certainty this does not include any income taxes that may be payable by Hydro), duties, levies or fees, which without limiting the generality of the foregoing shall include any value added tax or similar taxes, imposed directly or indirectly, which are applicable to Hydro or the Limited Partnership or the Wuskwatim Project by reason of the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement without any reimbursement in whole or in part from Hydro or Hydro shall, if such amounts have been paid by it, be entitled to bill the Limited Partnership in accordance with Article VIII and receive payment.

(g) **Additional Costs**. If the application of any Laws (including any interpretation thereof) causes Hydro to be liable for additional taxes (for greater certainty this does not include any income taxes that may be payable by Hydro),, fees or assessments ("**Additional Costs**") reasonably attributable to the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement, Hydro may bill the Limited Partnership monthly for such Additional Costs pursuant to Article VIII and receive payment on account of these Additional Costs. These Additional Costs will be calculated so as to place Hydro in the same economic position (considering the timing of the Additional Costs and any expected benefits resulting from said taxes, fees, assessments by third parties) in which it would have been if it had not be liable for the Additional Costs.

(h) **Environmental Credits**. The Limited Partnership shall obtain in its own name any and all environmental credits necessary to operate the Wuskwatim Project in compliance with Laws. Hydro acknowledges that any environmental credits will be assets of or credited to the Limited Partnership as applicable, conditional on the value of such environmental credits having not already been included in the Energy Calculation.

(i) **Dispatch**. The Limited Partnership agrees that the Wuskwatim Generating Station shall at all times be operated and dispatched by Hydro in accordance with the guidelines, procedures, decisions, practices and policies of Hydro's (or any Affiliate of Hydro) as amended from time to time and Hydro's Contractual Obligations as amended from time to time and communicated by Hydro to the Limited Partnership and in accordance with the provisions of the System Operations and Dispatch Agreement, the Interconnection and Operating Agreement and the Operations and Maintenance Agreement.

(j) **Fee**. Commencing the month following the month in which both the NCN Total Outstandings and the TPC Total Outstandings have been repaid in full the Limited Partnership shall pay Hydro for each month a fee equal to thirty-six percent (36%) of the Energy Calculation payable by Hydro for that month in accordance with the provisions this Agreement plus all present or future Federal, Provincial, Municipal or other lawful taxes, (for greater certainty this does not include any income taxes that may be payable by Hydro) duties, levies or fees, which without limiting the generality of the foregoing should include any value added tax or similar taxes, imposed directly or indirectly on Hydro or the Limited Partnership in respect of the fee. This fee is to compensate Hydro for:

(i) assuming the risk that the energy purchased pursuant to this Agreement cannot be sold as a Long-Term Transaction;

(ii) not requiring the Limited Partnership pursuant to this Agreement to supply a minimum amount of On-Peak Energy;

(iii) costs of lost opportunities arising from the utilization of Hydro's transmission tie-line capacity as a consequence of Hydro's purchase of energy and capacity pursuant to this Agreement at the Point of Interconnection;

(iv) assuming the transmission risk in Manitoba associated with Hydro's acceptance of the delivery of all of the energy pursuant to this Agreement at the Point of Interconnection for resale at a different delivery point; and

(v) the suspension of marketing and certain other fees that would have otherwise been payable under the terms of the Initial PDA, had it remained in effect, implemented during the period loans are outstanding under the NCN Financing Agreement and the TPC Financing Agreement.

Hydro may bill this fee to the Limited Partnership or set it off against the amount otherwise due to the Limited Partnership pursuant to the provisions of this Agreement.

(k) **Records**. The Limited Partnership shall prepare and maintain or cause to be prepared and maintained complete and accurate operating and other records as Hydro may from time to time request, acting reasonably. This shall include all records required by any Applicable Reliability Organization to maintain accredited capacity for the Wuskwatim Generating Station. Without limiting the generality of the foregoing the Limited Partnership shall on written notice from Hydro provide or cause to be provided all documents and information necessary to meet the accreditation requirements for the Wuskwatim Generating Station of any Applicable Reliability Organization during the Term of this Agreement. The Limited Partnership acknowledges that Hydro may release such information and documentation to the Applicable Reliability Organization in respect of any application or maintenance of accredited capacity for the Wuskwatim Generating Station. In addition Hydro shall have access to inspect and test such metering and other recording equipment and operating records as may be required in respect of any accreditation process.

(l) **Inspection**. The Limited Partnership shall provide Hydro and its representatives with access to the Wuskwatim Project and the records relating to the Wuskwatim Project including all records required to be prepared and maintained in accordance with Section 3.1(k) of this Agreement and Hydro shall be entitled to make and retain copies of all such records. The inspection of the Wuskwatim Project and the review of the records shall not relieve the Limited Partnership of any of its obligations under this Agreement.

3.2 Acknowledgement and Waiver.

The Limited Partnership expressly acknowledges and agrees that the covenants in section 3.1 are obligations solely of the Limited Partnership and that while Hydro may be a party to other agreements with the Limited Partnership, in respect of certain matters related to the aforesaid covenants, the Limited Partnership shall be bound by and shall be responsible for the performance of the aforesaid covenants in accordance with the provisions of this Agreement and any breach of the aforesaid covenants shall be an Event of Limited Partnership Default in accordance with the provisions of this Agreement. The Limited Partnership waives any right to:

(a) defend a claim by Hydro that an Event of Limited Partnership Default has occurred under the provisions of this Agreement; or

(b) to claim Hydro contributed to the breach of any provision of this Agreement; or

(c) refuse to make any payment that is required to be made pursuant to the provisions of this Agreement or to not comply with any other provision of this Agreement;

due to or as a result of an act or omission in any way associated with the provisions of the Construction Agreement, the System Operations and Dispatch Agreement, the Operations and Maintenance Agreement or the Interconnection and Operating Agreement, and without restricting the generality of the foregoing would include any breach by Hydro of any provision of those agreements or the supply of services by Hydro or the performance of work by Hydro under the provision of those agreements. The waiver of rights by the Limited Partnership does not extend to any act or omission by Hydro under any of the aforesaid agreements, for which Hydro is found to be liable under those agreements due to Hydro's gross negligence or willful misconduct.

ARTICLE IV
METERING

4.1 Determination of Energy Delivered.

The amount of On-Peak Energy and Off-Peak Energy delivered by the Limited Partnership to the Point of Interconnection and received by Hydro during any particular time period in the Hydro Financial Year, shall for the purposes of this Agreement, including Sections 2.2 and 2.3, be determined to be equal to:

(a) the quantum of energy measured by metering equipment at or near the Point of Interconnection, in accordance with Sections 4.3, 4.4, 4.5,4.6 and 4.7 for any particular period of time; reduced by

(b) the Hydro High Voltage Transmission System Energy Losses applicable for that period of time.

4.2 Transmission System Losses

The Hydro High Voltage Transmission System Energy Losses for any particular period in the Hydro Financial Year shall be determined by Hydro and provided to the Limited Partnership within ten (10) Business Days of the last day of the particular period and shall be expressed as a percentage equal to:

(a) the energy generated and delivered to Hydro's High Voltage Transmission System for that particular period of time during that applicable Hydro Financial Year, from all of the hydraulic and thermal electric generation facilities that form part of the Integrated Power System, (which shall be determined by Hydro measuring the generation and delivery of that energy expressed in GWh); less

(b) the energy delivered from the Hydro High Voltage Transmission System, during that particular period of time in the Hydro Financial Year, to other parts of the Integrated Power System, (which shall be determined by Hydro measuring that energy at exit points, selected by Hydro, from the Hydro High Voltage Transmission System, expressed in GWh); divided by

(c) the amount determined in 4.1.

4.3 Metering Equipment.

Subject to Section 4.6 Hydro shall provide, install, operate, maintain and own and/or control metering equipment of revenue quality (the "**Hydro Metering Equipment**"), for the Wuskwatim Generating Station at or near the Point of Interconnection the exact location of which shall be determined by Hydro. The Limited Partnership shall reimburse Hydro for all actual costs and expenses incurred by Hydro under this Article IV, including those associated with the operation, maintenance and administration of the Hydro Metering Equipment and the provision of metering data to the Limited Partnership.

4.4 Operation and Maintenance of Metering Equipment

The Hydro Metering Equipment shall be installed, calibrated, repaired, replaced, maintained and tested in accordance with the provisions of the *Electricity and Gas Inspection* Act (Canada) as amended from time to time and any reasonable guidelines, procedures, decisions, practices and policies of Hydro. The Limited Partnership shall provide and maintain without charge, convenient, accessible and safe space at or near the metering point for Hydro Metering Equipment, which shall be in the care of and at the risk of the Limited Partnership. Unless Hydro shall otherwise advise the Limited Partnership, Hydro shall in accordance with any guidelines, procedures, decisions, practices and policies of Hydro read the meters and supply such meter readings to the Limited Partnership no later than the end of the third Business Day of each month. Metering records shall be available at all reasonable times to the Limited Partnership.

4.5 Hydro Access to and Testing of Metering Equipment

Authorized employees and agents of Hydro shall at reasonable times have free and uninterrupted access to the Wuskwatim Project for the purpose of reading and conducting tests on the Hydro Metering Equipment. Hydro may test, calibrate, maintain, remove and replace the Hydro Metering Equipment at any time. Hydro shall at the Limited Partnership's expense, inspect and test the Hydro Metering Equipment upon installation and at least once every two (2) years, thereafter. If requested to do so by the Limited Partnership, Hydro shall inspect or test metering equipment more frequently than every two (2) years. Hydro shall give reasonable notice of the time when any inspection or test shall take place, and the Limited Partnership may have representatives present at the test or inspection. Unless provided otherwise by the *Electricity and Gas Inspection Act* (Canada) or other Laws, if Hydro Metering Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at the Limited Partnership's expense, in order to provide accurate metering. If Hydro Metering Equipment fails to register, or if the measurement made by Hydro Metering Equipment during a test varies by more than one percent (1%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not, (ii) the period immediately preceding the test of the Hydro Metering Equipment equal to one-half the time period from the date of the last test of the Hydro Metering Equipment provided that the period covered by the correction shall not exceed six months. Hydro shall provide copies of its metering tests to the Limited Partnership, which shall provide the information to TPC at least biannually.

4.6 Alternate Metering Equipment.

Hydro may on notice to the Limited Partnership advise that it shall not install its own metering equipment in accordance with the provisions of Sections 4.3, 4.4 and 4.5) and shall for the purposes of Sections 4.1 and 4.2, have the quantum of energy determined by the metering equipment installed, operated, maintained, owned and/or controlled by Hydro (Transmission and Development Business Unit) pursuant to the provisions of the Interconnection and Operating Agreement. The Parties agree that in the event Hydro provides this notice that the metering data provided to the Limited Partnership pursuant to the provisions of the Interconnection and Operating Agreement shall be used for the purposes of determining the quantum of energy delivered to the Point of Interconnection.

4.7 IOA Inspections and Testing

The Parties also agree to be bound by the inspection and testing provisions of the Interconnection and Operating Agreement and to any adjustments or corrections that are made in accordance with the provisions of that agreement to the metering measurements and data and Hydro shall be entitled to receive all metering data and records that the Limited Partnership receives pursuant to the provisions of the Interconnection and Operating Agreement. Hydro shall also be entitled to attend with the Limited Partnership at all testing of the metering equipment under the provisions of the Interconnection and Operating Agreement. The Limited Partnership agrees to cause the metering equipment to be inspected or tested in accordance with the provisions of the Interconnection and Operating Agreement if Hydro so requests. Hydro shall retain its right on reasonable notice to the Limited Partnership to install the Hydro Metering Equipment in accordance with Sections 4.3, 4.4 and 4.5 at a subsequent date and to have those provisions apply for the determination of the quantum of energy delivered to the Point of Interconnection.

ARTICLE V
ENERGY RATE ADJUSTMENTS

5.1 Report on Long-Term Transactions and Opportunity Transactions.

Hydro shall provide the Limited Partnership within thirty (30) days of the last day of each Hydro Financial Year with a written report of the amount of energy (expressed in GWh) that was bought or sold pursuant to the Long-Term Transactions that were used to calculate the Long-Term Transaction Rate for that Hydro Financial Year and the amount of energy (expressed in GWh) that was bought or sold pursuant to the Opportunity Transactions that were used to calculate the Opportunity Transaction Rate for that Hydro Financial Year. Such report shall also include particulars of the Adjustments made by Hydro pursuant to Section 2.4

5.2 Insufficient Transaction in Respect of Long-Term Transaction Rate.

If the report prepared by Hydro pursuant to Section 5.1 in respect of a particular Hydro Financial Year discloses there were Insufficient Transactions in respect of the Long-Term Transaction Rate for that Hydro Financial Year, then, subject to an Energy Rate Review brought pursuant to Article XVII of the PDA the compensation to be paid by Hydro for the On-Peak Energy received by Hydro at the Point of Interconnection on a Canadian Dollar per MWh basis during that Hydro Financial Year (the "**Insufficient Long-Term Transaction Year**") shall be based on a rate that is equal to the actual weighted average price over the Insufficient Long-Term Transaction Year that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid, for the energy and capacity purchased or sold by Hydro pursuant to all applicable On-Peak Opportunity Transactions during the Insufficient Long-Term Transaction Year (the "**On-Peak Opportunity Transaction Rate**") determined in the following manner:

(a) only those On-Peak Opportunity Transactions or portions thereof applicable to the time period where the energy sold or purchased physically crossed the Manitoba border and were delivered during the Insufficient Long-Term Transaction Year, as determined by Hydro in accordance with Good Utility Practice, (the "**Applicable On-Peak Opportunity Transactions**") shall be included in determining the actual weighted average price over the Insufficient Long-Term Transaction Year;

(b) Hydro, acting reasonably, in addition to all other allocations or adjustments that may be required, shall include the portion of the price, if any, that is payable for capacity, which is attributable to that portion of the energy that physically crossed the Manitoba border and was delivered during the Insufficient Long-Term Transaction Year for each of the Applicable On-Peak Opportunity Transactions in determining the actual average weighted price over the Insufficient Long-Term Transaction Year;

(c) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable On-Peak Opportunity Transactions shall be adjusted to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable On-Peak Opportunity Transactions. The charges or credits will include actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement;

(d) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable On-Peak Opportunity Transactions shall be determined in Canadian Dollars per MWh and if Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid in U.S. Dollars pursuant to any of the Applicable On-Peak Opportunity Transactions, the amounts shall be converted to Canadian Dollars (after the Adjustments referred to in Section 2.4) by reference to the average Equivalent Canadian Dollar Amount for the month, during which the said obligation to pay, or the entitlement to be paid the said amount arises; and

(e) the On-Peak Opportunity Transaction Rate shall be expressed in Canadian dollars per MWh and shall be calculated by dividing (i) the total net amount that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, pursuant to the Applicable On-Peak Opportunity Transactions, determined in accordance with this Section 5.2; by (ii) the total energy that was imported or exported by Hydro pursuant to the Applicable On-Peak Opportunity Transactions, determined in accordance with this Section 5.2.

If as a result of an Energy Rate Review pursuant to Article XVII of the PDA, the compensation to be paid by Hydro for the On-Peak Energy received by Hydro during the Insufficient Long-Term Transaction Year is greater than or less than the compensation determined in accordance with this Section 5.2, then Hydro shall prepare a reconciliation of the amount owing to the Limited Partnership by Hydro or that Hydro has overpaid. The reconciliation shall adjust for all amounts that the Limited Partnership is required to pay to Hydro, that is based on or is otherwise determined from the Energy Calculation paid by Hydro to the Limited Partnership for the delivery of the Net Actual Generation, including the fee to be paid pursuant to Section 3.1(j). On completion of the reconciliation any amount overpaid by Hydro, shall immediately be paid by the Limited Partnership to Hydro, without interest, unless Hydro agrees in writing to receive same as a credit on account of any amount otherwise required to be paid pursuant to the provisions of this Agreement and any additional amount owing by Hydro shall immediately be paid by Hydro to the Limited Partnership without interest.

5.3 Insufficient Transactions in Respect of the Opportunity Transaction Rate.

If the report prepared by Hydro pursuant to Section 5.1 in respect of a particular Hydro Financial Year discloses there were Insufficient Transactions in respect of the Opportunity Transaction Rate for that Hydro Financial Year, then, the compensation to be paid by Hydro for the Off-Peak Energy received by Hydro during that Hydro Financial Year and for all subsequent years shall, subject to any future Energy Rate Review, be determined pursuant to the Energy Rate Review, brought pursuant to Article XVII of the PDA.

5.4 Adjustment of Energy Rate.

The Energy Rate payable under this Agreement shall be adjusted to accord with the agreement of the Parties or the decision of an Expert made pursuant to an Energy Rate Review and Transaction Rate Review. Forthwith after any agreement or decision which has retroactive effect, Hydro shall prepare a reconciliation of the amount that is owing to the Limited Partnership by Hydro or the amount that Hydro has overpaid. The reconciliation shall adjust for all amounts that the Limited partnership is required to pay to Hydro, that is based on or is otherwise determined from the Energy Calculation paid by Hydro to the Limited Partnership adjust for all amounts that the Limited partnership is required to pay to Hydro, that is based on or is otherwise determined from the Energy Calculation paid by Hydro to the Limited Partnership for the delivery of the Net Actual Generation, including the fee required to be paid pursuant to Section 3.1(j). On completion of the reconciliation any amount overpaid by Hydro, shall immediately be paid by the Limited Partnership to Hydro, without interest, unless Hydro agrees in writing to receive same as a credit on account of any amount otherwise required to be paid to the Limited Partnership pursuant to the provisions of this Agreement and any additional amount owing by Hydro shall immediately be paid by Hydro to the Limited Partnership without interest.

ARTICLE VI
ENERGY RATE REVIEWS AND TRANSACTION RATE REVIEWS

6.1 Energy Rate Review.

The Long-Term Transaction Rate and the Opportunity Transaction Rate used to determine the Energy Rate have been agreed to as a proxy or reasonable substitute to capture the enhanced value of the energy and capacity to Hydro in the electricity markets available to Hydro outside of Manitoba and the recovery of associated costs related to the purchase of the energy and capacity from the Limited Partnership and the resale in the electricity markets available to Hydro outside of Manitoba. The Energy Rate has been arrived at based on industry practices existing as at the date of this Agreement for the pricing of different types of transactions for different classes or categories of energy. Industry practices may change during the Term, possibly significantly. For this reason, the Pricing Principles and Pricing Criteria described in Sections 6.2 and 6.3 have been established to apply to any Energy Rate Review. Subject to Sections 6.2 and 6.3, the

Energy Rate may be reviewed from time to time in the manner provided in Article XVII of the PDA.

6.2 Pricing Principles.

The rate Hydro is to pay for the capacity, of and the energy generated by, the Wuskwatim Project will be based on the value of the energy and capacity to Hydro at the Manitoba border in the electricity markets available to Hydro outside of Manitoba. During the ten year period from 2014/15 to 2023/24, the Domestic Transaction Rate will form a portion of the rate Hydro will pay the Limited Partnership. In the years after the NCN Total Outstandings and TPC Total Outstandings are repaid in full, the Fee will be implemented in place of all fees that would have been payable under the terms of the Initial PPA had it remained in effect. These principles shall be collectively known as "the **Pricing Principles**" for purposes of any Rate Review.

6.3 Pricing Criteria.

During an Energy Rate Review the following pricing criteria (the "**Pricing Criteria**") shall be applicable:

(a) the rate will recognize: (i) the effects of applicable constraints and regulations that may limit access to the electricity markets outside of Manitoba; and (ii) any other risks or actual costs to Hydro, associated with or applicable to the purchase of the energy and capacity of the Wuskwatim Project from the Limited Partnership and the resale of that energy and capacity in electricity markets outside of Manitoba (to the extent Hydro has not been compensated for these risks or costs pursuant to other provisions of this Agreement);

(b) in determining the value of the energy and capacity of the Wuskwatim Project the rate will recognize that the Wuskwatim Project is operated by Hydro as part of the Integrated Power System and although Hydro, as purchaser, accepts the energy from the Wuskwatim Project as it is produced on an hourly basis, Hydro through its operation of the Integrated Power System is able to allocate portions of the energy into other time periods;

(c) if Hydro is exporting or importing energy to or from electricity markets outside of Manitoba in reasonable quantities (the determination of which is not restricted by the quantum referenced for Insufficient Transactions), the price that Hydro obtained at the Manitoba border for the export or import of the energy that physically crossed the Manitoba border pursuant to the export or import transactions net of all Adjustments ; and

(d) if Hydro is not exporting or importing energy and capacity in reasonable quantities (the determination of which is not restricted by the quantum referenced for Insufficient Transactions), then, subject to Section 6.3(a)(ii), the determination of value to Hydro will be made based on the price that Hydro could have obtained at the Manitoba border if it was exporting energy and capacity to electricity markets available to Hydro outside of Manitoba net of all Adjustments.

6.4 Transaction Rate Review.

The Adjustments made by Hydro may be reviewed in the manner provided in Article XVII of the PDA.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of the Limited Partnership.

The Limited Partnership represents and warrants that each of the following representations and warranties is true and accurate:

(a) the Limited Partnership is a limited partnership duly formed, validly existing and in good standing under the laws of the Province of Manitoba and has all requisite power and authority to own, operate or lease the properties owned or to be owned, operated or leased by the Limited Partnership and to carry on its business as contemplated by the Limited Partnership Agreement; and

(b) this Agreement has been duly authorized, executed and delivered by the General Partner by or on behalf of the Limited Partnership and is a legal, valid and binding obligation of the Limited Partnership and of the General Partner enforceable against each of them by Hydro in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction or by this Agreement, at the discretion of the Arbitrator.

7.2 **Survival of Representations and Warranties of the Limited Partnership.**

All the representations and warranties of the Limited Partnership in Section 7.1 shall survive the execution and delivery of this Agreement and shall continue in full force and effect notwithstanding any investigation made at any time by or on behalf of Hydro.

7.3 **No Representations by the Limited Partnership.**

No other representation, warranty or other statement made by the Limited Partnership in respect of this Agreement shall be binding on the Limited Partnership unless made by it in writing as a specific amendment to this Agreement.

7.4 **Representations and Warranties of Hydro.**

Hydro represents and warrants that each of the following representations and warranties is true and accurate:

(a) Hydro is a corporation duly incorporated and organized and validly subsisting under the laws of the Manitoba and has the corporate power and authority to own or lease its property and to enter into this Agreement and to perform its obligations hereunder, subject to the provisions of the *Hydro Act*; and

(b) this Agreement has been duly authorized, executed and delivered by Hydro and is a legal, valid and binding obligation of Hydro enforceable against Hydro by the Limited Partnership in accordance with its terms, except as enforcement may be limited by the provisions of the *Hydro Act* and by bankruptcy, insolvency and other laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction or, by this Agreement, at the discretion of the Arbitrator.

7.5 Survival Representations and Warranties of Hydro.

All the representations and warranties of Hydro contained in Section 7.4 shall survive the execution of this Agreement and shall remain in full force and effect notwithstanding any investigation made at any time by or on behalf of the Limited Partnership.

7.6 No Representations by Hydro.

No other representation, warranty or other statement made by Hydro in respect of this Agreement shall be binding on Hydro unless made by it in writing as a specific amendment to this Agreement.

ARTICLE VIII
BILLING, PAYMENTS AND ADJUSTMENTS

8.1 Billings, Payments and Adjustments

(1) All billings shall be calculated monthly at the end of each calendar month and reconciled monthly and yearly in accordance with provisions of this Agreement.

(2) The Limited Partnership shall deliver all bills to Hydro monthly within twenty-one (21) calendar days after the end of the period covered by the bill. The period for billing shall be from 12:01 a.m. (Winnipeg time) of the first calendar day of the month to 12:01 a.m. (Winnipeg time) of the first calendar day of the succeeding month Bills shall be considered rendered upon receipt by Hydro. If all information necessary is not accurately known in time for the preparation of the monthly bill, estimates may be used to prepare an interim bill with a final bill to be prepared when accurate information becomes known.

(3) All bills shall be due and payable in immediately available same-day funds within five (5) Business Days from the date the bill is rendered. If such due date falls on a non-Business Day, the payment shall be due and payable on the next following Business Day. Payments received after the due date shall be considered late. Late payments shall include a fee equal to

the amount determined by applying interest at the prime rate established by the Limited Partnership's bank plus two percent (2%) per annum to the overdue amount billed for the period the payment is late.

(4) If a Party disputes all or any part of a bill, that Party shall pay the amount of the bill not in dispute to the other Party and shall pay into an account specified by Hydro that portion of the bill in dispute, pending resolution of such dispute. If the resolution of a dispute regarding a bill results in a refund, interest thereon shall accrue at whatever rate of interest is applicable to the account into which the disputed amount has been deposited.

(5) Payment of all bills shall be made by interbank wire transfer to the Limited Partnership bank in accordance with the account instructions as provided by the Limited Partnership and payment shall be deemed made when received by the designated bank.

(6) Hydro shall bill the Limited Partnership for all actual costs and expenses which it incurs in connection with this Agreement. The Limited Partnership's payment to Hydro under this paragraph shall be made within five (5) Business days following receipt of the written bill from Hydro. Payments made after the due date shall be considered late and shall bear interest on the unpaid balance at an annual rate of the Limited Partnership's bank's prime interest rate plus two percent (2%) per annum.

(7) Hydro shall have the right to set-off and/or recoup against payments to be made to the Limited Partnership by the terms of this Agreement any amount reasonably believed by Hydro to be due to Hydro from the Limited Partnership under Section 3.1(j) and under Section 9.3(b). Hydro's exercise of its right of retention under this section is without prejudice to the Limited Partnership's right to contest the set-off and the claim upon which the set-off is based. Where Hydro exercises its right of set-off or recoupment, Hydro shall notify the Limited Partnership in writing of the specific basis for the set-off or recoupment in reasonable detail, including the basis for calculation of the amount believed to be due to Hydro.

ARTICLE IX

SPILL ENERGY REVENUE ADJUSTMENT

9.1 Article IX Definitions.

For purposes of this Article IX, defined terms shall have the following meanings:

"**Average On-Peak Energy Price**" means the average Energy Rate paid by Hydro to the Limited Partnership for On-Peak Energy, calculated on an annual basis, pursuant to this Agreement for a particular Hydro Financial Year less:

(a) Transmission Costs;

(b) the Fee, if applicable; and

(c) Water Rental Charges.

"**Average Off-Peak Energy Price**" means the average Energy Rate paid by Hydro to the Limited Partnership for Off-Peak Energy, calculated on an annual basis, pursuant to this Agreement for a particular Hydro Financial Year less:

(a) Transmission Costs;

(b) the Fee, if applicable; and

(c) Water Rental Charges.

"**CRD**" means the diversion of water from the Churchill River to the Nelson River and the impoundment of water on the Rat River and Southern Indian Lake as authorized by the CRD Licence;

"**CRD Licence**" means the interim or final licence and associated approvals to operate the CRD granted from time to time by Manitoba to Hydro under *The Water Power Act* (Manitoba);

"**CRD Wuskwatim Spill Energy**" means the total energy in GWh that could have been generated at the Wuskwatim Generating Station within each Hydro Financial Year as On-Peak

Spill Energy and as Off-Peak Spill Energy, respectively, had excess water not been spilled at Missi Falls calculated in accordance with Section 9.2.

"**Fee**" means the fees payable by the Limited Partnership to Hydro under Section 3.1(j) of this Agreement.

"**Missi Falls**" means the Missi Falls Control Station operated by Hydro.

"**Missi Falls Minimum Flow**" means the minimum discharge requirement as specified in the licences issued to Hydro for Missi Falls under the CRD Licence or other licence, permit or regulatory provisions applicable to the operation of Missi Falls from time to time.

"**Notigi**" means the Notigi Control Station operated by Hydro.

"**Notigi Maximum Flow**" means the maximum discharge requirement as specified in the licences issued to Hydro for Notigi under the CRD Licence or other licence, permit or regulatory provisions applicable to the operation of Notigi from time to time.

"**Off-Peak Spill Energy**" means that portion of CRD Wuskwatim Spill Energy, measured in MWh, that would have been generated as Off-Peak Energy minus 1.73 GWh or such other amount of energy to be deducted as determined in a Rate Review.

"**On-Peak Spill Energy**" means that portion of CRD Wuskwatim Spill Energy, measured in MWh, that would have been generated as On-Peak Energy minus 0.87 GWh or such other amount of energy to be deducted as determined in a Rate Review.

"**Spill Energy Revenue Adjustment**" means the amount calculated pursuant to Section 9.3.

"**SPLASH Modelling**" means the results Hydro generated as at the Hydro Financial Year ending on March 31, 2005 under its computer model (Simulation Program for Long-term Analysis of System Hydraulics) to simulate the operation of the Integrated Power System under a series of flow conditions with the objective of meeting a forecast of load requirements and maximizing revenues while recognizing limitations imposed by licences and agreements.

"**Transmission Costs**" means costs related to the transmission of Net Actual Generation received by Hydro at the Point of Interconnection on the Hydro Transmission System.

"**Water Rental Charges**" means the Water Rental charges payable to the Province of Manitoba, under *The Water Power Act* (Manitoba), for use of water for the Wuskwatim Project.

"**Wuskwatim GS Spill**" means a spill or release of water at the Wuskwatim Project as a result of operating conditions.

9.2 <u>CRD Wuskwatim Spill Energy Calculation.</u>

The CRD Wuskwatim Spill Energy shall be the sum of the On-Peak Spill Energy and the Off-Peak Spill Energy and shall be determined:

(a) based on an amount of water flow equal to the lesser of:

(i) Missi Falls flow in excess of the Missi Falls Minimum Flow; if the value is less than zero, the value shall equal zero;

(ii) Notigi Maximum Flow in effect at the time minus the actual Notigi flow, if the value is less than zero, the value shall equal zero;

(iii) zero during any period during which a Wuskwatim GS Spill occurs; and

(iv) zero during any period in which Hydro is unable to accept energy generated at the Wuskwatim Generating Station due to domestic transmission constraints per Section 2.18 of this Agreement;

(b) with allowance for:

(i) Missi Falls flow in excess of the Missi Falls Minimum Flow considered necessary by Hydro, acting in accordance with Good Utility Practice, to manage wind effects, ice formation, emergency conditions, control structure manual operability constraints, or other relevant factors; and

(ii) Notigi flow below Notigi Maximum Flow considered necessary by Hydro, acting in accordance with Good Utility Practice, to manage wind effects, operation to manage ice formation, emergency conditions, control structure manual operability constraints, all other relevant factors;

(c) provided that if Wuskwatim generation units are out of service or derated, the calculation of CRD Wuskwatim Spill Energy shall be reduced by the amount of energy that potentially could have been generated if generation units were not out of service or derated.

9.3 Revenue Adjustment Calculation.

Within one hundred twenty (120) days of the end of each Hydro Financial Year, commencing in the Hydro Financial Year ending March 31, 2015, Hydro shall provide the Limited Partnership and the Limited Partners with a calculation of the CRD Wuskwatim Spill Energy and the following information:

(a) the CRD Wuskwatim Spill Energy for the immediately preceding Hydro Financial Year;

(b) the particulars of the calculation of the CRD Wuskwatim Spill Energy, the Average On-Peak Energy Price, the Average Off-Peak Energy Price, the On-Peak Spill Energy Amount, if any, and the Off-Peak Spill Energy Amount, if any, for that Hydro Fiscal Year; and

(c) the data and methodologies which formed the basis of the calculations, in reasonable detail so each Limited Partner can verify the calculations.

9.4 Payment of Revenue Adjustment.

Within thirty (30) days of providing the information in Section 9.3:

(a) if the CRD Wuskwatim Spill Energy is a number greater than zero, Hydro shall pay to the Limited Partnership an amount equal to the sum of:

(i) the product of the On-Peak Spill Energy and the Average On-Peak Energy Price; and

(ii) the product of the Off-Peak Spill Energy and the Average Off-Peak Energy Price.

(b) if the CRD Wuskwatim Spill Energy is a number less than zero, the Limited Partnership shall pay to Hydro an amount equal to the sum of:

(i) the product of the On-Peak Spill Energy Amount, negative one (-1.0), and the Average On-Peak Energy Price; and

(ii) the product of the Off-Peak Spill Energy, negative one (-1.0), and the Average Off-Peak Energy Price.

Hydro may set-off any amount payable by the Limited Partnership pursuant to Section 9.4 against any amounts Hydro is obligated to pay the Limited Partnership pursuant to this Agreement.

9.5 <u>Spill Energy Amount and Revenue Adjustment Review.</u>

The Parties agree that the CRD Wuskwatim Spill Energy and the data and methodologies which formed the basis of the calculations used in determining the Spill Energy Revenue Adjustment may be reviewed from time to time in the manner provided for in Article XVII of the PDA. The Parties agree that the principles to be considered in a Rate Review of the CRD Wuskwatim Spill Energy and the Spill Energy Revenue Adjustment are that:

(a) the Parties intend the Limited Partnership receives or pays an annual adjustment that would make the annual total revenue of the Limited Partnership equal to that which it would have received if the CRD Wuskwatim Spill Energy equaled the average amount of spill energy predicted by the SPLASH Modelling for Hydro's Financial Year ending March 31, 2005; and

(b) the Fee and the Water Rental Charges in effect at the date of each adjustment shall be subtracted from the amount of the adjustment.

ARTICLE X
EVENTS OF DEFAULT

10.1 Event of Limited Partnership Default

If any of the following events, conditions or circumstances (each an "**Event of Limited Partnership Default**") shall occur and be continuing, then Hydro by written notice to the Limited Partnership shall be entitled to terminate the obligations of Hydro under this Agreement:

(1) any representation or warranty or certification made or deemed to be made by the Limited Partnership pursuant to or in connection with this Agreement delivered to Hydro shall prove to have been incorrect in any material respect when made or deemed to have been made;

(2) an Arbitrator makes a determination that the Limited Partnership failed to perform or observe any term, covenant or agreement contained in this Agreement, on its part to be performed or observed and such failure shall remain unremedied after the end of the period within which the Arbitrator determines the Limited Partnership is required to remedy such failure;

(3) (the Limited Partnership shall:

(a) become insolvent or generally not pay its debts as such debts become due;

(b) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(c) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(d) institute or have instituted against it any proceeding seeking:

(i) to adjudicate it a bankrupt or insolvent;

(ii) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(iii) the entry of an order for relief or the appointment of a receiver, interim receiver, receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of the Limited Partnership's Property;

(iv) and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within 30 days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of the Limited Partnership's Property) shall occur; or

(v) take any action to authorize any of the foregoing actions;

(4) Notice is sent to or received by the Limited Partnership from any creditor with respect to the intention of such creditor to enforce a lien on any Property of the Limited Partnership unless such Notice is being contested in good faith by appropriate legal proceedings and such Notice has not resulted in, or does not involve, any immediate danger of the sale, forfeiture or loss of any of the Property of the Limited Partnership that is the subject of such Notice;

(5) any one or more judgments or orders in excess of $75,000 (or the equivalent in another currency) in the aggregate, or any one or more orders, directives, letters of credit or other communications from any Governmental Authority which may be reasonably likely to require the Limited Partnership to expend an amount in excess of $75,000 (or the equivalent amount in another currency) in the aggregate shall be rendered against the Limited Partnership, and either:

(a) enforcement proceedings shall have been commenced by any creditor upon any such judgment(s) or order(s); or

(b) there shall be any period of ten (10) consecutive Business Days during which a stay of enforcement of any such judgment or order, directive, letter or other communication by reason of a pending appeal or otherwise, shall not be in effect;

(6) the loss, suspension or failure to renew any Licence or any other licence or permit held by the Limited Partnership or any agreement to which the Limited Partnership is a party the effect of which would prohibit or otherwise restrict the Limited Partnership from conducting all or a material part of the Business; or

(7) the occurrence of a Material Adverse Business Effect.

10.2 Expense of Hydro

Upon the occurrence of any Event of Limited Partnership Default, which has not been waived and is continuing, Hydro may take any action Hydro considers advisable, acting reasonably, to remedy the effect of such Event of Limited Partnership Default. All reasonable expenses and costs, charges incurred by or on behalf of Hydro in connection with any remedial action taken pursuant to this Section 10.2 shall be a cost to be paid to Hydro by the Limited Partnership in accordance with provisions of this Agreement.

10.3 Event of Hydro Default

If any of the following events, conditions or circumstances (each an "**Event of Hydro Default**") shall occur and be continuing then the Limited Partnership by written notice to Hydro shall be entitled to terminate the obligations of the Limited Partnership under this Agreement:

(1) an Arbitrator makes a determination that Hydro failed to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed and such failure shall remain

unremedied after the end of the period within which the Arbitrator determines Hydro is required to remedy such failure; or

(2) Hydro shall:

(a) become insolvent or generally not pay its debts as such debts become due;

(b) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(c) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(d) institute or have instituted against it any proceeding seeking:

(i) to adjudicate it a bankrupt or insolvent;

(ii) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors; or

(iii) the entry of an order for relief or the appointment of a receiver, interim receiver, receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of its Property;

(iv) and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within 30 days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property) shall occur; or

(v) take any corporate action to authorize any of the foregoing actions;

then, in any such event, the Limited Partnership shall by written notice to Hydro be entitled to terminate the obligations of the Limited Partnership under this Agreement.

10.4 Expense of the Limited Partnership

Upon the occurrence of any Event of Hydro Default, which has not been waived and is continuing, the Limited Partnership may take any action the Limited Partnership considers advisable, acting reasonably, to remedy the effect of such Event of Hydro Default. All reasonable expenses and costs, charges incurred by or on behalf of the Limited Partnership in connection with any remedial action taken pursuant to this Section 9.4 shall be a cost to be paid to the Limited Partnership by Hydro in accordance with provisions of this Agreement.

10.5 Remedies Cumulative

The remedies provided for in this Agreement are cumulative and do not exclude any other right or remedy provided by Law.

ARTICLE XI
DISPUTE RESOLUTION

11.1 General.

Subject to Section 11.2, all disputes, differences or claims, or apprehended disputes or claims which arise under this Agreement relating to the application, interpretation, meaning, alleged violation, performance or non-performance of this Agreement shall be settled by final and binding arbitration conducted pursuant to the provisions of this Article XI.

11.2 Limitation.

The provisions of this Article XI do not apply to a Rate Review which reviews shall be conducted pursuant to the provisions of Article XVII of the PDA. Notwithstanding the provisions of this Article XI an Arbitrator appointed pursuant to this Article XI shall have no jurisdiction to consider or review any matters referred to or referable to an Expert under Article XVII of the PDA, except with respect to the enforcement of a decision of such Expert made in accordance with the provisions of Article XVII of the PDA.

11.3 Endeavour to Resolve.

The Parties agree that prior to bringing any dispute, difference or claim to arbitration pursuant to the provisions of this Article XI, they shall use reasonable efforts to resolve such dispute, difference or claim amongst themselves.

11.4 Arbitration.

A Party (an "**Applicant**") who wants to settle a dispute difference or claim or apprehended dispute, difference or claim referred to in Section 11.1 (a "**Dispute**")) shall provide the other Party a written notice (a "**Dispute Notice**") which shall contain the following:

(a) the name of the respondent and interested parties;

(b) a detailed description of the Dispute; and

(c) the relief, remedy, redress or declaratory order sought.

A Dispute Notice shall be delivered within 180 days from when the Applicant knew or reasonably ought to have known of the existence of a Dispute, subject to the written agreement of the Parties to extend this time limit. An Applicant who fails to deliver a Dispute Notice with respect to a Dispute within the prescribed period shall be deemed to have waived and abandoned the Dispute.

11.5 Reply.

The Party who receives a Dispute Notice (a "**Respondent**") shall, within 60 days of receiving the Dispute Notice, provide the Applicant with a written reply (a "**Reply**"), which sets out in detail the Respondent's position with respect to the Dispute.

11.6 Referral to Arbitration.

Within 30 days of the Applicant's receipt of the Reply, if the Dispute has not been settled, the Dispute shall be referred to binding arbitration pursuant to the provisions of *The Arbitration Act* (Manitoba) and the following sections of this Article XI, provided that if there is any inconsistency between the provisions of the said Act and Section 11, this Agreement shall apply.

11.7 Appointment of Arbitrator.

Subject to Section 11.8, an Arbitrator shall be appointed to adjudicate the dispute, using the following procedure:

(1) the Applicant shall provide to the Respondent and the Respondent shall provide to the Applicant the names, addresses and occupations of not more than three individuals, each of whom it would accept as an Arbitrator;

(2) if any one of the persons on the list of proposed arbitrators is acceptable to the Applicant and the Respondent and is willing and able to act as the Arbitrator, then that person shall be appointed as the Arbitrator forthwith; and

(3) if within 45 days of the referral of the Dispute to the binding arbitration the Applicant and the Respondent cannot agree upon a person to act as Arbitrator, either of them may request that the Arbitrator be appointed by the Chief Justice or the Associate Chief Justice of the Court of Queen's Bench (Winnipeg Division) by application to the said court served on the other Party to the arbitration.

11.8 Qualifications of Arbitrator.

An Arbitrator appointed pursuant to Section 11.7 shall:

(a) be qualified to decide the particular question in dispute;

(b) not have a pecuniary interest in the particular matter in dispute; and

(c) not have, within a period of one year prior to the date on which the matter was referred to arbitration pursuant to Section 11.4, acted, or been a member of any firm that has acted as solicitor, counsel or agent for any of the Parties.

11.9 Length of Hearing.

The Arbitrator once appointed shall proceed expeditiously to hear and determine the question or questions in dispute as set out in the Dispute and Reply, subject to any reasonable delay due to, or resulting from, any unforeseen circumstances.

11.10 Place of Hearing.

The arbitration shall take place at such location, place and time as the Parties may agree or as the Arbitrator shall fix. The law applicable to the arbitration shall be the Laws of Manitoba and the Laws of Canada applicable in Manitoba.

11.11 Powers of the Arbitrator.

The Arbitrator may determine all questions of law, fact and jurisdiction and all matters of procedure relating to the arbitration. The Arbitrator shall have the right to grant all legal and equitable relief necessary to provide a final and conclusive resolution of the Dispute including, without limitation, the right to relieve, on just and equitable terms, if applicable, against breaches of time limits set out in this Agreement, the right to determine, if applicable, the monetary value of any loss or injury suffered by a Party and to make an order directing a Party to pay the monetary value of any loss or injury so determined and to award costs (including legal fees and the costs of the arbitration) and interest. Except as the Parties otherwise expressly agree, the Arbitrator shall not have the authority or jurisdiction to change, alter, or amend this Agreement or any term or provision contained therein.

11.12 Counsel.

The Parties may be represented by counsel.

11.13 Evidence.

Evidence submitted in arbitration may be presented in writing or orally. The Parties at a minimum shall disclose all relevant information and documents as would be compellable in a court of law. The Arbitrator may require relevant information and documents to be disclosed by either Party, either prior to or during a hearing, except such documents as would not be compellable if the action were brought in a court of law.

11.14 Arbitration Award.

The Arbitrator shall deliver the award within 90 days following the completion of the hearing.

11.15 Award Final.

The decision of the Arbitrator shall be final and binding on the Parties. The right of any affected Party to appeal an award will be limited to a question of law, provided that leave is first obtained from the Court of Queen's Bench based on the criteria listed in Section 44 of *The Arbitration Act* (Manitoba).

11.16 Costs of Arbitration.

Each Party shall bear its own costs and an equal share of the costs of the Arbitrator, subject to a different award as to costs by the Arbitrator made following the completion of the Arbitration.

11.17 Performance of Obligations.

Each Party agrees to continue performing its obligations under this Agreement while any Dispute is being resolved or arbitrated, subject to any interim order to the contrary issued by the Arbitrator.

11.18 Confidentiality.

All hearings before the Arbitrator shall be closed to the public. All statements and evidence submitted for the arbitration, the decision of the Arbitrator, the fact of the arbitration itself and all other aspects regarding the arbitration shall be kept strictly confidential except as otherwise required by applicable Law or agreed to by the Parties.

11.19 Arbitrator's Undertaking.

Upon appointment, every Arbitrator shall swear or affirm an undertaking in the form set forth in Schedule A.

11.20 Vacancy.

Where a vacancy occurs in the office of the Arbitrator after the commencement of proceedings, the proceedings need not recommence but may, with the unanimous consent of the Parties continue before a replacement Arbitrator. In the absence of such unanimous consent, the arbitration must recommence as if it were a new matter before a new Arbitrator.

11.21 Days.

The word "days" wherever used in this Article XI shall mean calendar days.

ARTICLE XII
GENERAL PROVISIONS

12.1 Notices.

All Notices provided for in this Agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set opposite the party's name in Schedule B hereto or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

12.2 Indemnification.

The Limited Partnership agrees to indemnify and save harmless Hydro and its officers, directors, representatives and employees and agents from any and all claims, demands, proceedings, law suits, damages, liabilities, deficiencies, costs and expenses (including, without limitation all legal fees on a solicitor and client basis) and other professional fees and disbursements, interests, penalties and amounts paid in settlement suffered or incurred by Hydro as a result of or arising directly or indirectly out of or in contravention of any breach by the Limited Partnership of or in any inaccuracy of any representation or warranty of the Limited Partnership contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto and any breach or non-performance by the Limited Partnership of any covenant to be performed by or pursuant to this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

12.3 Further Assurances.

Each Party without further consideration, shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party may reasonably require from time to time for the purpose of giving effect to this Agreement or more effectively completing any matter provided for in this Agreement and shall take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

12.4 Time of the Essence.

Time shall be of the essence of this Agreement.

12.5 Enurement.

This Agreement shall enure to the benefit of and be binding upon the Parties and their permitted assigns.

12.6 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

12.7 Waivers and Amendments.

Any term, covenant or condition of this Agreement may be amended only with the written consent of the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first above written.

WUSKWATIM POWER LIMITED PARTNERSHIP, by its General Partner 5022649 Manitoba Ltd.

Per:______________________________
Name:
Title:

THE MANITOBA HYDRO-ELECTRIC BOARD

Per:______________________________
Name:
Title:

Per:______________________________
Name:
Title:

SCHEDULE A

ARBITRATOR'S UNDERTAKING

FORM OF OATH OR UNDERTAKING OF THE ARBITRATOR

I, , do swear and affirm that I will hear the matters referred to me as provided for by the Power Purchase Agreement and The Arbitration Act (Manitoba) in the matter of:

(State particulars of the matter)

and make a true and impartial award, according to the evidence, arguments of the parties, using my skill and knowledge.

DATED this day of , 20 .

Sworn or Affirmed before

A Commission, Notary, etc.

at ________________________

this ___ day of ______, 20_.

SCHEDULE B

NOTICES

Wuskwatim Power Limited Partnership
c/o 5022649 Manitoba Ltd.
360 Portage Avenue
P.O. 815, Station Main
Winnipeg, MB R3C 2P4
Attention: Chairman

Fax: (204) 360-6138

Manitoba Hydro
360 Portage Avenue
P.O. 815, Station Main
Winnipeg, MB R3C 2P4
Attention: Ken Tennenhouse, General Counsel

Fax: (204) 360-6147

SCHEDULE 6.1
AMENDED AND RESTATED NCN FINANCING AGREEMENT

AMENDED AND RESTATED NCN FINANCING AGREEMENT

between

NISICHAWAYASIHK CREE NATION

– and –

TASKINIGAHP POWER CORPORATION

– and –

THE MANITOBA HYDRO-ELECTRIC BOARD

Effective April 1, 2014

TABLE OF CONTENTS

NCN FINANCING AGREEMENT

Effective April 1, 2014

B E T W E E N:

NISICHAWAYASIHK CREE NATION,
(hereinafter referred to as "NCN")

- and –

TASKINIGAHP POWER CORPORATION,
(hereinafter referred to as "TPC")

- and –

THE MANITOBA HYDRO-ELECTRIC BOARD,
(hereinafter referred to as "Hydro")

The parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Defined Terms.

In this Agreement, defined terms used herein shall have the following meanings:

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under direct or indirect common Control with, such Person.

"**Aggregate Capital Contributions**" means for any particular day, the sum of: (i) the subscription price paid for the purchase of the Units by the Limited Partners; and (ii) all other capital amounts contributed by the Limited Partners to the Limited Partnership pursuant to the provisions of the Limited Partnership Agreement.

"**Agreement**" means this financing agreement and all schedules and instruments in amendment or confirmation of it; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement.

"**Anniversary Date**" means each anniversary of the Final Closing Date.

"**Approved Funds**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Auditors**" means such firm of chartered accountants as may be selected by the directors of TPC and approved by NCN from time to time to audit TPC, provided that such firm of chartered accountants is qualified to perform audits in Manitoba.

"**Authorization**" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person, whether or not having the force of Law.

"**Borrowing**" means a borrowing consisting of one or more Dividend Credit Advances.

"**Borrowing Notice**" has the meaning specified in Section 3.2.

"**Business**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Business Day**" means any day on which Hydro's head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba.

"**Canada**" means the Government of Canada.

"**Canadian Dollar Guarantee Rate**" means for any particular day, the closing rate of interest (expressed as a percentage rate per annum) charged on such day by Manitoba to Hydro, as a fee for Manitoba's guarantee of Hydro's Canadian Dollar borrowings.

"**Canadian Dollars**" and "**$**" each mean lawful money of Canada.

"**Canadian Ten Year Rate**" means for any particular day, the rate of interest per annum equal to:

(i) the Ten Year Canada Bond Rate, as at 10:00 a.m. (Winnipeg time), for such day; plus

(ii) the Canadian Dollar Guarantee Rate, as at 10:00 a.m. (Winnipeg time), for such day and either:

(A) plus the Canadian Ten Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Ten Year Canada Bond Rate used in the calculation of the said Canadian Ten Year Spread is less than the rate of interest for the Ten Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Ten Year Spread; or

(B) less the Canadian Ten Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Ten Year Canada Bond Rate used in the calculation of the said Canadian Ten Year Spread is greater than the rate of interest for the Ten Year Manitoba Canadian Dollar

Bond used in the calculation of the said Canadian Ten Year Spread.

"**Canadian Ten Year Spread**" means at any particular date, the difference between the Ten Year Canada Bond Rate in effect on that date and the rate of interest (expressed as a percentage rate per annum) for Ten Year Manitoba Canadian Dollar Bonds had Ten Year Manitoba Canadian Dollar Bonds been issued by Manitoba on that day at 10:00 a.m. (Winnipeg time) including commission costs, (with the rate of interest determined by Hydro obtaining three rate quotes for Ten Year Manitoba Canadian Dollar Bonds and using the median of the three rate quotes obtained).

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participation or equivalent interest in (however designated) the equity (including, without limitation, common shares, preferred shares, trust units and partnership interests) of such Person and any rights, warrants or options to subscribe for or acquire an equity interest in such Person.

"**Change of Control**" means any change which results in NCN no longer directly owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of the bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC, as bare trustee for NCN, commits to vote such Capital Stock in accordance with the direction of Chief and Council of NCN), and for greater certainty the NCN Deed of Assignment does not effect a Change of Control.

"**Chief**" has the meaning ascribed thereto in the PDA.

"Chief and Council" has the meaning ascribed thereto in the PDA.

"**Claim**" means any claim of any nature whatsoever, including any demand, dispute, liability, obligation, debt, action, cause of action, suit, proceeding, litigation, arbitration, judgment, order, award, assessment and reassessment.

"**Collateral**" means TPC's Units and the Distributions thereon in respect of which Hydro has or will have or is intended to have a Lien pursuant to the Security Documents.

"**Corporate Distributions**" means, in respect of any Person, whether or not a corporation, any form of distribution of its profits, including in each case any:

(i) declaration or payment of any dividend on its Capital Stock; and

(ii) payment to purchase, redeem, retire or acquire or reduce the stated capital of any of its Capital Stock, or any option, warrant or other right to acquire any such Capital Stock, or apply or set apart any of its Property therefore.

"**Councillor**" has the meaning ascribed thereto in the PDA.

"**Council Resolution**" has the meaning ascribed thereto in the PDA.

"**Credit Facility Repayment Certification**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Cure Period**" has the meaning specified in Section 8.1(c).

"**Debt**" of any Person means, without duplication:

(i) all obligations of such Person for borrowed money or advances and all obligations of such Person evidenced by bonds, debentures, notes or similar instruments;

(ii) all obligations of such Person, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the account of such Person; and

(iii) all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of such Person as of the date at which Debt is to be determined (excluding trade payables incurred in the ordinary course of business).

"**Distributions**" means distributions of cash of the Limited Partnership to TPC and the return of any part of the Aggregate Capital Contributions by the Limited Partnership to TPC.

"**Dividends**" has the meaning ascribed thereto in the NCN Deed of Assignment.

"Dividend Credit Advances" means advances made by Hydro to NCN in Canadian Dollars under this Agreement and "**Dividend Credit Advance**" means any one of such Dividend Credit Advances.

"**Dividend Credit Facility**" means the non-revolving credit facility to be made available to NCN by Hydro in the maximum amount of the Dividend Credit Facility Commitment and in accordance with the terms hereof.

"**Dividend Credit Facility Commitment**" means,

(a) for the calendar year 2015 eighteen million ($18,000,000) dollars, less the sum of NCN Cash Flows From All Sources for the calendar years 2014 and 2015;

(b) in all other years, the aggregate of the amount calculated on each Anniversary Date prior to, but not including, the Maturity Date derived from the formula "(A x B) – C", where A is the Canadian Ten Year Rate on that Anniversary Date less 2.5%; B is TPC's Own Invested Cash on that Anniversary Date; and C is the aggregate amount of all Distributions from the Limited Partnership on TPC's Dividend Cash Units actually paid out to TPC (and not paid to Hydro pursuant to the irrevocable assignment and direction under the Loan Documents) in the 12-month period ending on such Anniversary Date. (For greater certainty, any Distributions on TPC's Dividend Cash Units which TPC was entitled to receive from the Limited Partnership pursuant to the provisions of the Limited

Partnership Agreement but which were paid to Hydro pursuant to the provisions of the Loan Documents or pursuant to the provisions of the TPC Financing Agreement are not, for the purposes of the determination of the Dividend Credit Facility Commitment and any availability thereunder only, included as Distributions on TPC's Dividend Cash Units received by TPC.)

"**Dividend Credit Facility Commitment Cap**" means the amount calculated as at the first Anniversary Date equal to four times (A) where, (A) is TPC's Own Invested Cash on the first Anniversary Date.

"**Event of Default**" has the meaning specified in Section 8.1.

"**Equity Credit Advances**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Equity Credit Facility**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Final Closing**" and "**Final Closing Date**" shall have the respective meanings ascribed thereto in the PDA"**Final Investment Closing**" and "**Final Investment Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

"**Financial Year**" means, in relation to TPC, the financial year of TPC determined by the board of directors of TPC.

"**Future Material Agreements**" has the meaning specified in Section 6.1(12).

"**GAAP**" means, at any time, generally accepted accounting principles in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, or any successor Person at such time.

"**General Partner**" means 5022649 Manitoba Ltd., in its capacity as general partner of the Limited Partnership pursuant to the terms of the Limited Partnership Agreement.

"Government Funds" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Governmental Entity**" means any:

(i) federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign;

(ii) any agent, commission, board, or authority of any of the foregoing; or

(iii) any body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"**Guarantee**" means an unconditional, irrevocable, continuing guarantee executed by TPC in favour of Hydro of the payment and performance by NCN of all of the Obligations on terms and conditions acceptable to Hydro, acting reasonably, and consistent with the terms of this Agreement, which Guarantee shall be delivered by TPC to Hydro at Initial Closing.

"**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by the Hydro Act.

"**Hydro Account**" means such account or accounts maintained by Hydro at the Royal Bank of Canada, as Hydro from time to time notifies NCN for the purposes of this Agreement.

"**Hydro Act**" means *The Manitoba Hydro Act*, R.S.M. 1987, c. H190, as amended from time to time.

"**Hydro Liens**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Initial Closing**" and "**Initial Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

"**Initial Limited Partnership Agreement**" means the limited partnership agreement entered into between the General Partner, in its capacity as general partner, and Hydro, as limited partner, dated the 9th day of December, 2004.

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of such Laws.

"**Lien**" means, with respect to any Property, any charge, mortgage, pledge, hypothecation, security interest, lien, conditional sale (or other title retention agreement or lease in the nature thereof), lease, servitude, assignment, adverse claim, defect of title, restriction, trust, or other encumbrance of any kind in respect of such Property, whether or not filed, recorded or otherwise perfected under applicable Laws.

"**Limited Partner**" means one of Hydro or TPC, as the context requires, in its capacity as a limited partner of the Limited Partnership, and "**Limited Partners**" means both of Hydro and TPC, in their respective capacities as limited partners of the Limited Partnership.

"**Limited Partnership**" means the Wuskwatim Power Limited Partnership created pursuant to the Initial Limited Partnership Agreement, and continued pursuant to the Limited Partnership Agreement, for the purposes of owning and, directly or indirectly, planning, designing, constructing, operating and maintaining the Wuskwatim Project.

"**Limited Partnership Agreement**" means the third Amended and Restated Limited Partnership Agreement amending and restating the second Limited Partnership Agreement, dated April 16, 2015 between the general partner in its capacity as General Partner and Hydro and TPC, in their respective capacities as limited partners.

"**Limited Partnership Payment Certification**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Loan Documents**" means this Agreement, the Guarantee, the Security Documents, and all other agreements, certificates and instruments delivered or given pursuant to or in connection with the Dividend Credit Facility established under this Agreement; and "**Loan Document**" means any one of such Loan Documents.

"**Loss**" means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities, debts, interest and any and all legal fees and disbursements, on a solicitor and his own client basis.

"**Manitoba**" means the Government of Manitoba.

"**Material Adverse Business Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in or of itself, but which cumulatively results in a material adverse effect) on:

(i) the ability of NCN or TPC to perform any of their material obligations under the Loan Documents; or

(ii) the ability of Hydro to enforce any of the material obligations of NCN or TPC under the Loan Documents, where Hydro, acting reasonably, has determined that its ability to enforce the said material obligations cannot be cured by Hydro within a reasonable period of time or without Hydro being materially adversely affected, notwithstanding that NCN and TPC have provided their written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said material obligations of NCN or TPC under the Loan Documents.

"**Material Agreements**" has the meaning specified in Section 5.1(k)(iii).

"**Maturity Date**" means the fiftieth Anniversary Date.

"**Member**" means a person who at the relevant time is, or has applied and is entitled to be, a member of NCN pursuant to the membership code established by and for NCN pursuant to Section 10 of the *Indian Act* (Canada), which membership code has been in force and of effect since May 24, 1988 or pursuant to a successor membership code established pursuant to legislation or lawfully adopted by NCN, and "**Members**" means the group of persons each of whom is a Member.

"**NCN**" means the Nisichawayasihk Cree Nation, formerly known as the Nelson House First Nation.

"**NCN Cash Flow From All Sources**" means, for the calendar years 2014 and 2015, the total amount of:

(a) the water rental rebate which NCN received or is entitled to receive from Manitoba for the calendar year pursuant to its water rental rebate agreement with Manitoba;

(b) the interest income on the Hydro Bonds paid or payable to in that calendar year by Hydro in accordance with the One Year Agreement or PDA Supplement No. 2;

(c) three hundred eight thousand twenty-five ($308,025) dollars paid by Hydro to NCN on March 3, 2014 as the remaining NCN Dividend Credit advance for the year 2013; and

(d) the annuity payable by Hydro to NCN for the calendar year pursuant to Article 11 of the PDA Supplement No. 2.

"**NCN Deed of Assignment**" has the meaning ascribed thereto in the PDA.

"**Notice**" means any notice, citation, directive, request for information, writ, summons, statement of claim or other communication from any Person.

"**Obligations**" has the meaning specified in Section 7.1.

"**One Year Agreement**" means the agreement dated November 28, 2013 between NCN and Hydro.

"**Over-Drawn Amount**" has the meaning specified in Section 2.5 (1).

"PDA" means the Project Development Agreement dated June 26, 2006 made between NCN, Hydro, TPC, the General Partner and the Limited Partnership as supplemented and amended by the PDA Supplement No. 1 dated March 15, 2011 and the PDA Supplement No. 2.

"**PDA Supplement No. 2**" means the second supplementary agreement dated April 16, 2015 between NCN, Hydro, Taskinigahp Power Corporation, 5022649 Manitoba Ltd. and Wuskwatim Power Limited Partnership.

"**Permitted Liens**" means, with respect to any Person, any one or more the following:

(i) Liens for Taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such taxes, assessments and charges;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(ii) Liens resulting from any judgment rendered or Claim filed against such Person which such Person shall be contesting in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such judgment or Claim;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(iii) undetermined Liens arising in the ordinary course of business which have not at such time been filed pursuant to Law against such Person or which relate to obligations not due or delinquent;

(iv) Liens arising in the ordinary course of business which are not registered against title to the Collateral and are not overdue for a period of more than thirty (30) days or which are being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion, (i) adequate security has been provided to ensure payment of such Liens; (ii) adequate reserves with respect thereto are maintained on the consolidated books of such Person in accordance with GAAP; and (iii) in each case, such Liens will not materially interfere with use of such Property by the Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(v) any Lien, payment of which has been provided for by the depositing with Hydro of an amount in cash, or the obtaining of a surety bond satisfactory to Hydro, in its absolute discretion, sufficient in either case to pay or discharge such Lien and which deposit or bond Hydro is authorized to use or draw upon for that purpose;

(vi) Liens securing Purchase Money Debt; provided that: (i) such Liens shall extend only to the specific Property of TPC acquired with the proceeds of such Purchase Money Debt (and not any other portion of the Collateral); and (ii) recourse in respect of such Liens shall be limited to such specific Property;

(vii) the Hydro Liens; or

(viii) any other Lien approved in writing in advance by Hydro in its unfettered discretion.

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture, band within the meaning of the *Indian Act* (Canada) or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Property**" means, with respect to any Person, any interest of such Person in any land or property or asset of every kind, wherever situate, whether now owned or hereafter acquired, whether real or immovable, personal, movable or mixed, tangible or corporeal, intangible or incorporeal, including capital stock in any other Person.

"**Purchase Money Debt**" means, with respect to any Person, all obligations of such Person incurred to finance the acquisition of Property.

"**Receiver**" means a receiver, receiver and manager or other Person having similar powers or authority appointed by Hydro or by a court at the instance of Hydro in respect of the Collateral or any part thereof.

"**Repayment Notice**" has the meaning specified in Section 2.6(1).

"**Reserve**" shall have the meaning ascribed thereto in the *Indian Act* (Canada).

"Revenue Advance Consolidation Agreement" has the meaning ascribed thereto in the PDA.

"**Sale**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Security Documents**" means those agreements and other documents in favour of Hydro described in Schedule G in form and substance satisfactory to Hydro, acting reasonably, as such documents may be amended or restated from time to time, as security for all or any portion of the Obligations.

"**Subsidiary**" means, at any time, as to any Person, any corporation or other Person, if at such time the first-mentioned Person owns, directly or indirectly, securities or other ownership interests in such corporation or other Person, having ordinary voting power sufficient to elect a majority of the board of directors or persons performing similar functions for such corporation or other Person or has the power to determine the policies and conduct of the management of such corporation or other Person and for greater certainty includes a Subsidiary of a Subsidiary.

"TPC" means Taskinigahp Power Corporation, a corporation that is wholly owned by NCN beneficially, and by the Chief or a Councillor of NCN as registered owner and bare trustee for NCN.

"**TPC Financing Agreement**" means the Amended and Restated TPC Financing Agreement dated April 16, 2015 between TPC and Hydro.

"**TPC's Cash Units**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**TPC's Dividend Cash Units**" means:

(i) on the Final Investment Date, that the number of TPC's Units equal to (A) divided by (B) where (A) equals the number of TPC's Units on the Final Investment Date multiplied by TPC's Own Invested Cash as of that date; and (B) equals the sum of: (i) the aggregate amount of Equity Credit Advances which remain outstanding on that date; and (ii) TPC's Invested Cash as of that date;

(ii) on any particular day after the Final Investment Date (the "**Measurement Date**") until the date that the Equity Credit Facility (as defined in the TPC Financing Agreement) has been paid out in full, that number of TPC's Units equal to (A) divided by (B) where (A) is a product of: (i) the number of TPC's Dividend Cash Units on the Final Investment Date; multiplied by (ii) the number of TPC's Units on the Measurement Date; and (B) equals the number of TPC's Units on the Final Investment Date; and

(iii) on the date when the Equity Credit Facility has been paid out in full, all of TPC's Units shall be deemed to be TPC's Dividend Cash Units.

"TPC's Invested Cash" has the meaning ascribed thereto in the TPC Financing Agreement.

"**TPC's Own Funds**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**TPC's Own Invested Cash**" means on any day, the amount of TPC's Invested Cash on that day, excluding any portion which is not TPC's Own Funds.

"**TPC's Units**" means, at any time, all of the Units owned by TPC.

"Taskinigahp Trust" has the meaning ascribed thereto in the PDA.

"**Taxes**" means all taxes imposed by any Governmental Entity, including, real property, personal property, goods and services, sales, transfer, purchase, stumpage, registration, capital, excise, import duties, payroll, unemployment, disability, employee's income withholding, social security or withholding.

"**Ten Year Canada Bond Rate**" means, at any particular date, that rate of interest (expressed as a percentage rate per annum) which a non-callable Government of Canada bond denominated in Canadian Dollars would carry if issued on such date at 10:00 a.m. (Winnipeg time) by Canada at 100% of its principal amount for a term of ten years (with the rate of interest being determined by Hydro obtaining three rate quotes for the yield on that date of publicly traded Canadian dollar non callable Government of Canada reference bonds with a ten year term, as adjusted by the financial institutions that have provided the three rate quotes to reflect the assumed issue date and the ten year term, and using the median rate of the three rate quotes obtained).

"**Ten Year Manitoba Canadian Dollar Bonds**" means a non-callable Province of Manitoba bond denominated in Canadian Dollars issued by Manitoba at 100% of the principal amount for a term of ten years.

"**Total Outstandings**" means, at any time, with respect to the Dividend Credit Facility, the aggregate amount in Canadian Dollars of all outstanding Dividend Credit Advances.

"**Unit**" means one of the units in the Limited Partnership issued to and subscribed for by a Limited Partner pursuant to the Limited Partnership Agreement, and "**Units**" means all of the issued Units in the Limited Partnership.

"Wuskwatim Project" has the meaning ascribed thereto in the PDA.

1.2 Interpretation.

This Agreement shall be interpreted in accordance with the following:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) headings are inserted for convenience only and shall not affect the interpretation of this Agreement, any other Loan Document or any provisions hereof or thereof;

(c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;

(d) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(e) the expressions "the aggregate", "the total", "the sum" and expressions of similar meaning shall mean "the aggregate (or total or sum) without duplication";

(f) in the computation of periods of time, unless otherwise expressly provided, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding";

(g) accounting terms not specifically defined shall be construed in accordance with GAAP. Except as otherwise mandated by changes in GAAP from time to time, the financial statements required to be delivered pursuant to this Agreement shall be prepared, and all calculations made for the purposes of this Agreement shall be made, unless otherwise provided for herein, by the application of GAAP applied on a basis consistent with the most recent audited financial statements of TPC, previously delivered to Hydro; and

(h) for the purposes of this Agreement, a Person (the "**first Person**") shall be deemed to be "**Controlled**" by another Person or Persons if the Capital Stock of the first Person directly or indirectly held by or for the benefit of the other Person or Persons, acting in concert, other than by way of security only, is either:

(i) more than 50% of the Capital Stock of the first Person outstanding at the time of such determination; or

(ii) sufficient to permit the other Person or Persons to replace or elect the majority of the board of directors of the first Person,

and "**Controlled**" and "**Controlling**" shall have the corresponding meaning.

1.3 Interpretation of other Loan Documents.

The provisions of Article 1.2 shall apply to the interpretation of all of the other Loan Documents unless specifically otherwise indicated therein.

1.4 Severability.

If any provision of this Agreement or any other Loan Document is, or becomes, illegal, invalid or unenforceable, such provision shall be severed from this Agreement or such Loan Documents and be ineffective to the extent of such illegality, invalidity or unenforceability. The remaining provisions hereof or thereof shall be unaffected by such provision and shall continue to be valid and enforceable.

1.5 Entire Agreement.

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties relating to the subject matter hereof and entered into prior to the date of this Agreement.

1.6 Waiver.

No failure on the part of Hydro to exercise, and no delay in exercising, any right under this Agreement or any other Loan Document shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No notice to or demand on NCN or TPC (as applicable) in any case shall entitle it to any notice or demand in similar or other circumstances, unless such notice or demand is required under the terms of this Agreement or the applicable Loan Document. No waiver of any of the provision of this Agreement or any other Loan Document shall be effective unless it is in writing duly executed by the waiving party.

1.7 Governing Law.

This Agreement and each other Loan Document, shall be governed by, and interpreted in accordance with, the Laws of Manitoba and the Laws of Canada applicable therein.

1.8 Incorporation of Schedules.

The following schedules attached shall, for all purposes hereof, be incorporated in and form an integral part of this Agreement:

Schedule A	Repayment Notice
Schedule B	Borrowing Notice
Schedule C	Material Agreements
Schedule D	Issued and Outstanding Capital Stock and Debt
Schedule E	Liabilities
Schedule F	Address for Notice
Schedule G	List of Security Documents
Schedule H	Authorizations

It is acknowledged by Hydro that Schedules C to E (both inclusive) were delivered by NCN to Hydro on or before the Initial Closing Date for attachment to the Initial NCN Financing Agreement, which Schedules shall be deemed to form part of this Agreement.

1.9 Conflicts.

If a conflict or inconsistency exists between a provision of this Agreement and a provision of any of the other Loan Documents or any part thereof, then the provisions of this Agreement shall prevail. Notwithstanding the foregoing, if there is any right or remedy of Hydro set out in any of the other Loan Documents or any part thereof which is not set out or provided for in this Agreement, such additional right or remedy shall not constitute a conflict or inconsistency.

ARTICLE II
DIVIDEND CREDIT FACILITY

2.1 Dividend Credit Facility.

Hydro agrees, on the terms and conditions of this Agreement, to make available to NCN the Dividend Credit Facility by making such Dividend Credit Advances to NCN as may be requested by NCN hereunder at any time and from time to time in accordance with this Agreement.

2.2 Commitment and Dividend Credit Facility Limit.

(1) Hydro shall not be obliged to make any Dividend Credit Advance or Dividend Credit Advances which would cause the Total Outstandings to be greater than the Dividend Credit Facility Commitment, and commencing on the day after the twenty-fifth Anniversary Date, Hydro shall in addition not be obliged to make any Dividend Credit Advance or Dividend Credit Advances which would cause the Total Outstandings, including accrued and unpaid interest and all other amounts owing under the Dividend Credit Facility, to be greater than the Dividend Credit Facility Commitment Cap, provided that where each of NCN and TPC is

otherwise in good standing under the Loan Documents, Hydro shall advance in accordance with the provisions of this Agreement, as a Dividend Credit Advance to NCN, upon request, the lesser of: (i) the amount requested by NCN; (ii) the amount hereunder which would, when advanced, cause the Total Outstandings to equal, but not exceed, the Dividend Credit Facility Commitment; and (iii) if the Advance is requested after the twenty-fifth Anniversary Date, the amount hereunder which would, when advanced, cause the Total Outstandings, including accrued and unpaid interest and all other amounts owing under the Dividend Credit Facility, to equal, but not exceed, the Dividend Credit Facility Commitment Cap.

(2) The Dividend Credit Facility may be utilized by NCN commencing as of the first Anniversary Date subject to the terms and conditions of this Agreement. The Dividend Credit Advance, if any, available at the end of each Anniversary Date, in accordance with the provisions of this Agreement, must be requested within the time period between November 1 and February 1 in any year.

(3) The Dividend Credit Facility is a non-revolving credit and the principal amount of any Dividend Credit Advance that is repaid may not be re-borrowed and shall be a permanent reduction of the Dividend Credit Facility Commitment.

(4) Any available amount under the Dividend Credit Facility that NCN does not request a Dividend Credit Advance for by the date set out in Section 2.2(2) shall be a permanent reduction of the Dividend Credit Facility Commitment.

2.3 <u>Available Dividend Credit Advances.</u>

(1) Hydro shall, on the terms and conditions of this Agreement, make the Dividend Credit Advances available to NCN under the Dividend Credit Facility in accordance with Section 3.2.

(2) All Dividend Credit Advances requested hereunder shall be made available to NCN in accordance with Article III.

2.4 Repayment on the Maturity Date.

The Total Outstandings, if any, and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility shall become due and payable on the Maturity Date and subject to Hydro making an early demand for payment pursuant to Section 8.1 following an Event of Default, NCN shall repay on the Maturity Date, the Total Outstandings, if any, all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility. Notwithstanding the foregoing, if on the Maturity Date, NCN and TPC are not in default in respect of any material provision of the Loan Documents, the amount of the Total Outstandings and all accrued and unpaid interest thereon on the Maturity Date and all other amounts owing to Hydro under the Dividend Credit Facility will, subject to the right to prepay in accordance with the provisions of this Agreement, be repaid to Hydro solely through Hydro receiving all Distributions from time to time on TPC's Units. The Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Dividend Credit Facility; second, in payment of all accrued and unpaid interest under the Dividend Credit Facility; and third, in repayment of all principal amounts under the Dividend Credit Facility. Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro, as provided for under the Security Documents, until the Total Outstandings and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility have been repaid in full out of the said Distributions; provided however, that the payments to be made to Hydro pursuant to this Section 2.4 out of the Distributions on TPC's Units, shall be paid in the order of priority as set out in Section 3.7 of the TPC Financing Agreement, and for so long as Distributions are paid to Hydro pursuant to the TPC Financing Agreement or the Revenue Advance Consolidation Agreement, the non-payment of such Distributions to Hydro pursuant to the provisions of this Agreement shall not be deemed to be a default by TPC under this Agreement.

It is acknowledged that Hydro shall have no right to sue NCN on the personal covenant to pay the said amounts, nor to sue TPC on any personal covenant to pay the said amounts under the Guarantee; it being acknowledged that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Security Documents.

2.5 Mandatory Repayments during the Term of this Agreement.

(1) If, on any day, Hydro notifies NCN that the Total Outstandings exceeds the Dividend Credit Facility Commitment, (and commencing on the day after the twenty-fifth Anniversary Date, the Total Outstandings exceeds the lesser of the Dividend Credit Facility Commitment or the Dividend Credit Facility Commitment Cap) (such excess being referred to herein as the "**Over-Drawn Amount**"), NCN shall repay to Hydro, an amount sufficient to reduce the Total Outstandings by at least the Over-Drawn Amount. Notwithstanding the foregoing, provided that NCN and TPC are not in default in respect of any material provision of the Loan Documents, and subject always to the right to prepay as set out herein, the Over-Drawn Amount and all accrued and unpaid interest thereon and applicable costs and expenses, if any, will be repaid solely through the Distributions from time to time on TPC's Units pursuant to the provisions of the Security Documents. The Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Dividend Credit Facility; second, in payment of all accrued and unpaid interest under the Dividend Credit Facility; and third, in repayment of all principal amounts under the Dividend Credit Facility. Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for in the Security Documents until the Over-Drawn Amount and all costs and expenses and accrued and unpaid interest thereon has been repaid in full. The payments made to Hydro pursuant to this Section 2.5(1) out of the Distributions on TPC's Units shall be paid in the order of

priority as set out in Section 3.7 of the TPC Financing Agreement and for so long as Distributions are paid to Hydro pursuant to the TPC Financing Agreement in compliance with such priority provisions, the non-payment of such Distributions to Hydro pursuant to the provisions of this Agreement shall not be deemed to be a default by TPC under this Agreement.

(2) In addition to all other mandatory repayment obligations provided for in this Agreement and subject always to the right to prepay in accordance with the provisions of this Agreement, NCN shall throughout the term of this Agreement repay to Hydro the Total Outstandings plus all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility solely through Hydro receiving all Distributions on TPC's Units. Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Dividend Credit Facility (except to the extent that they are dealt with under subsection (1) above); second, in payment of all accrued and unpaid interest under the Dividend Credit Facility (except to the extent that they are dealt with under subsection (1) above); and third, in repayment of all principal amounts under the Dividend Credit Facility (except to the extent that they are dealt with under subsection (1) above). Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents until all such amounts have been repaid in full. The amount of any repayment shall be a permanent reduction of the Dividend Credit Facility Commitment. The payments to be made to Hydro pursuant to this Section 2.5(2) out of Distributions on TPC's Units shall be paid in the order of priority as set out in Section 3.7 of the TPC Financing Agreement and for so long as Distributions are paid to Hydro pursuant to the TPC Financing Agreement or the Revenue Advance Consolidation Agreement in compliance with such priority provisions,

the non-payment of such Distributions to Hydro pursuant to the provisions of this Agreement shall not be deemed to be a default by TPC under this Agreement.

(3) It is acknowledged that Hydro shall have no right to sue NCN on the personal covenant to pay the said amounts, nor to sue TPC on any personal covenant to pay the said amounts under the Guarantee, it being acknowledged that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Security Documents.

2.6 Optional Reductions.

(1) Subject to Section 2.6(2), NCN may prepay, in whole or in part, the Total Outstandings, at any time, upon at least two (2) Business Days notice to Hydro (the "**Repayment Notice**"). Each Repayment Notice shall be in substantially the form of Schedule "A" and shall specify:

(a) the proposed date of such prepayment or reduction; and

(b) the aggregate principal amount of the prepayment or reduction, and, if such Repayment Notice is given, NCN shall:

(c) pay Hydro in accordance with such Repayment Notice the amount of prepayment; and

(d) pay Hydro all interest on the amount of such prepayment or excess amount accrued to the date of such prepayment.

(2) Each partial prepayment of Total Outstandings shall be in a minimum aggregate principal amount of $200,000 and in an integral multiple of $100,000.

2.7 Evidence of Debt and Determination of Interest Rates and Fees.

(1) The indebtedness of NCN in respect of all Dividend Credit Advances hereunder shall be evidenced by the account records maintained by Hydro, which shall be *prima facie* evidence of such indebtedness for all purposes, absent error. Hydro shall indemnify and save harmless NCN for losses suffered or costs incurred by NCN due to Hydro's failure to correctly record or calculate any amount, rate, date or other data (including calculations by Hydro to determine any amount) in the account records or in statements or notices issued to NCN, where such failure was due to the gross negligence or willful misconduct of Hydro or any person for whom Hydro is responsible at law. Notwithstanding the foregoing, the failure of Hydro to correctly record or calculate any amount, rate, date or other data (including calculations to determine any amount) in the account records, or in statements or notices issued to the Limited Partnership hereunder shall not affect the obligation of NCN and TPC to pay amounts due hereunder to Hydro in the manner contemplated herein, and in accordance with the other Loan Documents.

(2) For purposes of the *Interest Act* (Canada):

(a) whenever any interest under this Agreement is calculated using a rate based on a period of time other than a calendar year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on such period of time multiplied by (y) the actual number of days in the calendar year in which the period for which such interest or fee is calculated ends, and divided by (z) the number of days in such period of time;

(b) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; and

(c) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

(3) Within ten (10) Business Days of the last day of each month during this Agreement Hydro shall provide to NCN a written statement setting out the following information as at the last day of each month:

(a) the Total Outstandings under the Dividend Credit Facility, together with the following information:

(i) opening balances;

(ii) closing balances;

(iii) Dividend Credit Advances provided during the month;

(iv) principal repaid during the month, if applicable;

(v) interest paid by or on behalf of NCN, and applicable interest rate(s) charged to NCN during the month; and

(vi) any costs charged by Hydro to NCN during the month, and any reimbursements made by or on behalf of NCN to Hydro during the month for costs charged by Hydro to NCN.

ARTICLE III
DIVIDEND CREDIT ADVANCES

3.1 Dividend Credit Advances.

Hydro agrees, on the terms and conditions of this Agreement, to make Dividend Credit Advances to NCN under the Dividend Credit Facility, from time to time, on any Business Day.

3.2 Procedure for Borrowing.

Where NCN wishes to receive a Dividend Credit Advance under the Dividend Credit Facility, a notice (a "**Borrowing Notice**") shall be given by NCN to Hydro not later than 10:00 a.m. (Winnipeg time), at least two (2) Business Days but not more than five (5) Business Days prior to the date of the proposed Dividend Credit Advance, which Borrowing Notice shall be irrevocable and binding on NCN. Each Borrowing Notice shall be in substantially the form of Schedule B and shall specify:

(a) the requested date of the Dividend Credit Advance; and

(b) the aggregate amount of the Dividend Credit Advance.

Subject to the terms and conditions of this Agreement, Hydro shall forward the funds for the Dividend Credit Advance on the specified date for such Dividend Credit Advance in accordance with the Borrowing Notice forwarded to Hydro.

3.3 Interest on Dividend Credit Advances.

Each Dividend Credit Advance, or the amount thereof remaining outstanding from time to time, shall bear interest at the rate applicable to the Dividend Credit Advance determined in accordance with this Section 3.3 from the date the Dividend Credit Advance is first received in the account specified by NCN in the applicable Borrowing Notice to the date on which the Dividend Credit Advance is repaid in full or dealt with as otherwise specified in this Agreement. Each Dividend Credit Advance shall bear interest at a rate per annum equal at all times for that Dividend Credit Advance to the Canadian Ten Year Rate in effect on the date the said Dividend Credit Advance is first received in the account specified by NCN in the applicable Borrowing Notice. Interest on each of the Dividend Credit Advances made March 3, 2014, January 5, 2015 and on any date prior to November 1, 2015 shall be calculated monthly and compounded semi-annually from the date of advance to October 31, 2015. After November 1, 2015, if a Dividend Credit Advance is received in the account specified by NCN on a date other than November 1 of the year, interest on that Dividend Credit Advance shall accrue in the current month and be added to the Total Outstandings. Commencing November 1, 2015 and in each month thereafter Hydro shall calculate a blended interest rate based on the interest rates applicable to each Dividend Credit Advance, in proportion to the amount of each Dividend Credit Advance and the accrued interest thereon to that date, which rate shall be applied to all Dividend Credit Advances and all other amounts owing to Hydro under the Dividend Credit Facility on that date to October 31 of the following year. If there is no Dividend Credit Advance during a month, the blended rate for the month shall continue to apply. Such interest shall be calculated and compounded semi-annually and shall only become due and payable on the Maturity Date subject to the provisions of this Agreement (including payments made through Distributions under Article II, NCN's optional right of prepayment and action taken if an Event of Default occurs). Hydro shall provide NCN with notice of the Canadian Ten Year Rate applicable to each such Dividend Credit Advance and notice of the blended interest rate, together with its supporting calculation of the Canadian Ten Year Rate and the blended interest rate which will constitute, in the absence of error, *prima facie* evidence of the Canadian Ten Year Rate and the blended interest rate applicable to each such Dividend Credit Advance and all other amounts owing to Hydro under the Dividend Credit Facility.

3.4 <u>TPC Financing Agreement.</u>

Notwithstanding any other provision of this Agreement, it is acknowledged and agreed by the parties hereto that in the event that TPC sells all of TPC's Units to Hydro, whether pursuant to any Sale (as that term is defined in the TPC Financing Agreement), or otherwise, the Total Outstandings under the Dividend Credit Facility, all costs hereunder and all other amounts whatsoever owed by NCN to Hydro under this Agreement or any Loan Documents pursuant hereto (including the Guarantee) shall be deemed to have been paid in full and satisfied by the sale of TPC's Units to Hydro. NCN's right to receive Dividend Credit Advances will be suspended when Hydro receives notice that TPC is exercising its right to sell all of TPC's Units pursuant to the provisions of the TPC Financing Agreement or upon Hydro providing notice to

TPC that it is exercising its right to purchase all of TPC's Units pursuant to the provisions of the TPC Financing Agreement. The Dividend Credit Facility will terminate on the date that the sale of TPC's Units is completed in accordance with the provisions of the TPC Financing Agreement.

ARTICLE IV
CONDITIONS OF LENDING

4.1 Conditions of All Dividend Credit Advances.

At any time, the obligation of Hydro to make a Dividend Credit Advance shall be subject to the following conditions being satisfied on the date of such Dividend Credit Advance, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro, in its sole discretion:

(a) **Facility Limits**. The Total Outstandings shall not:

(i) prior to or after giving effect to the Dividend Credit Advance, exceed the Dividend Credit Facility Commitment; provided however that where a Dividend Credit Advance requested by NCN would cause the Total Outstandings to exceed the Dividend Credit Facility Commitment, Hydro shall make a Dividend Credit Advance equal to the amount that shall cause the Total Outstandings to equal, but not exceed, the Dividend Credit Facility Commitment; and

(ii) commencing on the day after the twenty-fifth Anniversary Date, the Total Outstandings and all accrued and unpaid interest, costs and expenses and all other amounts owing under the Dividend Credit Facility shall not, after giving effect to the Dividend Credit Facility Advance, exceed the Dividend Credit Facility Commitment Cap; provided however, that where a Dividend Credit Advance requested by NCN would cause the Total Outstandings and all accrued and unpaid interest, costs and expenses and all other amounts owing under the Dividend Credit Facility to exceed the Dividend Credit Facility Commitment Cap, Hydro shall make a Dividend Credit Advance equal to the amount that shall cause the Total Outstandings and all accrued and unpaid interest, costs and expenses and all other amounts owing under the Dividend Credit Facility, to equal, but not exceed, the Dividend Credit Facility Commitment Cap.

(b) **Truth of Representations and Warranties.** The representations and warranties of NCN and TPC contained in this Agreement and in any other Loan Documents to which each is a party, shall be true and correct as of the date on which any Dividend Credit Advance is made with the same force and effect as if such representations and warranties had been made on and as of such date; provided that, to the extent the disclosure in the representations and warranties is no longer true and correct, NCN and TPC shall be entitled to update such disclosure to Hydro, and if such disclosure is not materially adverse it must be approved by Hydro.

(c) **Performance of Covenants.** NCN and TPC shall have fulfilled or complied with all covenants herein contained (or contained in any other Loan Documents to which each is a party) to be performed by it at or prior to the date of such Dividend Credit Advance.

(d) **No Event of Default.** No Event of Default shall have occurred and be continuing.

(e) **Authorizations.** Hydro has obtained such borrowing authority (including the Additional Borrowing Authorizations) as may be required by it from time to time for the due and timely performance of its covenants under the Loan Documents, including in order to enable it to make the Advances requisitioned from time to time by NCN by Borrowing Notices.

(f) **No Change in Laws**. No Law or change in any Law shall have been enacted, the effect of which will be to prohibit Hydro from making any Dividend Credit Advance.

(g) **Borrowing Notice**. Hydro shall have received a Borrowing Notice in compliance with this Agreement.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties.

To induce Hydro to make Dividend Credit Advances available hereunder, NCN and TPC represent and warrant to Hydro that each of the following representations and warranties is true and correct:

(a) Status and Power.

(i) NCN is a "band" within the meaning of the Indian Act (Canada) and has the power to own or lease its personal property and its real property, other than the Reserve;

(ii) TPC is a corporation duly incorporated and organized and validly subsisting under the laws of Manitoba and has full corporate power and capacity to own its property and carry on its Business. TPC is duly qualified, licenced or registered to carry on business in Manitoba.

(b) Authorization.

(i) NCN has full power and capacity and full legal right to enter into and perform its obligation under this Agreement and the other Loan Documents to which it is or will be a party and has, or will have by the Initial Closing Date, taken all action necessary to be taken by it to authorize such acts;

(ii) TPC has full power and capacity and full legal right to enter into and perform its obligations under this Agreement and the other Loan Documents to which it is or will be a party and has or will have by the Initial Closing Date taken all action necessary to be taken by it to authorize such acts.

(c) Enforceability of Agreement.

(i) This Agreement and each other Loan Document to which NCN is a party constitutes legal, valid and binding obligations of NCN enforceable against it in accordance with their respective terms except as enforcement may be limited by the provisions of the Indian Act (Canada) and subject only to any limitation under applicable Laws relating to bankruptcy, insolvency, reorganization, moratorium or creditor's rights generally and the discretion that a court may exercise in the granting of equitable remedies;

(ii) this Agreement and each other Loan Document to which TPC is a party constitutes legal, valid and binding obligations of TPC enforceable against it in accordance with their respective terms, subject only to any limitation or applicable laws relating to bankruptcy, insolvency, reorganization, moratorium or creditor's rights generally and the discretion that a court may exercise in the granting of equitable remedies;

(d) Government Approval and Regulation. No authorization or approval or other action by, and no notice to or filing with, any Governmental Entity or other Person (other than those that have been, or by the Initial Closing Date will be, duly obtained or made) is required for the due execution, delivery or performance by NCN or TPC of any Loan Document to which NCN or TPC is a party.

(e) Litigation. There is no material action, suit or proceeding which has been commenced (Notice of which has been served on NCN or TPC), or to the best of the knowledge of NCN or TPC, is pending or threatened against NCN or TPC before or by any Governmental Entity, or before any arbitrator or board, which would prevent NCN or TPC from performing its obligations under any of the Loan Documents to which it is a party. NCN and TPC are not in default with respect to any judgment, order, writ, injunction, decree or award of any court, arbitrator, board or other Governmental Entity, nor is there any judgment, order, writ, injunction, decree or award which would prevent NCN or TPC from performing its obligations under any of the Loan Documents to which either is a party.

(f) Imposition of Lien. The consummation of the transactions hereby contemplated and the compliance with the terms, conditions and provisions of this Agreement and each of the other Loan Documents to which it is a party by NCN will not result in or require the creation or imposition of any Lien on any Property of NCN except as otherwise permitted by this Agreement or the Loan Documents. The consummation of the transactions hereby contemplated and the compliance with the terms, conditions and provisions of this Agreement and each of the other Loan Documents to which it is a party by TPC will not result in or require the creation or imposition of any Lien on the Property of TPC except as otherwise permitted by this Agreement or the Loan Documents.

(g) No Other Material Facts. None of:

(i) this Agreement;

(ii) any of the other Loan Documents; or

(iii) any certificate or statement in writing which has been supplied by or on behalf of NCN or TPC and is a document that is required to be delivered to Hydro pursuant to the provisions of this Agreement or any of the other Loan Documents;

contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

(h) Restrictive Documents.

(i) NCN is not subject to, nor a party to any by-laws or resolutions of Chief and Council or of Members (or of any committees thereof, respectively), of NCN any Notice, any Law, any Claim, any contract or instrument, any Lien, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement and each of the other Loan Documents to which it is a party or compliance by NCN with the terms, conditions and provisions hereof or thereof;

(ii) TPC is not subject to or a party to, any restriction in its constating documents or by-laws, any Notice, any Law, any Claim, any contract or instrument, any Lien, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement and each of the other Loan Documents to which it is a party or compliance by TPC with the terms, conditions and provisions hereof or thereof or the continuing operation of the Business.

(i) Title to Collateral. TPC is the registered owner and sole beneficial owner of and has good and marketable beneficial title to and is lawfully possessed of its Property free and clear of all Liens, except Permitted Liens. A complete and accurate listing of its Property has been provided to Hydro, including the

Collateral, and TPC has full right to mortgage, pledge, charge and assign to Hydro the Collateral. No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding or commitment, for the purchase from NCN or TPC of the Collateral other than Hydro.

(j) Compliance with Laws. Each of NCN and TPC is in material compliance with all applicable Laws.

(k) No Breach of Contracts. Schedule C, which will be completed and provided by NCN to Hydro on or before the Initial Closing Date, will contain a complete and accurate list of all agreements to which:

(i) NCN and/or TPC is a party in connection with the Corporate Distributions of TPC, the Capital Stock of TPC, the equity interest that NCN has in TPC, TPC's Units and Distributions on TPC's Units;

(ii) NCN is a party in connection with or arising out of the Wuskwatim Project creating liabilities or obligations upon any Person over the term of the agreement in excess of $75,000; and

(iii) TPC is a party creating liabilities or obligations upon any Person over the term of the agreements in excess of $75,000 or is otherwise material to TPC (collectively, the "**Material Agreements**"). NCN and TPC have provided copies of all Material Agreements, including amendments or additions thereto, to Hydro. On the date of the execution of each Future Material Agreement (as defined below in Section 6.1(11)), Schedule C shall be deemed to be amended to include such Future Material Agreements and such Future Material Agreements shall be deemed to be Material Agreements for the purposes of this Agreement from and after the date of execution without the necessity of any further action by any of the parties hereto. Each Material Agreement is in full force and effect, unamended (except as disclosed to Hydro), and there exists no default or event, occurrence, condition or act (including the completion of the transactions contemplated under this Agreement and any other Loan Document) which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become a default thereunder. Neither NCN nor TPC have violated or breached, in any respect, any of the terms or conditions of any Material Agreement and, to the best of the knowledge of NCN and TPC, all the material covenants to be performed by any other party thereto have been fully performed in all material respects.

(l) Books and Records. All books and records of TPC have been fully, properly and accurately kept and completed in accordance with GAAP and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(m) Tax Liability. Except for any Taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books:

(i) TPC has in a timely manner filed all tax returns, elections, filings and reports with respect to Taxes required by Law to be filed by it and such returns, elections, filings and reports are true, complete and correct;

(ii) TPC has paid, or reserved in its financial statements, all Taxes which are due and payable, and has paid all assessments and reassessments and all other Taxes, governmental charges penalties, interest and fines due and payable by it;

(iii) TPC has no liability, contingent or otherwise, for Taxes, except Taxes not now due and payable with respect to ordinary operations during the current fiscal period adequate provision for the payment of which has been made; and

(iv) TPC has paid as and when due all applicable Taxes and remitted as required by Law all applicable Taxes and deductions and any interest or penalties related thereto.

(n) Shareholder. NCN is the beneficial owner of all of the Capital Stock of TPC free and clear of all Liens except Permitted Liens. The Capital Stock of TPC is owned by the Chief or a Councillor of NCN, as bare trustee for NCN. No Person has any written or oral agreement, option, understanding or commitment, or any right capable of becoming an agreement, option, understanding, commitment, or right for purchase of any of the Capital Stock of TPC or to receive payment based on the value of any such Capital Stock. The issued and outstanding Capital Stock and Debt (excluding Debt under this Agreement) of TPC and the registered beneficial holders of such Capital Stock and Debt (excluding Debt under this Agreement) will be as described in Schedule D, which will be completed and provided by NCN to Hydro on or before the Initial Closing Date. Hydro acknowledges that the NCN Deed of Assignment shall not be deemed to be a breach of this representation.

(o) Liabilities. TPC does not have any liabilities, whether accrued, absolute, contingent or otherwise, of any kind or nature whatsoever, except as otherwise disclosed in Schedule E, which will be completed and provided by NCN to Hydro on or before the Initial Closing Date or pursuant to the Loan Documents, and except as incurred after the date hereof in compliance with this Agreement and the Loan Documents.

(p) No Event of Default. No Event of Default has occurred, nor has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute and Event of Default under the Loan Documents. No default has occurred nor has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute a default under any one or more of the Material Agreements which could result in the acceleration of amounts owing by NCN or TPC under any such Material Agreements.

(q) Financial Information. The financial statements of TPC furnished to Hydro pursuant to this Agreement have been prepared in accordance with GAAP, consistently applied, and present fairly the financial position of TPC as at the dates thereof and the results of their operations for the periods then ended. All balance sheets, all statements of operations, shareholders' equity and cash flow and all other financial information of TPC furnished pursuant to Section 6.1(a)(1) have been and will for periods following the Initial Closing be prepared in accordance with GAAP consistently applied, and do or will present fairly the consolidated financial position of TPC thereby as at the dates thereof and the results of their operations for the periods then ended.

Each of the representations and warranties contained in this Section 5.1 shall be deemed to be continually repeated by NCN and TPC at the time of each Dividend Credit Advance.

5.2 Survival of Representations and Warranties.

All the representations and warranties of NCN and TPC contained in Section 5.1 shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Dividend Credit Facility has been terminated notwithstanding any investigation made at any time by or on behalf of Hydro.

5.3 Representations by Hydro.

To induce NCN and TPC to enter into this Agreement, Hydro represents and warrants to NCN and TPC that each of the following representations and warranties is true and correct:

(a) Hydro is a corporation duly incorporated and organized and validly subsisting under the Laws of Manitoba and has the corporate power and authority to own or lease its property and to enter into this Agreement and each of the other Loan Documents to which it is a party and to perform its obligations this Agreement and the Loan Documents.

(b) This Agreement and the Loan Documents to which Hydro is a party have been duly authorized, executed and delivered by Hydro and are legal, valid and binding obligations of Hydro enforceable, against Hydro by NCN and TPC to the extent that NCN or TPC is a party thereto, in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction or, by this Agreement, at the discretion of the Arbitrator.

(c) Subject only to obtaining the Authorizations described in Schedule H, the execution and delivery of this Agreement and each of the Loan Documents to which Hydro is a party and the consummation the transactions herein provided for by Hydro will not result in:

(i) the breach or violation of any other provisions of or constitute a default under or conflict with or cause the acceleration of any obligation of Hydro under:

> (A) any contract to which Hydro is a party or by which it, or any of its property, is bound;
>
> (B) any provision of the constating documents, by-laws or resolutions of the board of directors (or any committee thereof) of Hydro;
>
> (D) any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over Hydro; or

(E) any applicable law, statue, ordinance, regulation or rule, including, without limitation, the *Hydro Act*; or

(ii) the creation or imposition of any Lien on any investment transaction or any of the property or assets of Hydro.

(d) Hydro is a resident of Canada for the purposes of the Income Tax Act (Canada).

(e) None of (i) this Agreement; (ii) any of the other Loan Documents; or (iii) any certificate or statement in writing which has been supplied by or on behalf of Hydro and is a document that is required to be delivered to Hydro pursuant to this Agreement or any of the other Loan Documents, contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

(f) There is no requirement for Hydro to make any filing with, give any notice to or obtain any license, permit, certificate, registration, authorization, consent or approval of any government regulatory authority as a condition to the lawful consummation by Hydro of the transaction contemplated by this Agreement and each other Loan Document to which it is a party, except as described in Schedule H.

Each of the representations and warranties contained in this Section 5.3 shall be deemed to be continually repeated by Hydro at the time of each Dividend Credit Advance.

5.4 <u>Survival of Representations and Warranties.</u>

All the representations and warranties of Hydro contained in Section 5.3 shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Dividend Credit Facility has been terminated, notwithstanding any investigation made at any time by or on behalf of NCN or TPC.

ARTICLE VI
COVENANTS OF NCN AND TPC

6.1 Affirmative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Dividend Credit Facility Commitment under this Agreement, and unless Hydro shall otherwise consent, NCN and TPC shall:

(a) Financial Reporting and Deliveries. Cause to be delivered to Hydro as soon as available, and in any event within one hundred and twenty (120) days after the end of each Financial Year, the audited financial statements (including, at a minimum, a balance sheet, income statement and statement of changes in financial position) of TPC for such Financial Year, prepared in accordance with GAAP and subject to an unqualified opinion of the Auditors;

(b) Additional Reporting and Deliveries. Cause to be delivered to Hydro, the following documents, in form and substance satisfactory to Hydro acting reasonably:

(i) a copy of each management letter or report submitted to the board of directors (or any committee thereof) or senior management of TPC by the Auditors in connection with any annual, interim or special audit made by them of the books of TPC, together with the related response of TPC to be delivered promptly upon the issuance of the response by TPC;

(ii) promptly after the occurrence of any Event of Default, a statement of NCN setting forth the details of such Event of Default and the action which NCN and/or TPC propose to take or have taken with respect thereto;

(iii) promptly after the commencement thereof, Notice of Claims which have been commenced against NCN or TPC (notice of which has been served on NCN or TPC), or to the best of the knowledge of NCN or TPC, are pending or threatened against NCN or TPC for amounts which exceed $75,000 in the aggregate at any time or affect any of the Collateral;

(iv) promptly after the occurrence of any material development with respect to any Claims referred to in Section 6.1(2)(c), and in any event within three (3) Business Days after NCN or TPC obtains knowledge of the occurrence thereof, Notice thereof to Hydro, and, to the extent Hydro requests them, copies of all documentation relating thereto; and

(v) such other information and reports relating to TPC, the Collateral or the Business or NCN's interest in TPC, as Hydro may from time to time reasonably request.

(c) Existence. Preserve and maintain TPC's corporate existence.

(d) Compliance with Laws. Comply, in all material respects with the requirements of all applicable Laws.

(e) Payment of Taxes, Claims and Governmental Licence Fees. Pay and discharge in respect of TPC, before the same shall become delinquent:

(i) all Taxes, governmental assessments, charges or levies and Claims imposed upon it or upon any of its Property;

(ii) all lawful Claims which, if unpaid, might by Law become a Lien upon its Property, in each case except for any such Tax, assessment, charge, levy or Claim which would result in a Lien which is a Permitted Lien; and

(iii) all fees payable to Governmental Entities or other authorities in connection with all governmental licences issued to and held by TPC (if any).

(f) Keeping of Books. Keep or cause to be kept, proper books, records and accounts, in which full and correct entries shall be made of all of TPC's financial transactions in accordance with GAAP.

(g) Visitation and Inspection. If, in the reasonable opinion of Hydro, an Event of Default has or may have occurred, at any reasonable time or times and upon reasonable prior notice given to NCN and TPC by Hydro, permit Hydro or any of its authorized representatives, full and reasonable access to the premises of NCN and TPC and obtain any consents and waivers from any Person necessary, in the reasonable opinion of Hydro to ensure such access, for the purposes of inspecting (and, where required, taking copies of) the respective business, financial and computer records of NCN (but relating to the Wuskwatim Project only) and TPC and to discuss the respective business, financial and computer records of NCN (but relating to the Wuskwatim Project only) and TPC, and compliance by NCN and TPC with the terms of this Agreement and the other Loan Documents (to the extent that each is a party thereto), with the management and Auditors thereof.

(h) Protect Hydro Liens. At all times take all action and supply Hydro with all such information necessary to allow Hydro to create, maintain, perfect, protect and preserve the Liens provided for under the Security Documents and confer upon Hydro the security interest intended to be created thereby.

(i) Payments. Pay all amounts of principal, interest, costs and expenses in the manner, on the dates, at the times and at the places specified in this Agreement or under any other Loan Document, but subject to the provisions of Section 8.2 in respect of costs and expenses.

(j) Payment of Preferred Claims. Pay, as and when due, any and all amounts which may result in a Lien on the Collateral under applicable Law (other than a Permitted Lien) whether or not such Lien is entitled to priority over the Liens in favour of Hydro under the Security Documents.

(k) Loan Documents. Execute and deliver to Hydro the Loan Documents.

(l) Material Agreements. Comply with the provisions of all of the Materials Agreements. In respect of each Material Agreement executed by NCN and/or TPC after the date hereof (each a "**Future Material Agreement**"), provide to Hydro, a certified copy of each Future Material Agreement.

(m) Notice of Defaults. Immediately notify Hydro:

(i) of any Event of Default or of any event, occurrence, condition or act which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become an Event of Default, or of any material default (either by NCN or TPC) under any Material Agreement or of any event which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become a material default under or would otherwise allow the termination of any Material Agreement, and thereafter provide Hydro with all information reasonably requested by Hydro from time to time concerning the status thereof;

(ii) on becoming aware of the occurrence of any litigation, dispute, arbitration, proceeding, labour or industrial dispute the result of which if determined adversely would have a Material Adverse Business Effect on the ability of NCN and/or TPC to perform their respective obligations under this Agreement and the other Loan Documents and thereafter provide Hydro with all information reasonably requested by Hydro concerning the status thereof.

(n) Further Assurances. Upon request of Hydro, duly execute and deliver or cause to be duly executed and delivered to Hydro such further instruments and other documents, and do and cause to be done such further acts as may be necessary or desirable in the opinion of Hydro, acting reasonably, to carry out more effectively the provisions and purposes of the Loan Documents.

6.2 Negative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Dividend Credit Facility Commitment under this Agreement and unless Hydro, as the case may be, shall otherwise consent, NCN and TPC agree that:

(a) Business Activity. TPC shall not engage in any business activity except the Business.

(b) Liens. No Liens shall be created, incurred, assumed or suffered to exist, on any of TPC's Property including the Collateral and the Capital Stock of TPC other than Permitted Liens. For greater certainty this does not prohibit the NCN Deed of Assignment.

(c) Disposal of Property. None of the Collateral shall be disposed of by TPC.

(d) Debt. Except with the prior consent of Hydro, TPC shall not allow any Debt of TPC to be created, incurred, assumed or suffered to exist, directly, or contingently or otherwise, other than:

(i) Debt to Hydro;

(ii) unsecured current liabilities incurred and payable in the ordinary course of the Business and not represented by any note, bond or debenture; or

(iii) Purchase Money Debt, provided that the payments under such Purchase Money Debt does not exceed an aggregate amount in any one year period of $15,000.

(e) Mergers. TPC shall not reorganize, amalgamate, merge, consolidate or otherwise enter into any form of business combination with any other Person.

(f) Guarantees and Indemnities. TPC shall not guarantee or indemnify or give financial assistance or incur any contingent liability in respect of any Debt or any other obligations or liabilities of any other Person at any time other than pursuant to the Guarantee.

(g) Dividends. TPC shall not:

(i) declare or pay any dividends or any distributions after Hydro has provided notice to TPC that an Event of Default has occurred; nor

(ii) declare or pay any dividends or other distributions, in any other circumstances if, after declaring or paying such dividend or other distribution, TPC would not be able to meet its obligations under the Loan Documents.

(h) Financial Year and Auditors. TPC shall not change its Financial Year end or its Auditors.

(i) Change in Constating Documents or Capital Stock. There shall be no change in the constating documents or by-laws of TPC as delivered to Hydro which would amend the authorized shares or other equity securities of TPC or otherwise be detrimental to the rights or interests of Hydro under any of the Loan Documents or issue any Capital Stock in TPC that would cause an Event of Default to occur or would cause a Change of Control of TPC.

(j) Material Agreements. There shall be no amendment, supplement, termination or waiver, or entering into of any forbearance from exercising any rights with respect to, any of the terms of any Material Agreement in a manner which would cause a Material Adverse Business Effect or an Event of Default hereunder.

(k) Change of Control. There shall be no Change of Control.

(l) Change of Registered Owner. Change the registered owner of the Capital Stock of TPC to any person other than the Chief or a Councillor of NCN, as bare trustee for NCN, or change the form of bare trustee declaration prior to obtaining the written consent of Hydro to the change.

6.3 **Cross-Default.**

Any Event of Default (as defined in the TPC Financing Agreement) by TPC shall be deemed to be an Event of Default hereunder.

ARTICLE VII
SECURITY

7.1 Security.

Each of NCN and TPC shall execute and deliver, the Security Documents to which it is a party with each of the Security Documents to be in form and substance satisfactory to Hydro, acting reasonably, as and when required hereunder or under the Loan Documents as continuing collateral security in the Collateral for the due, prompt and complete payment, performance and satisfaction by TPC of all of NCN's indebtedness, liabilities and obligations of every nature whatsoever (whether present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time due or accruing due, whatsoever and howsoever incurred, including any ultimate unpaid balance thereof, in any currency, and whether incurred prior to, at the time or subsequent to the execution of this Agreement) to Hydro, in connection with this Agreement and the other Loan Documents (collectively the "**Obligations**").

Notwithstanding anything to the contrary herein, this Agreement shall be interpreted in all respects having regard for the fact that, and the Security Documents shall provide that, (a) Hydro has a first charge security interest on TPC's Units and the Distributions on TPC's Units and any interest related to TPC's Units and the said Distributions, and (b) Hydro's sole recourse for payment of the Obligations shall be to the Collateral in accordance with the provisions of this Agreement, and for greater certainty, it shall have no right to sue TPC or NCN on any personal covenant to pay all or any of the Obligations, including without limitation, under the Guarantee.

7.2 Registrations.

Hydro, in its sole discretion, may register, file or record the Liens constituted by the Security Documents in all jurisdictions where such registration, filing, or recording is necessary or of advantage to the creation, perfection, preservation or protection of such Liens.

7.3 Renewals.

Hydro may renew such registrations, filings and recordings from time to time as and when required or of advantage, in the sole discretion of Hydro, to keep them in full force and effect. NCN and TPC acknowledge that the forms of the Security Documents have been prepared based upon the laws of the jurisdictions indicated therein as being applicable thereto in effect at the date hereof and that such Laws may change. NCN and TPC agree that, following prior notice to and consultation with NCN and TPC, upon direction from Hydro, Hydro shall have the right to require that the forms of the Security Documents be amended, restated or supplemented, to reflect any changes in such Laws, whether arising as a result of statutory amendments, court decisions or other similar changes, in order to confer upon Hydro the Liens in the Collateral intended to be created by the Security Documents, in the sole discretion of Hydro. For greater certainty, nothing in this Agreement can be used by Hydro, TPC or NCN or by any other Person to expand or reduce or otherwise change the scope of the Property comprising the Collateral herein defined or to confer upon Hydro a right to sue TPC or NCN on a personal covenant to pay all or any of the Obligations, or to require any guarantees (except the Guarantee), indemnities or covenants from NCN or any other Person in respect of the Obligations or otherwise.

ARTICLE VIII
EVENTS OF DEFAULT

8.1 Events of Default.

If any of the following events, conditions or circumstances (each an "**Event of Default**") shall occur and be continuing:

(a) NCN shall fail to pay any portion of the principal or interest or any fees or other amounts due hereunder or under any of the other Loan Documents on the date when due hereunder or thereunder and such amount remains unpaid for a period of six (6) Business Days after Hydro notifies NCN that the amount is overdue;

provided however, that this provision shall be read in conjunction with the provisions in this Agreement, the TPC Financing Agreement and the other Loan Documents hereunder and thereunder which provide that, for so long as TPC and NCN are otherwise in good standing under the provisions of this Agreement, the TPC Financing Agreement and the other Loan Documents hereunder and thereunder, all such payments to Hydro are to made solely through the irrevocable assignment and direction to Hydro of the Distributions on TPC's Units (or a portion thereof, as applicable under the priority provisions of the TPC Financing Agreement) prior to the Maturity Date (and, in certain circumstances, after the Maturity Date), and from no other source, such that for so long as the Distributions are so assigned by TPC (as collateral security for the Guarantee) and are paid over to Hydro as and when declared by the General Partner of the Limited Partnership pursuant to the irrevocable assignment and direction in favour of Hydro, NCN shall be deemed to be in compliance with its covenants to pay for all purposes hereunder and under the other Loan Documents. The parties hereto acknowledge that neither TPC nor NCN control the timing or amount of such Distributions, and as such, there may be periods of time during which there are no or few Distributions to be paid over to Hydro in accordance with the irrevocable assignment and direction to Hydro, and this shall not be construed to be an Event of Default hereunder;

(b) any representation or warranty or certification made or deemed to be made by any NCN or TPC or pursuant to or in connection with any of the Loan Documents delivered to Hydro shall prove to have been incorrect in any material respect when made or deemed to have been made;

(c) NCN or TPC shall fail to perform or observe any other term, covenant or agreement contained in any of the Loan Documents on its part to be performed or observed and such failure shall remain unremedied for fifteen (15) Business Days (the "**Cure Period**") after written notice thereof shall have been given to NCN and TPC by Hydro; provided that the length of the Cure Period shall be extended by Hydro in its unfettered discretion where NCN and TPC demonstrate to Hydro that the breach is not capable of being cured within fifteen (15) Business Days but provides Hydro, within fifteen (15) Business Days, with a plan for curing the breach within sixty (60) calendar days and in good faith implements such plan;

(d) any of the Loan Documents, at any time, is not or ceases to be valid or enforceable in whole or in part, or if any Lien intended to be created by any of the Security Documents is not or ceases to be a valid and perfected Lien having the ranking or priority contemplated thereby, or if the validity or enforceability of any of the Loan Documents or the validity or perfection of any such Lien shall be contested by any party thereto or any other Person (unless such contestation by such party or other Person is being opposed diligently, in good faith and by proper legal proceedings by Hydro with the assistance of NCN and TPC and Hydro covenants to oppose such contestation in good faith, where in its discretion, there is a reasonable prospect of success), or if any Person (other than Hydro or the Limited Partnership) obtains any interest in the Collateral or any part thereof (except Permitted Liens); provided however, that this provision shall only be invoked where Hydro, acting reasonably, has determined that its inability to enforce the said Lien with its intended ranking or priority cannot be cured by Hydro within a reasonable period of time or without Hydro being materially adversely affected notwithstanding that NCN and TPC have provided a written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said Lien with its intended ranking or priority;

(e) with respect to Debt of TPC under any one or more agreements other than the Debt under the Loan Documents,

(i) TPC shall fail to pay any principal, interest or other amount pursuant to the agreements governing such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) when such amount becomes due and payable (whether by scheduled maturity, required repayment, acceleration, demand or otherwise) and such failure shall continue after any applicable grace period specified in such agreement or agreements; or

(ii) any other event, condition or circumstance shall occur and shall continue after any applicable grace period specified in such agreement or agreements, if the effect of such event, condition or circumstance is to accelerate the maturity of such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency); or

(iii) other Debt of TPC in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) shall be declared to be due and payable prior to the stated maturity thereof under any such agreement or agreements;

(f) the occurrence of any default, or any event or condition which, with the giving of notice or passage of time, or both would constitute a default under any Material Agreement and such default shall continue unremedied after any applicable grace period specified in such Material Agreement;

(g) NCN or TPC shall:

(i) become insolvent;

(ii) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(iii) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(iv) institute or have instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (z) the entry of an order for relief or the appointment of a receiver, interim receiver, receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of its Property, and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within forty five (45) days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property) shall occur; provided however, that in the event that a third party manager or co-manager is appointed for NCN, this shall not constitute an Event of Default hereunder provided that the third party manager or co-manager abides by the terms and conditions of this Agreement; or

(v) take any corporate action to authorize any of the foregoing actions;

(h) a Notice is sent to NCN or TPC from any creditor with respect to the intention of such creditor to enforce a Lien on:

(i) any of the Collateral; or

(ii) any Property of TPC (other than the Collateral) unless such Notice is being contested in good faith by appropriate legal proceedings and such Notice has not resulted in, or does not involve, any immediate danger of the sale, forfeiture or loss of any of the Property of TPC that is the subject of such Notice; or

(iii) the Capital Stock of TPC;

(i) any one or more judgments or orders in excess of $75,000 (or the equivalent in another currency) in the aggregate, or any one or more orders, directives, letters of credit or other communications from any Governmental Entity which may be reasonably likely to require TPC to expend an amount in excess of $75,000 (or the equivalent amount in another currency) in the aggregate shall be rendered against TPC, and either:

(i) enforcement proceedings shall have been commenced by any creditor upon any such judgment(s) or order(s); or

(ii) there shall be any period of ten (10) consecutive Business Days during which a stay of enforcement of any such judgment or order, directive, letter or other communication by reason of a pending appeal or otherwise, shall not be in effect;

(j) the audited financial statements of TPC in respect of any Financial Year are qualified in any material adverse respect by the Auditors;

(k) the occurrence of a Change of Control;

(l) the loss, suspension or failure to renew any licence or permit held by TPC or any agreement to which TPC is a party the effect of which would prohibit or otherwise restrict TPC from conducting the Business;

(m) TPC is enjoined or restrained in any material way by an order of any Governmental Entity, arbitrator or board in Canada or elsewhere from conducting the Business;

(n) the occurrence of a Material Adverse Business Effect;

(o) the occurrence an Event of Default committed by TPC (as such term is defined in the TPC Financing Agreement); or

(p) the occurrence of any event, condition or circumstance which, with the giving of notice or passage of time or both, would constitute an Event of Default, after the expiration of, in the case of a Loan Document, the applicable Cure Period or in the case of any other agreement, the applicable cure period (if any) thereunder;

then, and in any such event, Hydro shall be entitled by written notice to NCN and TPC to: (i)terminate the obligation of Hydro to make further Dividend Credit Advances under the Dividend Credit Facility; and/or (ii) demand repayment of the Total Outstandings owed by NCN to Hydro under the Dividend Credit Facility, whereupon the Total Outstandings and other amounts payable thereunder shall become forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by NCN and TPC except such notices as may be required under applicable Laws. Provided, however that Hydro shall only have recourse to the Collateral for repayment of the Obligations and further provided, however, that upon any Event of Default specified in Section 8.1(g), the obligation of Hydro to make Dividend Credit Advances hereunder shall automatically terminate.

8.2 <u>Expenses of Hydro.</u>

Upon the occurrence of any Event of Default which has not been waived and is continuing, Hydro may take any action Hydro considers advisable, acting reasonably, to remedy the effect of such Event of Default. All reasonable expenses, costs and charges incurred by or on behalf of Hydro in connection with:

(a) any remedial action taken pursuant to this Section; or

(b) the realization of the Collateral, including all reasonable fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral, in all cases shall be added to and form a part of the Obligations, but subject always to the provisions that Hydro's sole recourse for payment of the Obligations shall be to the Collateral, as set out herein. For greater certainty, for so long as there is no Event of Default hereunder, Section 5.14 of the PDA shall govern the payment of Hydro's costs and expenses properly recoverable hereunder.

8.3 Remedies Cumulative.

The remedies provided for in this Agreement and each of the Loan Documents are cumulative and do not exclude any other right or remedy provided by Law (except that there shall be no right of Hydro to sue TPC or NCN on any personal covenant to pay, it being acknowledged that Hydro's sole recourse is to the Collateral).

8.4 Allocations.

For greater certainty, the parties agree that any expenses or costs that are, by the terms of this Agreement or under the other Loan Documents, reimbursable to Hydro shall be allocated to the Dividend Credit Facility.

ARTICLE IX

PAYMENTS, COMPUTATIONS AND INDEMNITIES

9.1 Timing of Payments under this Agreement.

Unless otherwise expressly provided in this Agreement:

(a) NCN shall make any payment required to be made by it to Hydro by depositing the amount of such payment in Hydro's Account not later than 11:00 a.m. (Winnipeg time) on the date such payment is due; and

(b) Hydro shall make any Dividend Credit Advance or other payment to NCN under this Agreement by crediting or causing the crediting of the account of NCN directed by NCN in the applicable Borrowing Notice with the amount of such Dividend Credit Advance on the date such Dividend Credit Advance is to be made.

9.2 Payments on Non-Business Days.

Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall not be included in the computation of interest unless an Event of Default has occurred and is continuing, in which event such extension of time shall be included in the computation of interest.

9.3 Overdue Amounts.

All amounts owed by NCN which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times, to the applicable rate specified in Section 3.3.

9.4 Application of Payments, Repayments and Prepayments.

All amounts received by Hydro from or on behalf of NCN, including a realization of the Collateral, and not previously applied pursuant to this Agreement shall be applied:

(a) first, in reduction of NCN's obligation to pay any costs or expenses which are due and owing to Hydro, and reimbursable or indemnity amounts or Losses which have been determined by a court of competent jurisdiction or by arbitration to be due and owing to Hydro;

(b) second, in reduction of NCN's obligation to pay any unpaid interest accrued on the principal amount of Dividend Credit Advances;

(c) third, in reduction of such NCN's obligation to pay any amounts due and owing on account of the principal amount of all Dividend Credit Advances;

(d) fourth, to be held in escrow by Hydro in an interest-bearing account on account, and up to the amount, of any written claim by Hydro then issued and outstanding seeking reimbursement or indemnity hereunder for Losses, pending determination by a court of competent jurisdiction or by arbitration as to the amount (if any) which is due and owing to Hydro hereunder (in which event, such funds and any interest earned thereon shall be dealt with in accordance with the order of the court of competent jurisdiction or arbitrator, as the case may be); and

(e) fifth, to NCN or such other Persons as may lawfully be entitled to the remainder, or as any court of competent jurisdiction may otherwise direct.

9.5 **Computations of Interest and Fees.**

(a) All computations of interest shall be made by Hydro, based on the semi-annual interest computation (and not the number of days in the six (6) month period) and on the basis of a year of 365 days.

(b) Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the aggregate "interest" (as defined in Section 347 of the *Criminal Code* (Canada), as the same may be amended, replaced or re-enacted from time to time) payable under this Agreement exceed the maximum amount of interest on the "credit advanced" (as defined in that Section) under this Agreement lawfully permitted under that Section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that Section) is determined to be contrary to the provisions of that Section, such payment, collection or demand shall be refunded to NCN. For purposes of this Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term that the relevant Dividend Credit Advance is outstanding on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of any dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Hydro will be conclusive for the purposes of such determination.

(c) Each determination by Hydro of any amount payable hereunder by NCN shall be *prima facie* evidence of the amount payable for all purposes absent error.

9.6 **Indemnity for Change in Circumstances.**

(a) If any change in Law, or any change in the interpretation or application by any Governmental Entity of any Law occurring or becoming effective after the date of this Agreement or any compliance by Hydro with any direction or requirement having the force of Law) of any Governmental Entity made or becoming effective after the date of this Agreement, causes Loss to Hydro by:

(i) increasing the actual cost to Hydro of performing its obligations under this Agreement or in respect of any Dividend Advance;

(ii) reducing any amount otherwise properly payable to Hydro under this Agreement or in respect of any Dividend Advance by any amount that Hydro deems material acting reasonably (other than pursuant to Section 9.5(2));

then Hydro may give notice to NCN specifying the nature of the event giving rise to such Loss and NCN shall, within twenty (20) Business Days of demand, pay such amounts as Hydro may specify is necessary to compensate Hydro for such Loss. A certificate as to the amount of any such Loss, submitted in good faith by Hydro to NCN shall be *prima facie* evidence of the amount of such Loss for all purposes, absent error.

(b) Except as required by applicable Law, NCN and TPC shall make all payments under this Agreement to Hydro without deducting or withholding of any Taxes. To the extent that deduction or withholding of Taxes is required by applicable Law, NCN and TPC will:

(i) immediately notify Hydro of such requirement;

(ii) pay to the appropriate authority the full amount required to be so withheld or deducted before penalties attach thereto or interest accrues thereon;

(iii) promptly forward to Hydro an official receipt or other documentation reasonably satisfactory to Hydro evidencing such payment to such authority; and

(iv) pay to Hydro an additional amount so that Hydro receives the full amount it would have received had no such deduction or withholding been required.

If any Taxes are directly asserted against Hydro with respect to any payment under this Agreement, Hydro may pay such Taxes and NCN shall promptly pay such additional amount (including any penalties, interest and expenses) necessary so that the net amount received by Hydro after the payment of such Taxes, including any Taxes on such additional amounts, shall equal the amount Hydro would have received had Hydro not paid such Taxes.

NCN will indemnify Hydro for all incremental Taxes, interest or penalties that Hydro must pay if NCN fail to deduct or withhold any Taxes when due or to send Hydro the required receipts or other documentation.

Hydro acknowledges that in respect of this Section 9.6(b), Taxes shall not include any income taxes that may be payable by Hydro. Hydro shall remain solely obligated to pay and shall save TPC and NCN harmless from any income taxes that may be asserted against Hydro or payable by Hydro, including with respect to any payments or amounts received or made under this Agreement.

9.7 Indemnity.

(a) NCN hereby agrees to indemnify, exonerate and hold Hydro and its officers, directors, employees, agents and other representatives (in this Section 9.7(1), the "**Indemnified Parties**") free and harmless from and against any and all Claims, demands, actions, causes of action, suits, losses, costs (including all documentary, recording, filing, mortgage duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which such indemnification hereunder is sought), and including reasonable legal fees and disbursements (collectively, in this Section 9.7(1), the "**Indemnified Liabilities**") paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them or, with respect to, or as a direct or indirect result of:

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Dividend Credit Advances obtained hereunder; or

(ii) the execution, delivery, performance or enforcement of this Agreement or any Loan Documents, except for such Indemnified Liabilities that a court of competent jurisdiction determines or rules to be on account of the relevant gross negligence or willful misconduct of the Indemnified Party or any Person for whom such Indemnified Party is responsible at law [in which event, such Party shall indemnify TPC and its officers and directors and NCN and its Chief and Councillors (to the extent that each of NCN's Chiefs and Councillors is liable at law in his or her respective capacity as part of Chief and Council) for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct].

(b) All obligations provided for in this Section 9.7 shall not be reduced or impaired by any investigation made by or on behalf of Hydro.

(c) If, for any reason, the obligations of NCN pursuant to this Section 9.7 shall be unenforceable, NCN agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the gross negligence or willful misconduct or any Person for whom such Indemnified Party is responsible at law [in such event such Party shall indemnify TPC and its officers and directors and NCN and its Chief and Councillors (to the extent that each of NCN's Chiefs and Councillors is liable at law in his or her respective capacity as part of Chief and Council), for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct].

9.8 Contribution.

If any provision in any of the Loan Documents providing for indemnification by NCN (the "**Indemnitor**") in favour of Hydro or any of the Indemnified Parties (as defined in Section 9.7) (the "**Indemnitee**") is found by reason of the occurrence of an event, other than the gross negligence or wilful misconduct of the Indemnitee, to be unenforceable by a court of competent jurisdiction in a final judgment that has become non-appealable, then the Indemnitor shall contribute to the amount paid or payable by the Indemnitee which is subject to the indemnification provision in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnitee on the other hand but also the relative fault of the Indemnitor and the Indemnitee but only to the extent that such contribution is consistent with the terms of the final judgment. The rights of contribution herein provided shall be in addition to and not in derogation of any other right to contribution which the Indemnitee may have under this Agreement or applicable Laws.

9.9 Confirmation of Limited Recourse.

For greater certainty, Hydro acknowledges that nothing in this Article IX shall in any way detract from the limited recourse of Hydro's security and remedies hereunder, as set out in Section 7.1.

ARTICLE X
DISPUTE RESOLUTION

10.1 Dispute Resolution.

Each of the parties to the Agreement agrees that any disputes or claims arising out of this Agreement shall be determined solely in accordance with the dispute resolution process set out in Article XXI of the PDA and it shall not bring any action in respect of any matter arising hereunder, other than pursuant to Article XXI of the PDA, against any other party.

ARTICLE XI
GENERAL PROVISIONS

11.1 Notices.

All notices provided for in this Agreement or in the other Loan Documents shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set opposite the party's name in Schedule F hereto or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

Each Borrowing Notice and Repayment Notice shall be irrevocable and binding on NCN.

11.2 Time of the Essence.

Time shall be of the essence of this Agreement.

11.3 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the parties hereto and the Persons contemplated in Section 9.7 or Section 11.7, and no Person, other than the parties hereto and the Persons contemplated in Section 9.7 or Section 11.7, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum. For greater certainty, nothing in this Section 11.3 is intended to prevent or restrict the Taskinigahp Trust from receiving Dividends declared by the Board of Directors of TPC pursuant to the NCN Deed of Assignment subject always to TPC's compliance with the covenants, representations and warranties of this Agreement.

11.4 Enurement.

This Agreement shall enure to the benefit of and be binding upon the parties hereto. This Agreement shall be binding upon any assigns and enure to the benefit of any permitted assigns.

11.5 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

11.6 Knowledge.

Where any representation or warranty contained in this Agreement or any other Loan Document is expressly qualified by reference to the "best of the knowledge" of NCN or TPC, or where any other reference is made herein or in any Loan Document to "the knowledge" of NCN or TPC, it shall be deemed to refer to the best of the knowledge of the Chief and Council of NCN and the members of the board of directors of TPC, respectively.

11.7 Assignment.

Neither this Agreement nor the rights and obligations hereunder shall be assignable or transferable by NCN or TPC or Hydro, except that Hydro may assign this Agreement to any Affiliate, on the condition that notwithstanding the Assignment, Hydro will remain jointly and severally liable with the said Affiliate, for compliance with the covenants of Hydro under this Agreement.

11.8 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the parties contained in this Agreement and the other Loan Documents shall not merge on and shall survive the Initial Closing and Final Investment Closing and the making of any Dividend Credit Advance, and notwithstanding such Initial Closing and Final Investment Closing or Dividend Credit Advance, or any investigation made by or on behalf of any party, shall continue in full force and effect. Neither the Initial Closing and Final Investment Closing nor the making of any Dividend Credit Advance shall prejudice any right of one party against any other party in respect of anything done or omitted hereunder or under any of the other Loan Documents or in respect of any right to damages or other remedies.

[Execution pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written.

NISICHAWAYASIHK CREE NATION

Marcel Moody, Chief

Ron Spence, Deputy Chief

Patrick Linklater, Councillor

Shirley L. Linklater, Councillor

Bonnie Linklater, Councillor

Willie Moore, Councillor

TASKINIGAHP POWER CORPORATION

Per: ______________________________
Name:
Title: President

Per: ______________________________
Name:
Title: Vice-President

Per: ______________________________
Name: Shirley L. Linklater
Title: Secretary-Treasurer

THE MANITOBA HYDRO-ELECTRIC BOARD

Per: ______________________________
Name:
Title: President and Chief Executive Officer

Per:
____
Name:
Title: Assistant Corporate Secretary

SCHEDULE A

REPAYMENT NOTICE

TO: THE MANITOBA HYDRO-ELECTRIC BOARD ("Hydro")

FROM: NISICHAWAYASIHK CREE NATION ("NCN")

This Repayment Notice is delivered to you pursuant to Section 2.6 of the financing agreement (the "Amended and Restated NCN Financing Agreement") dated Effective April 1, 2015 between NCN, as borrower, Taskinigahp Power Corporation and Hydro, as lender. All capitalized terms used in this Repayment Notice and defined in the NCN Financing Agreement shall have the meanings defined in the NCN Financing Agreement.

1. NCN hereby gives notice of repayment as follows:

   (a) Date of repayment:______________________________

   (b) Type of Advance:______________________________

   (c) Amount of principal being repaid:______________________________

NISICHAWAYASIHK CREE NATION

____
Chief

____
Councillor

____
Councillor

____
Councillor

____
Councillor

____
Councillor

SCHEDULE B

BORROWING NOTICE

To: THE MANITOBA HYDRO-ELECTRIC BOARD ("Hydro")

From: NISICHAWAYASIHK CREE NATION ("NCN")
TASKINIGAHP POWER CORPORATION ("TPC")

This Borrowing Notice is delivered to you pursuant to Section 3.2 of the amended and restated financing agreement (the "NCN Financing Agreement") dated as of April 1, 2015 between NCN, as borrower, TPC and Hydro, as lender. All capitalized terms used in this Borrowing Notice and defined in the NCN Financing Agreement shall have the meaning defined in the NCN Financing Agreement.

1. NCN hereby requests an Dividend Credit Advance as follows:

   (a) Date of Dividend Credit Advance:________________________________

   (b) Amount of Dividend Credit Advance:______________________________

   (c) Payment Instructions:____

2. NCN and TPC hereby certify that:

   (a) All of the representations and warranties of NCN and TPC contained in Section 5.1 of the NCN Financing Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than those representations and warranties in Section 5.1 which are specifically limited to a particular date) and except as disclosed in writing to, and accepted in writing by Hydro.

   (b) All of the covenants of NCN and TPC contained in Article VI of the NCN Financing Agreement together with all of the conditions precedent to an Advance in Article IV of the NCN Financing Agreement (to the extent they are within NCN's and/or TPC's control) have been complied with or met in all material respects, except as disclosed in writing to, and accepted in writing by Hydro.

(c) No Event of Default has occurred and is continuing on the date hereof nor will any Event of Default occur as a result of the aforementioned Dividend Credit Advance, except as disclosed in writing to, and accepted in writing by Hydro.

DATED:

NISICHAWAYASIHK CREE NATION

____
Chief

____
Councillor

____
Councillor

____
Councillor

____
Councillor

____
Councillor

TASKINIGAHP POWER CORPORATION

Per:______________________________
Name:
Title:

Per:______________________________
Name:
Title:

SCHEDULE C

MATERIAL AGREEMENTS

Provided on Initial Closing

SCHEDULE D

ISSUED AND OUTSTANDING CAPITAL STOCK AND DEBT

Provided on Initial Closing

SCHEDULE E

LIABILITIES

Provided on Initial Closing

SCHEDULE F

ADDRESS FOR NOTICE

Nisichawayasihk Cree Nation
Attention: Chief and Council
General Delivery
Nelson House, MB
R0B 1A0

Fax Number: (204) 484-2392

Taskinigahp Power Corporation
Attention: President
General Delivery
Nelson House, MB
R0B 1A0

Fax Number: (204) 484-2392

Manitoba Hydro
Attention: General Counsel
360 Portage AvenueWinnipeg, MB

Fax Number: (204) 360-4947

SCHEDULE G

LIST OF SECURITY DOCUMENTS

1. TPC Limited Recourse Guarantee
2. TPC Security Agreement
3. Pledge of TPC's Units
4. Limited Power of Attorney granted by TPC respecting TPC's Units

SCHEDULE H

AUTHORIZATIONS - HYDRO

1. Order in Council as required pursuant to the provisions of the Hydro Act.
2. Such Additional Borrowing Authorizations required from time to time.

SCHEDULE 7.1
AMENDED AND RESTATED TPC FINANCING AGREEMENT

AMENDED AND RESTATED TPC FINANCING AGREEMENT

between

TASKINIGAHP POWER CORPORATION

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD

Effective March 31, 2015

TABLE OF CONTENTS

AMENDED AND RESTATED TPC FINANCING AGREEMENT

Effective the 31st day of March 2015

B E T W E E N:

TASKINIGAHP POWER CORPORATION,

(hereinafter referred to as "TPC")

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter referred to as "Hydro")

The parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Defined Terms.

In this Agreement, defined terms used herein shall have the following meanings:

"**Advances**" means advances made by Hydro under the Equity Credit Facility in this Agreement in Canadian Dollars and "**Advance**" means any one of such Advances.

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under direct or indirect common Control with, such Person.

"**Aggregate Capital Contributions**" means for any particular day, the sum of: (i) the subscription price paid for the purchase of the Units by the Limited Partners; and (ii) all other capital amounts contributed by the Limited Partners to the Limited Partnership pursuant to the provisions of the Limited Partnership Agreement.

"**Agreement**" means this financing agreement and all schedules and instruments in amendment or confirmation of it; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement.

"**Anniversary Date**" means each anniversary of the Final Closing Date.

"**Approved Funds**" means either: (i) funds that TPC will use to repay any principal amount under the Equity Credit Facility, that Hydro has approved pursuant to the Credit Facility Repayment Certification provided by TPC in accordance with Section 4.5; or (ii) funds that TPC will use to make a payment to the Limited Partnership, that Hydro has approved pursuant to the Limited Partnership Payment Certification.

"**Auditors**" means such firm of chartered accountants as may be selected by the directors of TPC and approved by NCN from time to time to audit TPC, provided that such firm of chartered accountants is qualified to perform audits in Manitoba.

"**Authorization**" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person, whether or not having the force of Law.

"**Banker's Acceptance Rate**" means the closing rate on any particular day for a one month Canadian Dollar banker's acceptance, as traced in Bloomberg using the CDORO1 index. Where any Banker's Acceptance Rate or average of a number of Banker's Acceptance Rates is used in the calculation of any interest rate or amount due by TPC hereunder (including in the determination of the Canadian Dollar Floating Rate), Hydro shall provide TPC with a print-out of the CDOR01 index screen used to derive such rate or rates.

"**Borrowing**" means a borrowing consisting of one or more Advances.

"**Business**" means the business of TPC which consists of owning TPC's Units, being a limited partner in the Limited Partnership and making such other investment, administrative and business decisions as may be ancillary thereto and carrying out such functions and fulfilling such obligations as are required or permitted pursuant to the provisions of the PDA.

"**Business Day**" means any day on which Hydro's head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba.

"**Canada**" means the Government of Canada.

"**Canada Yield Price**" means with respect to the repayment of Equity Credit Advances the principal amount that is being repaid plus or minus an amount calculated at 10:00 a.m. (Winnipeg time) on the Business Day preceding the day on which the principal amount is to be repaid which in total if invested on that day would provide a yield to maturity equal to the Government of Canada Yield, plus the Canadian Yield Spread, excluding commissions plus the Canadian Dollar Guarantee Rate. The Canada Yield Price will be determined based on the median of the three investment dealer quotes obtained by Hydro.

"**Canadian Dollar Floating Rate**" means, for any particular day(s) within a given month, the variable rate of interest (expressed as a percentage rate per annum) equal to the Short-Term Canadian Borrowing Cost incurred by Hydro for the month in which such day(s) fall. Provided that if there has been no Short-Term Canadian Borrowing Cost for that month, the variable interest rate (expressed as a percentage rate per annum) shall be based on the average of the daily Banker's Acceptance Rates for that month plus the average of the daily Canadian Dollar Guarantee Rates for that month plus one (1%) percent per annum.

"**Canadian Dollar Guarantee Rate**" means for any particular day, the closing rate of interest (expressed as a percentage rate per annum) charged on such day by Manitoba to Hydro, as a fee for Manitoba's guarantee of Hydro's Canadian Dollar borrowings.

"**Canadian Dollars**" and "**$**" each mean lawful money of Canada.

"**Canadian Yield Spread**" means for any particular date, the difference between the Government of Canada Yield determined for that date and the yield to maturity on such day compounded semi-annually which a non-callable Manitoba bond would carry if issued in Canadian Dollars on that day at 10:00 a.m. (Winnipeg time), including commission costs, at 100% of its principal amount on such day with the term to maturity equal to the remaining term to Maturity for the Equity Credit Advances that are being repaid. The Canadian Yield Spread will be determined by Hydro obtaining three rate quotes from investment dealers and using the median of the three rate quotes obtained.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participation or equivalent interest in (however designated) the equity (including, without limitation, common shares, preferred shares, trust units and partnership interests) of such Person and any rights, warrants or options to subscribe for or acquire an equity interest in such Person.

"**Change of Control**" means any change which results in NCN no longer directly owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of the bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC, as bare trustee for NCN, commits to vote such Capital Stock in accordance with the direction of Chief and Council of NCN), and for greater certainty the NCN Deed of Assignment does not effect a Change of Control.

"**Chief**" has the meaning ascribed thereto in the PDA.

"**Chief and Council**" has the meaning ascribed thereto in the PDA.

"**Claim**" means any claim of any nature whatsoever, including any demand, dispute, liability, obligation, debt, action, cause of action, suit, proceeding, litigation, arbitration, judgment, order, award, assessment and reassessment.

"**Collateral**" means TPC's Units and the Distributions thereon, in respect of which Hydro has or will have or is intended to have a Lien pursuant to the Security Documents.

"**Corporate Distributions**" means, in respect of any Person, whether or not a corporation, any form of distribution of its profits, including in each case any:

(i) declaration or payment of any dividend on its Capital Stock; and

(ii) payment to purchase, redeem, retire or acquire or reduce the stated capital of any of its Capital Stock, or any option, warrant or other right to acquire any such Capital Stock, or apply or set apart any of its Property therefore.

"**Councillor**" has the meaning ascribed thereto in the PDA.

"**Credit Facility Repayment Certification**" has the meaning specified in Section 4.5.

"**Cure Period**" has the meaning specified in Section 12.1(c).

"**Date of the PDA**" has the meaning ascribed thereto in the PDA.

"**Debt**" of any Person means, without duplication:

(i) all obligations of such Person for borrowed money or Advances and all obligations of such Person evidenced by bonds, debentures, notes or similar instruments;

(ii) all obligations of such Person, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the account of such Person; and

(iii) all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of such Person as of the date at which Debt is to be determined (excluding trade payables incurred in the ordinary course of business).

"**Distributions**" means distributions of cash of the Limited Partnership to TPC and the return of any part of the Aggregate Capital Contributions by the Limited Partnership to TPC.

"**Dividends**" has the meaning ascribed thereto in the NCN Deed of Assignment.

"**Dividend Credit Facility**" has the meaning ascribed thereto in the NCN Financing Agreement.

"**Equity Credit Advance**" means an Advance denominated in Canadian Dollars under the Equity Credit Facility.

"**Equity Credit Facility**" means the non-revolving credit facility to be made available to TPC by Hydro in the maximum amount of the Equity Credit Facility Commitment and in accordance with the terms of this Agreement.

"**Equity Credit Facility Commitment**" means the aggregate principal amount of ninety-two million three hundred sixty-two thousand ($92,362,000) dollars.

"**Event of Default**" has the meaning specified in Section 12.1.

"**Final Closing**" and "**Final Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

"**Final Investment Closing**" means 10:00 a.m. on the Final Investment Date.

"Final Investment Date" means January 1, 2015.

"**Financial Year**" means, in relation to TPC, the financial year of TPC as determined by the board of directors of TPC.

"**Future Material Agreement**" has the meaning specified in Section 10.1(13).

"**GAAP**" means, at any time, generally accepted accounting principles in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, or any successor Person at such time.

"**General Partner**" means 5022649 Manitoba Ltd., in its capacity as the general partner of the Limited Partnership, pursuant to the terms of the Limited Partnership Agreement.

"**Government Funds**" means any funds provided or advanced to NCN or TPC by Canada or Manitoba, or by any crown corporation, agency, department or instrumentality of Canada or Manitoba on the condition or requirement that such funds are to be used for investment through or by TPC in the Limited Partnership, and which TPC:

(i) uses to repay any principal amount outstanding under the Equity Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification (which, for greater certainty, does not include any other amount paid to Hydro under the Equity Credit Facility); or

(ii) uses to make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification;

and, for greater certainty, does not include any grants, loans or funds provided or advanced by any of the said parties to NCN or TPC without any condition or requirement that such grants, loans or funds are to be used for investment through or by TPC in the Limited Partnership, in which event the said grants, loans or funds will, after TPC's repayment of an Advance or payment to the Limited Partnership, as applicable, form part of TPC's Own Funds hereunder, without further qualification as "Government Funds".

"**Government of Canada Yield**" means for any particular date, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian Dollars, at 100% of its principal amount on such day at 10:00 a.m. (Winnipeg time) with a term to maturity equal to the remaining term to Maturity for the Equity Credit Advance that is being repaid. The Government of Canada Yield will be the yield determined by Hydro obtaining three rate quotes from investment dealers and using the median of the three rate quotes obtained.

"**Governmental Entity**" means any:

(i) federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign;

(ii) any agent, commission, board, or authority of any of the foregoing; or

(iii) any body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing except not including Hydro for the purposes of this Agreement.

Hydro" means The Manitoba Hydro-Electric Board, a Crown corporation continued by the Hydro Act.

"**Hydro Act**" means *The Manitoba Hydro Act*, R.S.M. 1987, c. H190, as amended from time to time.

"**Hydro's Account**" means such account or accounts maintained by Hydro at the Royal Bank of Canada, as Hydro from time to time notifies TPC for the purposes of this Agreement.

"**Hydro Liens**" means:

(i) Liens in favour of Hydro created by the Security Documents hereunder or by the Security Documents (as defined in the NCN Financing Agreement); and

(ii) Liens in favour of Hydro created by the Revenue Advance Consolidation Agreement and the security agreements provided by TPC to Hydro pursuant to that agreement.

"**Initial Closing**" **and** "**Initial Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

Initial Limited Partnership Agreement" means the limited partnership agreement entered into between the General Partner, in its capacity as general partner, and Hydro, as limited partner, dated the 9th day of December, 2004.

"**Initial TPC Financing Agreement**" means the TPC Financing Agreement entered into between TPC and Hydro dated June 28, 2006 which agreement remained in effect to and including March 31, 2015.

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of such Laws.

"**Lien**" means, with respect to any Property, any charge, mortgage, pledge, hypothecation, security interest, lien, conditional sale (or other title retention agreement or lease in the nature thereof), lease, servitude, assignment, adverse claim, defect of title, restriction, trust, or other encumbrance of any kind in respect of such Property, whether or not filed, recorded or otherwise perfected under applicable Laws.

"**Limited Partner**" means one of Hydro or TPC, as the context requires, in its capacity as a limited partner of the Limited Partnership, and "**Limited Partners**" means both of Hydro and TPC, in their respective capacities as limited partners of the Limited Partnership.

"**Limited Partnership**" means the Wuskwatim Power Limited Partnership created pursuant to the Initial Limited Partnership Agreement and continued pursuant to the Limited Partnership Agreement, for the purposes of owning and directly or indirectly planning, designing, constructing, operating and maintaining the Wuskwatim Project.

"**Limited Partnership Account**" means the Canadian Dollar account maintained by the Limited Partnership at Royal Bank of Canada, the particulars of which shall have been notified by the Limited Partnership to Hydro.

"**Limited Partnership Agreement**" means the Third Amended and Restated Limited Partnership Agreement amending and restating the second Limited Partnership Agreement, dated even date herewith between the General Partner, in its capacity as general partner, and Hydro and TPC, in their respective capacities as limited partners.

"**Limited Partnership Payment Certification**" has the meaning specified in Section 10.2(11).

"**Loan Documents**" means this Agreement, the Security Documents, and all other agreements, certificates and instruments delivered or given pursuant to or in connection with this Agreement; and "**Loan Document**" means any one of such Loan Documents.

"**Loss**" means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities, debts, interest, any and all legal fees and disbursements on a solicitor and his own client basis.

"**Manitoba**" means the Government of Manitoba.

"**Market Make-whole Payment**" has the meaning specified in Section 13.11.

"**Material Adverse Business Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in or of itself but which cumulatively results in a material adverse effect) on:

(i) the ability of TPC to perform any of its material obligations under the Loan Documents; or

(ii) the ability of Hydro to enforce any of the material obligations of TPC under the Loan Documents, where Hydro, acting reasonably, has determined that its ability to enforce the said material obligations cannot be cured by Hydro within a reasonable period of time or without Hydro being materially adversely affected, notwithstanding that TPC has provided its written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said material obligations of TPC under the Loan Documents.

"**Material Agreements**" has the meaning specified in Section 9.1(11).

"**Maturity Date**" means the fiftieth Anniversary Date.

"**Maturity Sale Conditions**" means:

(i) NCN owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC free and clear of all Liens except Permitted Liens (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of a bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC as bare trustee for NCN, commits to vote such Capital Stock in accordance with the directions of Chief and Council of NCN);

(ii) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Maturity Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing, and TPC has the full right to sell and transfer the Maturity Sale Units to Hydro;

(iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Maturity Sale Units other than Hydro;

(iv) no Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment or right for the purchase of any of the Capital Stock of TPC; and

(v) the consummation of the transactions contemplated by the exercise of the Maturity Sale Right will not result in the creation or imposition of any Lien on the Maturity Sale Units (other than such other Liens as Hydro, on the Maturity Date, may in its unfettered discretion accept in writing).

"**Maturity Sale Right**" has the meaning specified in Section 5.1(b).

"**Maturity Sale Units**" has the meaning specified in Section 5.1(b).

"**NCN**" means the Nisichawayasihk Cree Nation, formerly known as the Nelson House First Nation.

"**NCN Business**" has the meaning ascribed thereto in the PDA.

"**NCN Deed of Assignment**" has the meaning ascribed thereto in the PDA.

"**NCN Financing Agreement**" means the amended and restated financing agreement dated April 16, 2015 between NCN, TPC, and Hydro.

"**Notice**" means any notice, citation, directive, request for information, writ, summons, and statement of claim or other communication from any Person.

"**Notice of Sale**" has the meaning specified in Section 5.5.

"**Obligations**" has the meaning specified in Section 11.1.

"**PDA**" means the Project Development Agreement dated June 26, 2006 made between NCN, Hydro, TPC, the General Partner and the Limited Partnership as supplemented and amended by PDA Supplement No. 1 dated March 15, 2011 and PDA Supplement No. 2 dated April 16, 2015.

"**Permitted Liens**" means, with respect to any Person, any one or more of the following:

(i) Liens for Taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such taxes, assessments and charges;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(ii) Liens resulting from any judgment rendered or Claim filed against such Person which such Person shall be contesting in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such judgment or Claim;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(iii) undetermined Liens arising in the ordinary course of business which have not at such time been filed pursuant to Law against such Person or which relate to obligations not due or delinquent;

(iv) Liens arising in the ordinary course of business which are not registered against title to the Collateral and are not overdue for a period of more than thirty (30) days or which are being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion, (i) adequate security has been provided to ensure payment of such Liens; (ii) adequate reserves with respect thereto are maintained on the consolidated books of such Person in accordance with GAAP; and (iii) in each case, such Liens will not materially interfere with use of such Property by the Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(v) any Lien, payment of which has been provided for by the depositing with Hydro of an amount in cash, or the obtaining of a surety bond satisfactory to Hydro, in its absolute discretion, sufficient in either case to pay or discharge such Lien and which deposit or bond Hydro is authorized to use or draw upon for that purpose;

(vi) Liens securing Purchase Money Debt provided that: (i) such Liens shall extend only to the specific Property of the Person acquired with the proceeds of such Purchase Money Debt (and not any portion of the Collateral) and (ii) recourse in respect of such Liens shall be limited to such specific Property;

(vii) the Hydro Liens; or

(viii) any other Lien approved in writing in advance by Hydro, in its unfettered discretion.

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture, Band within the meaning of the *Indian Act* (Canada) or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Property**" means, with respect to any Person, any interest of such Person in any land or property or asset of every kind, wherever situate, whether now owned or hereafter acquired, whether real or immovable, personal, movable or mixed, tangible or corporeal, intangible or incorporeal, including capital stock in any other Person.

"**Purchase Money Debt**" means, with respect to any Person, all obligations of such Person incurred to finance the acquisition of Property.

"**Receiver**" means a receiver, receiver and manager or other person having similar powers or authority appointed by Hydro or by a court at the instance of Hydro in respect of the Collateral or any part thereof.

"**Repayment Notice**" has the meaning specified in Section 4.5.

"**Revenue Advance Consolidation Agreement**" has the meaning ascribed thereto in the PDA.

"**Sale**" means a transaction of purchase and sale of all or a portion of TPC's Units pursuant to Article V.

"**Sale Certificates**" has the meaning specified in Section 7.1(2)(a).

"**Sale Closing Date**" has the meaning specified in Section 7.1(1)(a).

"**Sale Units**" means the, the Twenty-Fifth Anniversary Sale Units, the Maturity Sale Units or the Term Sale Units, as the context requires.

"**Security Documents**" means those agreements and other documents in favour of Hydro described in Schedule G, in form and substance satisfactory to Hydro, acting reasonably, as such documents may be amended or restated from time to time, as security for all or any portion of the Obligations.

"**Short-Term Canadian Borrowing Cost**" means, for any month, Hydro's actual weighted average borrowing cost (which, it is acknowledged, includes the Canadian Dollar Guarantee Rate) expressed as a percentage rate per annum for all of Hydro's Canadian Dollar borrowings outstanding during that month which have a term expiring, or are due to be paid, within three hundred and sixty-four (364) days in length of the date that each such borrowing was first incurred by Hydro. Hydro's "actual weighted average borrowing cost" shall be calculated on the basis of the actual amount of interest that has accrued during that month divided by the "weighted principal amount" of all borrowing(s) which accrued interest during that month. The "weighted principal amount" for each borrowing is equal to the principal amount of each borrowing multiplied by the number of days the borrowing was outstanding during the month divided by 365.

"**TPC**" means Taskinigahp Power Corporation, a corporation that is wholly owned by NCN beneficially, and by the Chief or a Councillor of NCN, as registered owner as bare trustee for NCN.

"**TPC's Cash Units**" means:

(i) on the Final Investment Date that number of TPC's Units equal to (A) divided by (B) where (A) equals the number of TPC's Units on the Final Investment Date multiplied by TPC's Invested Cash as of that date; and (B) equals the sum of: (i) the aggregate of the amount of Equity Credit Advances which remain outstanding on that date; and (ii) TPC's Invested Cash as of that date; and

(ii) on any particular day after the Final Investment Date (the "**Measurement Date**") until the date that the Equity Credit Facility has been paid in full, that number of TPC's Units equal to (A) divided by (B) where (A) is the product of: (i) the number of TPC's Cash Units on the Final Investment Date, multiplied by (ii) the number of TPC's Units on the Measurement Date; and (B) equals the number of TPC's Units on the Final Investment Date; and

For greater certainty, on the date when the Equity Credit Facility has been paid out in full, all of TPC's Units shall be deemed to be TPC's Cash Units.

"**TPC's Invested Cash**" means on any particular day, the sum of all amounts invested by TPC in the Limited Partnership using Approved Funds. For greater certainty:

(i) this does not include the proceeds of Equity Credit Advances;

(ii) this does not include any amount for interest, costs, expenses or indemnity reimbursed or paid to Hydro hereunder; and

(iii) this does include all of TPC's Own Funds (which includes Government Funds) and all of TPC's Third Party Funds used by TPC either:

(A) to repay any principal amount outstanding under a Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification; or

(B) to make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification (including, without limitation, TPC's Cash Subscription Payment);

all of which amounts shall, after approval has been granted by Hydro, constitute Approved Funds.

"TPC's Loan Units" means, on any particular day, all of TPC's Units on that day that are not TPC's Cash Units.

"TPC's Own Funds" means any funds that TPC will use to:

(i) repay any principal amount outstanding under the Equity Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification (which, for greater certainty, does not include any other amount paid to Hydro under the Equity Credit Facility);

(ii) make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification; or

(iii) make TPC's Cash Subscription Payment;

provided that the said funds have not been obtained by TPC (whether directly or indirectly through NCN, an NCN Business or the Taskinigahp Trust) from any arm's length Person, in any material way due to or as a result of:

(A) TPC being the owner of one or more Units; or

(B) TPC, NCN or Taskinigahp Trust providing or agreeing to provide, directly or indirectly, a Lien in favour of any other Person on, or by TPC, NCN or the Taskinigahp Trust conferring an ownership or proprietary interest or any kind upon any other Person, in any Property of TPC or the Property of Taskinigahp Trust (provided that this is not intended to prohibit or restrict the beneficial interest of the beneficiaries of the Taskinigahp Trust under the Trust Indenture constituting the Taskinigahp Trust), the Capital Stock of TPC, TPC's Units or any Distributions on the TPC's Units, or on any Corporate Distributions of TPC, including assignments or orders to pay.

For greater certainty, the mere investment of funds by NCN, an NCN Business or the Taskinigahp Trust in TPC for use by TPC in either repaying any principal amount under the Equity Credit Facility or making a payment to the Limited Partnership in the manner referenced above shall not preclude such funds from constituting TPC's Own Funds, and any funds so invested by NCN, an NCN Business or the Taskinigahp Trust in TPC shall be considered in all respects to be TPC's Own Funds for the purposes of this Agreement if Hydro determines that the funds otherwise fall within the definition of TPC's Own Funds in accordance with the provisions of this Agreement (and, for this purpose, Hydro shall be entitled to look to the source of the funds to NCN, the NCN Business or the Taskinigahp Trust). Government Funds (once approved as such by Hydro pursuant to the approval processed hereunder) and funds obtained by TPC from Distributions on TPC's Units or from earnings on the investment of Distributions on TPC's Units which are voluntarily used to repay any principal amount (but no other amount) under the Equity Credit Facility or which are invested in the Limited Partnership pursuant to a Credit Facility Repayment Certification or a Limited Partnership Payment Certification respectively shall be deemed for the purposes of this Agreement to be TPC's Own Funds (but, for greater certainty, amounts paid to Hydro pursuant to the irrevocable assignment and direction of Distributions on TPC's Units under the Security Documents shall not count or be included as part of TPC's Own Funds).

"**TPC's Third Party Funds**" means any funds that TPC will use to either:

(i) repay any principal amount under the Equity Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification (which for greater certainty does not include any other amount paid to Hydro under the Equity Credit Facility); or

(ii) make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification;

which are not TPC's Own Funds. For greater certainty:

(A) the mere assignment of Dividends by NCN to the Taskinigahp Trust pursuant to the NCN Deed of Assignment shall not be deemed to constitute any of TPC's funds as being TPC's Third Party Funds hereunder;

(B) merely because funds have been obtained by NCN from a third party, whether by loan, grant, subsidy or otherwise shall not be sufficient for such funds to be deemed to be TPC's Third Party Funds; and

(C) none of NCN, any NCN Business or the Taskinigahp Trust shall be deemed to be a third party for the purposes of determining what funds are TPC's Own Funds and what funds are TPC's Third Party Funds, provided however, that where the source of any funds is any of NCN, an NCN Business or the Taskinigahp Trust, Hydro is entitled to look beyond such party to determine the ultimate source of such funds in applying the provisions hereof.

"**TPC's Units**" means, at any time, the Units owned by TPC.

"Taskinigahp Trust" has the meaning ascribed thereto in the PDA.

"**Taxes**" means all taxes imposed by any Governmental Entity, including real property, personal property, goods and services, sales, transfer, purchase, stumpage, registration, capital, excise, import duties, payroll, unemployment, disability, employee's income withholding, social security or withholding.

"**Ten Year Canada Bond Rate**" means, at any particular date, that rate of interest (expressed as a percentage rate per annum) which a non-callable Government of Canada bond denominated in Canadian Dollars would carry if issued on such date at 10:00 a.m. (Winnipeg time) by Canada at 100% of its principal amount for a term of ten years (with the rate of interest being determined by Hydro obtaining three rate quotes for the yield on that date of publicly traded Canadian Dollar non-callable Government of Canada reference bonds with a ten year term, as adjusted by the financial institutions that have provided the three rate quotes to reflect the assumed issue date and the ten year term, and using the median rate of the three rate quotes obtained).

"**Ten Year Manitoba Canadian Dollar Bonds**" means a non-callable Province of Manitoba bond denominated in Canadian Dollars issued by Manitoba, at 100% of the principal amount for a term of ten years.

"**Term Sale Conditions**" means:

(i) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Term Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing;

(ii) TPC has the full right to sell and transfer the Term Sale Units to Hydro;

(iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Term Sale Units other than Hydro; and

(iv) the consummation of the transactions contemplated by the exercise of the Term Sale Right will not result in the creation or imposition of any Lien on the Term Sale Units (other than such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing).

"Term Sale Right" has the meaning specified in Section 5.1(c).

"**Term Sale Units**" has the meaning specified in Section 5.1(c).

"**Thirty Year Canada Bond Rate**" means, at any particular date, that rate of interest (expressed as a percentage rate per annum) which a non-callable Government of Canada bond denominated in Canadian Dollars would carry if issued on such date at 10:00 a.m. (Winnipeg time) by Canada at 100% of its principal amount for a term of thirty years (with the rate of interest being determined by Hydro obtaining three rate quotes for the yield on that date of publicly traded Canadian Dollar non-callable Government of Canada reference bonds with a thirty year term, as adjusted by the financial institutions that have provided the three rate quotes to reflect the assumed issue date and the thirty year term, and using the median rate of the three rate quotes obtained).

"**Thirty Year Manitoba Canadian Dollar Bonds**" means a non-callable Province of Manitoba bond denominated in Canadian Dollars issued by Manitoba at 100% of the principal amount for a term of thirty years.

"**Total Outstandings**" means the aggregate amount in Canadian Dollars of all outstanding Advances at any time under the Equity Credit Facility but does not include any interest, costs, expenses or indemnity claim arising under the Equity Credit Facility.

"**Twenty-Fifth Anniversary Sale Conditions**" means:

(i) NCN owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC free and clear of all Liens except Permitted Liens (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of a bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC as bare trustee for NCN, commits to vote such Capital Stock in accordance with the directions of the Chief and Council of NCN);

(ii) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Twenty-Fifth Anniversary Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing, and TPC has the full right to sell and transfer the Twenty-Fifth Anniversary Sale Units to Hydro;

(iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Twenty-Fifth Anniversary Sale Units other than Hydro;

(iv) no Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment or right for purchase of any of the Capital Stock of TPC; and

(v) the consummation of the transactions contemplated by the exercise of the Twenty-Fifth Anniversary Sale Right will not result in the creation or imposition of any Lien on the Twenty-Fifth Anniversary Sale Units (other than such other Liens as Hydro, on the Sale Closing Date, may accept in writing in its unfettered discretion).

"**Twenty-Fifth Anniversary Sale Right**" has the meaning specified in Section 5.1(a).

"**Twenty-Fifth Anniversary Sale Units"** has the meaning specified in Section 5.1(a).

"**Unit**" means one of the units in the Limited Partnership issued to and subscribed for by a Limited Partner pursuant to the Limited Partnership Agreement, and "**Units**" means all of the issued Units in the Limited Partnership.

"**Wuskwatim Project**" has the meaning ascribed thereto in the PDA.

1.2 Interpretation.

This Agreement shall be interpreted in accordance with the following:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) headings are inserted for convenience only and shall not affect the interpretation of this Agreement, any other Loan Documents or any provisions hereof or thereof;

(c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;

(d) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(e) the expressions "the aggregate", "the total", "the sum" and expressions of similar meaning shall mean "the aggregate (or total or sum) without duplication";

(f) in the computation of periods of time, unless otherwise expressly provided, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding";

(g) accounting terms not specifically defined shall be construed in accordance with GAAP. Except as otherwise mandated by changes in GAAP from time to time, the financial statements required to be delivered pursuant to this Agreement shall be prepared, and all calculations made for the purposes of this Agreement shall be made, unless otherwise provided for herein, by the application of GAAP applied on a basis consistent with the most recent audited financial statements of TPC, previously delivered to Hydro; and

(h) for the purposes of this Agreement, a Person (the "**first Person**") shall be deemed to be "**Controlled**" by another Person or Persons if the Capital Stock of the first Person directly or indirectly held by or for the benefit of the other Person or Persons, acting in concert, other than by way of security only, is either:

(i) more than 50% of the Capital Stock of the first Person outstanding at the time of such determination; or

(ii) sufficient to permit the other Person or Persons to replace or elect the majority of the board of directors of the first Person;

and "**Control**" and "**Controlling**" shall have corresponding meanings.

1.3 <u>Interpretation of any other Loan Documents.</u>

The provisions of Article 1.2 shall apply to the interpretation of all of the other Loan Documents unless specifically otherwise indicated therein.

1.4 Severability.

If any provision of this Agreement or any other Loan Document is, or becomes, illegal, invalid or unenforceable, such provision shall be severed from this Agreement or such other Loan Document and be ineffective to the extent of such illegality, invalidity or unenforceability. The remaining provisions hereof or thereof shall be unaffected by such provision and shall continue to be valid and enforceable.

1.5 Entire Agreement.

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties relating to the subject matter hereof and entered into prior to the date of this Agreement.

1.6 Waiver.

No failure on the part of Hydro to exercise, and no delay in exercising, any right under this Agreement or any other Loan Document shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No notice to or demand on TPC in any case shall entitle it to any notice or demand in similar or other circumstances, unless such notice or demand is required under the terms of this Agreement or the applicable Loan Document. No waiver of any of the provisions of this Agreement or any other Loan Document shall be effective unless it is in writing duly executed by the waiving party.

1.7 Governing Law.

This Agreement and each other Loan Document, shall be governed by, and interpreted in accordance with, the Laws of Manitoba and the Laws of Canada applicable therein.

1.8 Incorporation of Schedules.

The following schedules attached shall, for all purposes hereof, be incorporated in and form an integral part of this Agreement:

Schedule A	Repayment Notice
Schedule B	Intentionally Deleted
Schedule C	Issued and Outstanding Capital Stock and Debt
Schedule D	Material Agreements
Schedule E	Liabilities
Schedule F	Address for Notice
Schedule G	List of Security Documents
Schedule H	Authorizations - Hydro

It is acknowledged by Hydro that Schedules C to E (both inclusive) were delivered by TPC to Hydro on or before the Initial Closing Date for attachment to the Initial TPC Financing Agreement, which said Schedules shall be deemed to form part of this Agreement.

1.9 Conflicts.

If a conflict or inconsistency exists between a provision of this Agreement and a provision of any of the other Loan Documents or any part thereof, then the provisions of this Agreement shall prevail. Notwithstanding the foregoing, if there is any right or remedy of Hydro set out in any of the other Loan Documents or any part thereof which is not set out or provided for in this Agreement, such additional right or remedy shall not constitute a conflict or inconsistency.

ARTICLE II
EQUITY CREDIT FACILITY

2.1 Equity Credit Facility.

Hydro made, on the terms and conditions of the Initial Agreement, ninety-two million three hundred sixty-two thousand ($92,362,000) dollars in advances to TPC pursuant to the Equity Credit Facility to October 14, 2014, exclusive of accrued interest. The terms of this Agreement shall govern the financing and repayment of the Equity Credit Facility and accrued interest as of the Final Investment Date.

2.2 Non-Revolving Facility

The Equity Credit Facility is a non-revolving credit facility and the principal amount of any Advance that is repaid may not be re-borrowed and shall be a permanent reduction of the Equity Credit Facility Commitment.

2.3 Repayment on the Maturity Date.

Subject to Hydro making an early demand for payment pursuant to Section 12.1 following an Event of Default, TPC shall repay on the Maturity Date, the Total Outstandings, if any, under the Equity Credit Facility and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility, and the Total Outstandings, if any, under the Equity Credit Facility and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility shall become due and payable on the Maturity Date. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.

2.4 Balances as at Final Closing and TPC Payments.

The Parties agree and acknowledge that, at the Time of Final Investment Closing, TPC shall comply with each of the following conditions: ;

(a) TPC's Invested Cash is twenty-one million, one hundred and seventy-eight thousand ($21,178,000.00) dollars, exclusive of accrued interest;

(b) The Total Outstandings under the Equity Credit Facility is eight-seven million six hundred twelve thousand dollars ($87,612,000.00); and

(c) In addition to all other mandatory payment obligations provided for in this Agreement and subject to TPC's right to make prepayments in accordance with the provisions of this Agreement, TPC shall throughout the term of this Agreement repay to Hydro all outstanding Advances under the Equity Credit Facility and accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility solely through Hydro receiving all Distributions from time to time on TPC's Loan Units. The Distributions on TPC's Loan Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Equity Credit Facility; second, in payment of all accrued and unpaid interest under the Equity Credit Facility (except as dealt with under subsection (2) above); and third, in repayment of all principal amounts that have not been repaid under the Equity Credit Facility (except as dealt with under subsection (2) above). (For greater certainty, any of the said amounts owing under the Equity Credit Facility on the Maturity Date shall be required to be repaid on the Maturity Date in accordance with Section 2.5). Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents until the Total Outstandings under the Equity Credit Facility and any accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity

Credit Facility have been repaid in full. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents. The amount of any repayment shall be a permanent reduction of the Equity Credit Facility Commitment.

2.5 Optional Reductions.

TPC may subject to the provisions of this Agreement, including Sections 4.5 and 4.6 as adjusted for the applicable Market Make-whole Payment in accordance with Section 13.11, prepay, in whole or in part, only with Approved Funds, the Total Outstandings under the Equity Credit Facility, at any time, without penalty as long as each partial prepayment made by TPC under the Equity Credit Facility shall be in a minimum aggregate principal amount of $200,000 and in an integral multiple of $100,000.

ARTICLE III
PRIORITY OF DISTRIBUTION PAYMENTS

3.1 [intentionally blank]

3.2 [intentionally blank]

3.3 [intentionally blank]

3.4 [intentionally blank]

3.5 [intentionally blank]

3.6 [intentionally blank]

3.7 <u>Priority of Distribution Payments Prior to Maturity Date.</u>

Hydro shall apply all payment of Distributions on TPC's Units prior to Maturity Date on as follows:

(a) first, to the payments to be made to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement (and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units), which shall have priority over any payments to be made out of Distributions on TPC's Units and the security provided to Hydro pursuant to the provisions of this Agreement, and accordingly, any such payments to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement shall not constitute an Event of Default hereunder;

(b) second, to the payments to be made to Hydro pursuant to Section 2.5(1) of the NCN Financing Agreement (and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units), and, accordingly, any such payments to Hydro pursuant to the NCN Financing Agreement shall not constitute an Event of Default;

(c) third, to the payments to be made to Hydro pursuant to Section 2.5(2) of the NCN Financing Agreement and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units, and any such payments to Hydro pursuant to the NCN Financing Agreement shall not constitute an Event of Default under this Agreement; and

(d) fourth to payments to be made to Hydro pursuant to Section 2.4 (c).

3.8 Priority of Distributions Payments on Maturity Date.

The priority for payments made to Hydro through Distributions on TPC's Units commencing on the Maturity Date shall be as follows:

(a) first, to the payments to be made to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement (and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units), which shall have priority over any payments to be made out of Distributions on TPC's Units after the Maturity Date (and the security provided to Hydro pursuant to the provisions of this Agreement) and accordingly, any such payments to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement shall not constitute an Event of Default hereunder;

(b) second, to the payments to be made to Hydro pursuant to the provisions of the NCN Financing Agreement (and the security provided to Hydro pursuant to the provisions of that Agreement in respect of Distributions on TPC's Units); and

(c) for so long as no Event of Default has occurred that remains outstanding and uncured, and provided that Distributions on TPC's Units are applied in accordance with Section 3.8 (a) prior to the Maturity Date, and in accordance with Section 3.8(b) after the Maturity Date, pursuant to the irrevocable assignment and direction of the Distributions on TPC's Units to Hydro under the Security Documents as and when such Distributions are paid by the Limited Partnership (in the discretion of the General Partner), TPC shall have no other payment obligation under the Equity Credit Facility or in respect of any amounts (whether principal, interest, costs or otherwise) due thereunder (except at Maturity Date in respect of such amounts as are stated to be due and payable on the Maturity Date).

ARTICLE IV
LOAN ADVANCES

4.1 <u>Interest on Equity Credit Advances.</u>

Subject to Section 13.3, each Equity Credit Advance, or the amount remaining outstanding from time to time, shall bear interest calculated and payable in the following manner:

Any Equity Credit Advance forwarded to the Limited Partnership Account for the credit of TPC on or before October 14, 2014 shall:

(i) until the Final Closing Date bear interest at a variable rate (expressed as a percentage rate per annum) equal to the Canadian Dollar Floating Rate in effect from time to time, plus one (1%) percent per annum compounded monthly (not in advance), calculated (but not compounded) daily and shall accrue interest at that rate until the Final Closing Date. Hydro shall provide TPC with notice of the Canadian Dollar Floating Rate applicable to each such Equity Credit Advance, and it's supporting calculations therefore, which shall constitute, in the absence of error, prima facie evidence of the Canadian Dollar Floating Rate applicable to each such Advance;

(ii) from and after the Final Closing Date to and until March 31, 2014, the Total Outstandings under the Equity Credit Facility, plus all accrued and unpaid interest thereon, and all other amounts owing to Hydro under the Equity

Credit Facility as at the Final Closing Date shall bear interest at a fixed interest rate of six and three hundred seventy-six one thousands (6.376%) percent calculated and compounded semi-annually (not in advance). Hydro shall provide TPC with notice of the Canadian Thirty Year Rate applicable to the amount of the Equity Credit Advances then outstanding and all accrued and unpaid interest thereon and all other amounts owning to Hydro in respect thereto, and its supporting calculations therefore, which shall constitute, in the absence of error, prima facie evidence of the applicable Canadian Thirty Year Rate;

(iii) from and after April 1, 2014, the Total Outstandings under the Equity Credit Facility, plus all accrued and unpaid interest thereon, and all other amounts owing to Hydro under the Equity Credit Facility shall bear interest at a fixed interest rate of five and three hundred seventy-six one thousandth (5.376%) percent calculated and compounded semi-annually (not in advance);

Interest on any Equity Credit Advance made after April 1, 2014 shall accrue in the current month and added to the Total Outstandings for the purposes of the interest calculations in Section 13.3(a) (ii).

Hydro shall provide TPC with notice of the interest rate applicable to the amount of the Equity Credit Advances then outstanding, and all accrued and unpaid interest thereon and all other amounts owing to Hydro in respect thereto and its supporting calculations therefor; and

(iv) subject to the provisions of this Agreement (including payments made through Distributions under Article II and TPC's right to make prepayments in accordance with the provisions of this Agreement), the accrued interest, and all other amounts owing to Hydro under the Equity Credit Facility, shall only become due and payable on the Maturity Date.

Any Equity Credit Advance forwarded to the Limited Partnership Account for the credit of TPC after the Final Closing Date and prior to the first Anniversary Date shall, from the date of the Advance until March 31, 2014, bear interest at the interest rate established pursuant to Section 4.1(a) (ii) and, from and after April 1, 2014, bear interest at the interest rate established pursuant to Section 4.1(a) (iii), the provisions of which shall apply, *mutatis mutandis*, to such Advances and, subject to the provisions of this Agreement (including payments made though Distributions under Article II and TPC's right to make prepayments in accordance with the provisions of this Agreement), the accrued interest, and all other amounts owing to Hydro under the Equity Credit Facility, shall only become due and payable on the Maturity Date.

4.2 Repayment Notice.

Mandatory repayments pursuant to Sections 2.6(3) and (4) and optional repayment to reduce the Total Outstandings under the Equity Credit Facility pursuant to Sections 2.7 and/or 3.7 shall be made upon at least seven (7) Business Days' notice (but not more than twenty (20) Business Days' notice) to Hydro (each such notice a "**Repayment Notice**"). As a condition of any Repayment Notice and the payments being made to Hydro, TPC shall deliver to Hydro, at least thirty (30) calendar days prior to the proposed date that TPC intends to make the repayment, a statutory declaration signed by a duly authorized officer of TPC (each such statutory declaration a "**Credit Facility Repayment Certification**") which shall:

(a) certify the source of the money to be used for the proposed repayment;

(b) disclose all material information relating to the money to be used for the proposed repayment;

(c) attach true and complete copies of all material documents; and

(d) a copy of the proposed Repayment Notice in the form of Schedule A to this Agreement, specifying: (A) the proposed date of such repayment; and (B) the aggregate principal amount of the proposed repayment. Hydro shall have the right to request from TPC, within five (5) calendar days of receipt of the Credit Facility Repayment Certification, such additional information and notarized copies of documents relating to the monies to be used in respect of the proposed repayment as it may require, acting reasonably, and to receive such written consents and waivers from TPC to obtain additional information and documents from any other Person relating to the monies to be used in respect of the proposed repayment as Hydro may request, acting reasonably. Hydro shall be required to confirm in writing within twenty (20) calendar days of receipt of the Credit Facility Repayment Certification whether or not it will accept the Credit Facility Repayment Certification, unless the time period is extended by Hydro, acting reasonably, due to Hydro awaiting receipt of the additional information and documents as it may have requested in connection with the Credit Facility Repayment Certification.

4.3 <u>Hydro Acceptance of Repayment Notice.</u>

If Hydro accepts the Credit Facility Repayment Certification, TPC may issue to Hydro the Repayment Notice in the form attached to the Credit Facility Repayment Certification, and TPC shall:

(a) pay Hydro the repayment amount set out the Repayment Notice; and

(b) provide with the said payment, a statutory declaration signed by a duly authorized officer of TPC certifying there has been no material change to any of the information or documents provided by TPC in the Credit Facility Repayment Certification concerning the monies being paid to Hydro, including the source of the monies; and

(c) pay to Hydro all accrued interest on the Credit Facility in respect of which the repayment is being made, to the date of such repayment.

For greater certainty, any principal amount repaid pursuant to the Repayment Notice are Approved Funds and form part of TPC's Invested Cash but does not include any amount on account of the payment of accrued interest on the Equity Credit Facility).. Hydro shall be required to accept the Credit Facility Repayment Certification if Hydro determines, acting reasonably, that the monies being used for the repayment fall within the definition of TPC's Own Funds based on Hydro's analysis of the information disclosed and documents provided or otherwise obtained by Hydro.

4.4 <u>Hydro's Rejection of Funds.</u>

If Hydro, acting reasonably, based on its analysis, determines that the monies fall within the definition of TPC's Third Party Funds, then Hydro is entitled, to either reject or accept the Credit Facility Repayment Certification. In making that determination, Hydro will consider the source of the monies, the terms of any financing, any repayment requirements associated with the monies that have been provided, whether or not any Person has recourse against TPC's Units in the event of default in respect of any financing associated with obtaining the monies and, if so, the likelihood of that right being exercised. If Hydro rejects the Credit Facility Repayment Certification, TPC shall not be entitled to proceed with the proposed repayment.

4.5 <u>Hydro Acceptance of Certification.</u>

If Hydro accepts the Credit Facility Repayment Certification, the payment can be made and the funds will be Approved Funds and once the payment is made, it shall form part of TPC's Invested Cash. For greater certainty, any funds used by TPC from time to time to pay any interest, costs, expenses or indemnity claims properly due to Hydro hereunder having regard for Section 5.14 of the PDA, shall not require certification or approval hereunder as Approved Funds.

4.6 Evidence of Debt

The indebtedness of TPC in respect of all Advances shall be evidenced by the account records maintained by Hydro, which shall be prima facie evidence of such indebtedness for all purposes, absent error. Hydro shall indemnify and save harmless TPC for losses suffered or costs incurred by TPC due to Hydro's failure to correctly record or calculate any amount, rate, date or other data (including calculations to determine any amount) in the account records or in statements or notices issued to TPC where such failure was due to the gross negligence or willful misconduct of Hydro or any person for whom Hydro is responsible at law. Notwithstanding the foregoing, the failure of Hydro to correctly record or calculate, rate, date or other data (including calculations to determine any amount) in the account records or in statements or notices issued to TPC under this Agreement shall not, however, affect the obligation of TPC to pay amounts due hereunder to Hydro in accordance with this Agreement.

4.7 Determination of Interest and Fees

For purposes of the *Interest Act* (Canada):

(a) whenever any interest under this Agreement is calculated using a rate based on a period of time other than a calendar year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on such period of time multiplied by (y) the actual number of days in the calendar year in which the period for which such interest or fee is calculated ends, and divided by (z) the number of days in such period of time;

(b) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; and

(c) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

4.8 Hydro Obligations.

Within ten (10) Business Days of the last day of each month during this Agreement, Hydro shall provide to TPC a written statement the Total Outstandings under the Equity Credit Facility on the last day of each month, together with the following information:

(a) opening and closing balances;

(b) principal repaid during the month;

(c) interest paid or payable by TPC, (together with the date(s) of any change(s) from floating rate(s) to fixed rate(s) charged on such Advances pursuant to the terms of this Agreement), during the month; and

(d) any costs charged by Hydro to TPC during the month, and any reimbursements made by TPC to Hydro during the month for costs charged by Hydro to TPC.

ARTICLE V
OPTIONS TO SELL TPC'S UNITS

5.1 TPC's Options To Sell.

The Parties acknowledge neither the Final Closing Sale Right or the Non-Completion Sale Right referenced in the Initial TPC Financing Agreement were exercised but this shall not preclude TPC from exercising the Term Sale Right, the Twenty-Fifth Anniversary Sale Right or the Maturity

Sale Right, in respect of any of TPC's Units still owned by TPC, which shall have the following rights:

(a) on the twenty-fifth Anniversary Date, a one time right, conditional only on TPC being in compliance with all of the Twenty-Fifth Anniversary Sale Conditions (the "**Twenty-Fifth Anniversary Sale Right**") to sell only to Hydro, all of TPC's Units (but not less than all of TPC's Units) owned by TPC on the twenty-fifth Anniversary Date (the "**Twenty-Fifth Anniversary Sale Units**"), and upon the exercise of such right, Hydro shall purchase all, and not less than all, of the Twenty-Fifty Anniversary Sale Units from TPC in accordance with and subject to the provisions of this Agreement;

(b) on the Maturity Date, a one time right, conditional only on TPC being in compliance with all of the Maturity Sale Conditions (the "**Maturity Sale Right**") to sell only to Hydro, all of TPC's Units (but not less than all of TPC's Units) owned by TPC on the Maturity Date (the "**Maturity Sale Units**"), and upon the exercise of such right, Hydro shall purchase all, and not less than all, of the Maturity Sale Units from TPC in accordance with and subject to the provisions of this Agreement; and

(c) at any time on or prior to the Maturity Date, a one-time right, conditional only on TPC being in compliance with the Term Sale Conditions, (the "**Term Sale Right**") to sell only to Hydro, all of TPC's Units (but not less than all of TPC's Units) owned by TPC on the date of exercise of such right (the "**Term Sale Units**"), and upon any exercise of such right, Hydro shall purchase all, and not less than all, of the Term Sale Units from TPC in accordance with the provisions of this Agreement.

Provided the Twenty-Fifth Anniversary Sale Right, Maturity Sale Right or Term Sale Right is exercised by TPC in the manner set out in this Agreement, and subject only to TPC's compliance with the Final Closing Sale Conditions, Non-Completion Sale Conditions, Twenty-Fifth Anniversary Sale Conditions, Maturity Sale Conditions, or Term Sale Conditions, as applicable, Hydro shall purchase all of the Twenty-Fifth Anniversary Sale Units, Maturity Sale Units or Term Sale Units, as applicable, in accordance with and subject to the terms of this Agreement.

5.2 Purchase Price 25th Anniversary Sale

The purchase price for the Twenty-Fifth Anniversary Sale Units which are sold to and purchased by, Hydro pursuant to the exercise by TPC of the Twenty-Fifth Anniversary Sale Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit Facility, the Total Outstandings defined under the NCN Financing Agreement and all accrued and unpaid interest, costs and other amounts owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant to each agreement, as of the twenty fifth Anniversary Date, and (B) is TPC's Invested Cash as at the twenty fifth Anniversary Date. The purchase price as so determined shall be paid in full by Hydro as follows:

(a) by Hydro accepting the Twenty-Fifth Anniversary Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit Facility hereunder and under the Dividend Credit Facility (as defined under the NCN Financing Agreement), and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the twenty fifth Anniversary Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents hereunder and thereunder; and

(b) by Hydro paying to TPC on the effective date of the sale of the Twenty-Fifth Anniversary Sale Units, an amount in immediately available funds equal to TPC's Invested Cash, without interest, in accordance with Article VII; and the repayment effected thereby shall terminate the Equity Credit Facilities and the Dividend Credit Facility.

5.3 Purchase Price Maturity Date.

The purchase price for the Maturity Sale Units which are sold to and purchased by, Hydro pursuant to the exercise by TPC of the Maturity Sale Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit Facility, the Total Outstandings defined under the NCN Financing Agreement and all accrued and unpaid interest, costs and other amounts owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant to each agreement, as of the Maturity Date, and (B) is TPC's Invested Cash. The purchase price as so determined shall be paid in full by Hydro as follows:

(a) by Hydro accepting the Maturity Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit Facility and the Dividend Credit Facility , and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant to each agreement as of the Maturity Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents under each agreement; and

(b) by Hydro paying to TPC on the effective date of the sale of the Maturity Sale Units, an amount in immediately available funds equal to TPC's Invested Cash, without interest, in accordance with Article VII; and the repayment effected thereby shall terminate the Equity Credit Facility and the Dividend Credit Facility (as defined under the NCN Financing Agreement).

5.4 Purchase Price Term Sale.

The purchase price for the Term Sale Units which are sold to, and purchased by, Hydro, pursuant to the exercise by TPC of the Term Sale Right shall be an amount equal to the aggregate of the Total Outstandings under the Credit Facilities, the Total Outstandings defined under the NCN Financing Agreement and all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the effective date of the sale pursuant to the exercise by TPC of the Term Sale Right. The purchase price as so determined shall be paid in full by Hydro accepting the Term Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit Facility and the Dividend Credit Facility and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant to each agreement, as of the effective date of the sale pursuant to the exercise by TPC of the Term Sale Right, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents pursuant to each agreement and the repayment shall terminate the Equity Credit Facility and the Dividend Credit Facility.

5.5 Exercise of TPC's Sale Rights and Hydro's Notice Covenant.

The Twenty Fifth Anniversary Sale Right and the Term Sale may only be exercised by giving notice to Hydro in the manner set out in Section 5.4 (a "**Notice of Sale**"). Hydro agrees to provide to TPC not less than forty five (45) calendar days, nor more than ninety (90) calendar days, prior written notice of the Twenty-Fifth Anniversary Date or the Maturity Sale Date, as applicable, which notice shall include the following information:

(a) Hydro's calculation of the number of TPC's Units that are TPC's Loan Units and the number that are TPC's Cash Units as of the date of the notice (together with its supporting calculations); and

(b) the Total Outstandings owing under the Equity Credit Facility, and the amount of any accrued interest and costs that is owing to Hydro, as of the notice date (having regard in respect of costs to Section 12.2).

5.6 Contents of a Notice of Sale.

A Notice of Sale shall only be effective if:

(a) it is executed by TPC and it indicates the number of TPC's Units in respect of which TPC is exercising its right to sell and, if the number of TPC's Units in respect of which its right to sell is being exercised is not specified in the Notice of Sale, TPC shall be deemed to be exercising its right to sell to Hydro all of TPC's Units;

(b) for the exercise of the Twenty-Fifth Anniversary Sale Right, it is delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the Twenty-Fifth Anniversary Date, together with a statement from TPC:

(i) confirming TPC has elected to sell the Twenty-Fifth Anniversary Sale Units pursuant to the Twenty-Fifth Anniversary Sale Right; and

(ii) representing and warranting that each of the Twenty-Fifth Anniversary Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;

which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC;

(c) for the exercise of the Maturity Sale Right, it is delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the Maturity Date, together with a statement from TPC:

(ii) confirming TPC has elected to sell the Maturity Sale Units pursuant to the Maturity Sale Right; and

(iii) representing and warranting that each of the Maturity Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;

which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC;

(d) for the exercise of the Term Sale Right, it is delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the proposed effective date of the sale of the Term Sale Units pursuant to the exercise of the Term Sale Right, together with a statement from TPC:

(i) confirming TPC has elected to sell the Term Sale Units pursuant to the Term Sale Right; and

(ii) representing and warranting that each of the Term Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;

which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC.

5.7 <u>Effect of the Notice of Sale and Closing Arrangements.</u>

If a Notice of Sale is sent to Hydro in compliance with Section 5.4, then:

(a) TPC shall be obligated to sell the applicable Sale Units to Hydro at the purchase price and in the manner determined in accordance with Section 5.2;

(b) Hydro shall be obligated to purchase the applicable Sale Units from TPC at the purchase price and in the manner determined in accordance with Section 5.2; and

(c) such Sale shall be completed on the date, at the place and in the manner determined in accordance with the provisions of Article VII.

ARTICLE VI

<u>[Intentionally deleted]</u>

ARTICLE VII
GENERAL TERMS AND CONDITIONS APPLICABLE TO ANY SALE

7.1 <u>Application and Terms and Condition.</u>

The following provisions of this Article VII shall apply to any Sale pursuant to Article V of this Agreement:

(1) Closing Date and Sale.

The Sale shall be completed on the date and at the place determined in accordance with the provisions of this Article VII:

(a) the Sale shall be completed:

(i) on the twenty-fifth Anniversary Date if the Sale is pursuant to the exercise of the Twenty-Fifth Anniversary Sale Right;

(ii) the Maturity Date if the Sale is pursuant to the exercise of the Maturity Date Sale Right;

(iii) on the date that is twenty-eight (28) calendar days after the Notice of Sale is issued if the Sale is pursuant to the exercise of the Term Sale Right;

as the case may be, provided, however, that the said Sale may occur on such other date that the parties may mutually agree upon (the "**Sale Closing Date**"); and

(b) the place for the completion of the Sale shall be the head office of Hydro in connection with the Sale or if applicable the law office of the external legal counsel of Hydro or such other place as the parties may mutually agree upon.

(2) Sale Closing Arrangements.

At or before the Sale Closing Date, TPC shall deliver the following to Hydro subject to Hydro complying with all required conditions on Hydro as set out in this Article VII, including payment to TPC in full of the purchase price for the Sale Units or:

(a) one or more certificates representing in the aggregate the Sale Units, duly endorsed in blank for transfer to Hydro (the "**Sale Certificate(s)**") or power of attorney appointing Hydro as attorney of TPC to transfer the Sale Units to Hydro, provided that where the number of Units represented by the Sale Certificate(s) exceed the number of Sale Units the transfer of the Sale Units to Hydro shall be conditional upon Hydro's receipt from the Limited Partnership of a replacement certificate, (unless the Equity Credit Facility under this Agreement have been terminated and the Dividend Credit Facility, as that term is defined under the NCN Financing Agreement, has been terminated and there are no outstanding Obligations under this Agreement or under the NCN Financing Agreement, as defined under that agreement, in which event the said certificate shall be forwarded to TPC), confirming TPC's ownership of that number of Units which is in excess of the number of Sale Units. Hydro is authorized to retain the replacement certificate(s) for such period of time as there are any outstanding Obligations under this Agreement or under the NCN Financing Agreement (as defined under that agreement) and Hydro agrees to provide copies to TPC of all of the said certificates, together with confirmation in writing that it is holding the originals of the said certificates immediately upon receipt thereof;

(b) such other documents as Hydro may reasonably require to entitle Hydro to require the General Partner to register the transfer of such Sale Units to Hydro and to entitle Hydro to become the registered holder of such Sale Units on the books of the Limited Partnership, free and clear of all Liens except the Permitted Liens (the particulars of which have been identified in writing to Hydro to the extent that TPC is aware of the existence of such Permitted Liens) and such other Liens as at the Sale Closing Date as Hydro may, in its unfettered discretion, accept in writing;

(c) a certificate bearing the date on which the Sale Closing Date occurs wherein TPC certifies in respect of the Sale Units as being true and correct, each of the Term Sale Conditions, the Twenty-Fifth Anniversary Sale Conditions, or the Maturity Sale Conditions, as applicable, as at the Sale Closing Date; and

(d) a certificate bearing the closing date wherein TPC certifies, as being true, as at the Sale Closing Date a statement to the effect that on such date TPC is resident in Canada for the purposes of the *Income Tax Act*.

(3) Title and other TPC Covenants.

At the Sale Closing Date, TPC shall transfer and deliver to Hydro good and marketable title to such Sale Units free and clear of all Liens except for the Permitted Liens (the particulars of which have been identified in writing to Hydro to the extent that TPC is aware of the existence of such Permitted Liens) and any -other Liens that Hydro, in its unfettered discretion, agrees in writing at the Sale Closing Date that the Sale may be subject to.

(4) Satisfaction of Purchase Price.

At the Sale Closing Date, Hydro shall satisfy the purchase price for the Sale Units to be purchased from TPC in the manner provided for in this Agreement, and in the event that the Sale Units constitute all of TPC's Units, Hydro shall arrange for discharge of all registrations in public registries made against TPC and/or NCN under the Security Documents pursuant to this Agreement and under the Security Documents pursuant to the NCN Financing Agreement (and the original Guarantee, as defined under the NCN Financing Agreement, shall be returned to TPC for cancellation).

7.2 Conditions to the Obligations of Hydro.

Notwithstanding anything in this Agreement, , the obligations of Hydro to complete the Sale of the Sale Units , shall, until the Sale has been completed, be subject to the fulfillment of the following conditions and TPC covenants and agrees to perform and comply with each and every one of such conditions insofar as such conditions relate to matters within the control of TPC:

(1) all terms, covenants, agreements and conditions of this Agreement which are to be complied with or performed by TPC at or before the Sale Closing Date shall have been complied with and performed in all material respects in accordance with the terms of this Agreement prior to or at such time; and

(2) at the Sale Closing Date, TPC shall, without limitation to all other obligations of TPC in respect of the Sale as set out in this Agreement execute and deliver to Hydro a certificate bearing the Sale Closing Date wherein a duly authorized officer of TPC shall certify as true, for and on behalf of TPC (and not in such officer's personal capacity), a statement to the effect that at such time the conditions set out in paragraph (1) above have been performed, complied with and fulfilled except as specifically disclosed in such certificate and the closing of the Sale shall not be effective unless and until Hydro accepts in writing any and all exceptions disclosed in such certificate.

The conditions applicable to a Sale of the Sale Units, contained in the provisions of this Section 7.2 are inserted for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro at any time without prejudice to the right of Hydro to rely on all covenants and agreements and representations and warranties in this Agreement and all conditions contained in this Section 7.2, except to the extent that Hydro has in writing waived its right to rely on such covenants, agreements, representations, warranties or conditions. If any of the conditions applicable to a Sale of the Sale contained in this Section 7.2 are not be fulfilled or complied with as herein provided, Hydro may, at its option:

(a) terminate the obligations of TPC and Hydro in respect of the Sale of the Sale Units by notice in writing to TPC and in such event Hydro and TPC shall be released from all obligations hereunder in respect of the Sale of the Sale Units

(b) defer the completion of the Sale of the Sale Units to a new closing date (not to exceed three (3) months after the original closing date except by agreement in writing of the parties) to determine if the aforesaid conditions can be fulfilled or complied with; or

(c) bring an action for specific performance or any other remedy which may be available to Hydro.

7.3 Conditions to the Obligations of TPC.

Notwithstanding anything herein contained, the obligations of TPC to complete the Sale of the Sale Units shall, until the Sale has been completed, be subject to the fulfillment of the following conditions and Hydro covenants and agrees to perform and comply with each and every one of such conditions insofar as such conditions relate to matters within the control of Hydro:

(1) all terms, covenants, agreements and conditions of this Agreement which are to be complied with or performed by Hydro at or before the Sale Closing Date shall have been complied with and performed in all material respects in accordance with the terms of this Agreement prior to or at such time; and

(2) at the Sale Closing Date, Hydro shall, without limitation to all other obligations of Hydro in respect of the Sale as set out in this Agreement, execute and deliver to

TPC a certificate bearing the Sale Closing Date wherein a duly authorized officer of Hydro shall certify as true, for and on behalf of Hydro (and not in such officer's personal capacity), a statement to the effect that the conditions set out in paragraph (1) above have been performed, complied with and fulfilled except as specifically disclosed in such certificate (and the closing of the Sale shall not be effective unless and until TPC accepts in writing any and all exceptions disclosed in such certificate).

The conditions applicable to a Sale of the Sale Units contained in the foregoing provisions of this Section 7.3 are inserted for the exclusive benefit of TPC in respect of the Sale of the Sale Units and may be waived in whole or in part by TPC at any time without prejudice to the right of TPC to rely on all covenants and agreements and representations and warranties in this Agreement and all conditions contained in this Section 7.3 except to the extent that TPC has in writing waived its right to rely on such covenants, agreements, representations, warranties or conditions. If any of the conditions applicable to a Sale of the Sale Units and contained in this Section 7.3 shall not be fulfilled or complied with as herein provided, TPC may, at its option:

(a) terminate the obligations of Hydro and TPC in respect of the sale of the Sale Units by notice in writing to Hydro and in such event TPC and Hydro shall be released from all obligations hereunder in respect of the Sale of the Sale Units;

(b) defer the completion of the Sale of the Sale Units to a new closing date (not to exceed three (3) months after the original closing date except by agreement in writing of the parties, to determine if the aforesaid conditions can be fulfilled or complied with; or

(c) bring an action for damages or specific performance or any other remedy which may be available to TPC.

7.4 **Power of Attorney.**

Subject to payment of the purchase price to TPC and subject to Section- 6.3 hereof, TPC hereby irrevocably nominates, constitutes and appoints Hydro, its attorney and agent, for, in the name of and on behalf of TPC to do all acts and things and sign all documents (other than any releases of Hydro, the General Partner or the Limited Partnership) which are necessary or desirable to complete the Sale of the Sale Units by TPC to perform, satisfy or discharge any obligations in relation to the Sale of the Sale Units or Purchased Units (as applicable) by TPC in connection with a Sale and, without limiting the foregoing, TPC acknowledges and agrees that Hydro is hereby granted authority to receive and accept delivery of and keep possession of, and to execute and deliver, in the name of and on behalf of TPC all such certificates, instruments and documents as may be necessary or desirable, (other than any releases of Hydro, the General Partner or the Limited Partnership) in the opinion of Hydro, acting reasonably, to complete any Sale of the Sale Units or to perform, satisfy or discharge any obligations in relation to a Sale of the Sale Units . TPC hereby acknowledges and agrees that the appointment hereby made and the powers hereby granted are coupled with an interest and are and shall be irrevocable and to the extent permitted by applicable Laws shall survive the dissolution, insolvency or bankruptcy of TPC and may be exercised by Hydro in its own name or in the name of TPC and shall survive any assignment or purported assignment of TPC's Units by TPC and to the extent permitted by applicable laws, shall be binding upon the successors and permitted assigns of TPC.

If Hydro, as attorney on behalf of TPC completes the Sale of the Sale Units Hydro shall be entitled to have any proceeds of the Sale, to which TPC would otherwise be entitled to receive, paid to legal counsel for Hydro (as designated by Hydro) to be held in trust for TPC, and to be retained by such legal counsel until TPC delivers to Hydro such documents as TPC is required to deliver under this Agreement to complete the Sale of the Sale Units. Promptly upon the receipt of such documents by Hydro, Hydro's legal counsel shall pay the applicable proceeds, and deliver any other applicable closing documents to which TPC is entitled, to TPC, together with such interest as legal counsel may have earned on such proceeds.

ARTICLE VIII

[Intentionally deleted.]

ARTICLE IX
REPRESENTATIONS AND WARRANTIES

9.1 Representations and Warranties.

To induce Hydro to make Advances available under this Agreement, TPC represents and warrants to Hydro that each of the following representations and warranties is true and correct:

(1) Status and Power. TPC is a corporation duly incorporated and organized and validly subsisting under the Laws of Manitoba and has full corporate power and capacity to own its property and carry on its Business. TPC is duly qualified, licenced or registered to carry on business in Manitoba.

(2) Authorization. TPC has full power and capacity and full legal right to enter into and perform its obligation under this Agreement and each of the other Loan Documents to which it is or will be a party, and has or will have by the Initial Closing Date taken all action necessary to be taken by it to authorize such acts.

(3) Enforceability of Agreement. This Agreement and any other Loan Document to which TPC is a party constitutes legal, valid and binding obligations of TPC enforceable against it in accordance with their respective terms, subject only to any limitation under applicable Laws relating to (a) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; and (b) the discretion that

a court, or an arbitrator duly appointed under Article XXI of the PDA, may exercise in the granting of equitable remedies.

(4) Government Approval and Regulation. No Authorization or approval or other action by, and no notice to or filing with, any Governmental Entity or other Person (other than those that have been, or by the Initial Closing Date will be, duly obtained or made) is required for the due execution, delivery or performance by TPC of any Loan Document to which TPC is a party.

(5) Litigation. There is no material action, suit or proceeding which has been commenced (Notice of which has been served on TPC), or to the best of the knowledge of TPC, pending or threatened against TPC before or by any Governmental Entity, or before any arbitrator or board, which would prevent TPC from performing its obligations under any of the Loan Documents to which it is a party. TPC is not in default with respect to any judgment, order, writ, injunction, decree, or award of any court, arbitrator, board or other Governmental Entity, nor is there any judgment, order, writ, injunction, decree, or award which would prevent TPC from performing its obligations under any of the Loan Documents to which it is a party.

(6) Imposition of Lien. The consummation of the transactions hereby contemplated and the compliance with the terms, conditions and provisions of this Agreement and each of the other Loan Documents will not result in the creation or imposition of any Lien on any Property of TPC except as otherwise permitted by this Agreement.

(7) No Other Material Facts. None of:

(a) this Agreement;

(b) any of the other Loan Documents; or

(c) any certificate or statement in writing which has been supplied by or on behalf of TPC and is a document that is required to be delivered to Hydro pursuant to the provisions of the Agreement or any of the other Loan Documents;

contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

(8) Restrictive Documents. TPC is not subject to, or a party to, any restriction in its constating documents or by-laws, any Notice, any Law, any Claim, any contract or instrument, any Lien, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or any other Loan Documents or compliance by TPC with the terms, conditions and provisions hereof or thereof or the continuing operation of the Business.

(9) Title to Property. TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of its Property free and clear of all Liens, except Permitted Liens. TPC has full right to mortgage, pledge, charge and assign to Hydro the Collateral. No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Collateral other than Hydro.

(10) Compliance with Laws. TPC is in material compliance with all applicable Laws.

(11) No Breach of Contracts. Schedule D will be completed and provided by TPC to Hydro on or before the Initial Closing Date, and will, upon completion and deliver thereof, contain a complete and accurate list of all agreements to which TPC is a party in connection with the Corporate Distributions of TPC, the Capital Stock of TPC, the equity interest that NCN has in TPC, TPC's Units and Distributions on TPC's Units, and any other agreement to which TPC is a party creating liabilities or obligations upon any Person over the term of the agreement in excess of $75,000, or is otherwise material to TPC (collectively, the "Material Agreements"). TPC has provided, or will on or before the Initial Closing Date provide, copies of all of the Material Agreements, including amendments, or additions thereto, to Hydro. On the date of execution of each of the Future Material Agreements (as defined below in Section 10.1(14)), Schedule D hereto shall be deemed to be amended to include such Future Material Agreements and such Future Material Agreements shall be deemed to be "Material Agreements" for the purposes of this Agreement from and after such execution date, without the necessity of any further action by any of the parties hereto. Each Material Agreement is, or will on before Initial Closing Date be, in full force and effect, unamended (except as disclosed to Hydro), and there exists no default, or event, occurrence, condition or act (including the completion of the transactions contemplated in this Agreement and the other Loan Documents) which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become a default thereunder. TPC has not violated or breached, in any respect, any of the terms or conditions of any Material Agreements and, to the best of the knowledge of TPC, all the material covenants to be performed by any other party thereto have been performed in all material respects.

(12) Books and Records. All books and records of TPC have been fully, properly and accurately kept and completed in accordance with GAAP and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(13) Tax Liability. Except for any Taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books:

(a) TPC has in a timely manner filed all tax returns, elections, filings and reports with respect to Taxes required by Law to be filed by it and such returns, elections, filings and reports are true, complete and correct;

(b) TPC has paid, or reserved in its financial statements, all Taxes which are due and payable, and has paid all assessments and reassessments and all other Taxes, governmental charges penalties, interest and fines due and payable by it;

(c) TPC has no liability, contingent or otherwise, for Taxes, except Taxes not now due and payable with respect to ordinary operations during the current fiscal period adequate provision for the payment of which has been made; and

(d) TPC has paid as and when due all applicable Taxes and remitted as required by Law all applicable Taxes and deductions and any interest or penalties related thereto.

(14) Shareholder. NCN is the beneficial owner of all of the Capital Stock of TPC free and clear of all Liens expect Permitted Liens. The Capital Stock of TPC is owned by the Chief or a Councillor of NCN, as bare trustee for NCN. No Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment, or right for purchase of any of the Capital Stock of TPC or to receive payment based on the value of any such Capital Stock. The issued and outstanding Capital Stock and Debt (excluding Debt under this Agreement) of TPC and the registered and beneficial holders of such Capital Stock and Debt (excluding Debt under this

Agreement) are, or will upon completion of delivery of Schedule C be, as described in Schedule C, which will be completed and provided by TPC to Hydro on or before the Initial Closing Date. Hydro acknowledges that the NCN Deed of Assignment shall not be deemed to be a breach of this representation.

(15) Liabilities. TPC does not have any liabilities, whether accrued, absolute, contingent or otherwise, of any kind or nature whatsoever, except as otherwise disclosed in Schedule E, which will be completed and provided by TPC to Hydro on or before the Initial Closing Date or pursuant to the Loan Documents, and except incurred after the date hereof in compliance with this Agreement and the Loan Documents.

(16) No Event of Default. No Event of Default has occurred, nor has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute an Event of Default under the Loan Documents. No default has occurred not has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute a default under any one or more Material Agreements which could result in the acceleration of amounts owing by TPC under any such Material Agreements.

(17) Financial Information. The financial statements of TPC furnished to Hydro pursuant to this Agreement have been prepared in accordance with GAAP consistently applied, and present fairly the financial portion of TPC as at the dates thereof and the results of TPC's operations for the periods then ended. All balance sheets, all statements of operations, shareholders' equity and cash flow and all other financial information of TPC furnished pursuant to Section 10.1(1) have been and will for periods following the Initial Closing be prepared in accordance with GAAP, consistently applied, and do or will present fairly the consolidated financial

position of TPC as at the dates thereof and the results of their operations for the periods then ended.

(18) Resident of Canada. TPC is a resident of Canada for the purposes of the Income Tax Act (Canada).

Each of the representations and warranties contained in this Section 9.1 shall be deemed to be continually repeated by TPC at the time of each Advance.

9.2 Survival of Representations and Warranties.

All the representations and warranties of TPC contained in Section 9.1 of this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Equity Credit Facility has been terminated notwithstanding any investigation made at any time by or on behalf of Hydro.

9.3 Representations by Hydro.

To induce TPC to enter into this Agreement, Hydro represents and warrants to TPC that each of the following representations and warranties is true and correct:

(1) Hydro is a corporation duly incorporated and organized and validly subsisting under the Laws of Manitoba and has the corporate power and authority to own or lease its property and to enter into this Agreement and each of the other Loan Documents to which it is a party and to perform its obligations hereunder and thereunder.

(2) This Agreement and the Loan Documents to which Hydro is a party have been duly authorized, executed and delivered by Hydro and are legal, valid and binding

obligations of Hydro, enforceable against Hydro by TPC to the extent that TPC is a party thereto, in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency and other Laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction, or, by this Agreement, at the discretion of the arbitrator.

(3) Subject only to obtaining the Authorizations described in Schedule H, the execution and delivery of this Agreement and each of the Loan Documents to which Hydro is a party and the consummation the transactions herein provided for by Hydro will not result in:

(a) the breach or violation of any other provisions of or constitute a default under or conflict with or cause the acceleration of any obligation of Hydro under:

(i) any contract to which Hydro is a party or by which it, or any of its property, is bound;

(ii) any provision of the constating documents, by-laws or resolutions of the Board of Directors (or any committee thereof) or shareholders of Hydro;

(iii) any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over Hydro; or

(iv) any applicable law, statue, ordinance, regulation or rule, including, without limitation, the *Hydro Act*; or

(b) the creation or imposition of any Lien on any investment transaction or any of the property or assets of Hydro;

(4) Hydro is a resident of Canada for the purposes of the Income Tax Act (Canada).

(5) None of:

(a) this Agreement;

(b) any of the Loan Documents; or

(c) any certificate or statement in writing which has been supplied by or on behalf of Hydro and is a document that is required to be delivered to TPC pursuant to the provisions of this Agreement or any of the other Loan Documents;

contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

(6) There is no requirement for Hydro to make any filing with, give any notice to or obtain any license, permit, certificate, registration, authorization, consent or approval of any government regulatory authority as a condition to the lawful consummation by Hydro of the transaction contemplated by this Agreement and each other Loan Document to which it is a party, except as described in Schedule H.

Each of the representations and warranties contained in this Section 9.3 shall be deemed to be continually repeated by Hydro at the time of each Advance.

9.4 Survival of Representations and Warranties.

All the representations and warranties of Hydro contained in this Article IX shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Equity Credit Facility have been terminated notwithstanding any investigation made at any time by or on behalf of TPC.

ARTICLE X
COVENANTS OF TPC

10.1 Affirmative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has the Equity Credit Facility Commitment under this Agreement, and unless Hydro shall otherwise consent, TPC shall:

(1) **Financial Reporting and Deliveries**. Cause to be delivered to Hydro as soon as available, and in any event within one hundred and twenty (120) days after the end of each Financial Year, the audited financial statements (including, at a minimum, a balance sheet, income statement and statement of changes in financial position) of TPC for such Financial Year, in accordance with GAAP and subject to an unqualified opinion of the Auditors;

(2) **Additional Reporting and Deliveries**. Cause to be delivered to Hydro, following documents, in form and substance satisfactory to Hydro, acting reasonably:

(a) a copy of each management letter or report submitted to the board of directors (or any committee thereof) or senior management of any of TPC by the Auditors in connection with any annual, interim or special audit made by them of the books of TPC, together with the related response of TPC to be delivered promptly upon the issuance of the response by TPC;

(b) promptly after the occurrence of each Event of Default, a statement of TPC setting forth the details of such Event of Default and the action which TPC proposes to take or have taken with respect thereto;

(c) promptly after the commencement thereof, Notice of Claims which have been commenced against TPC (notice of which has been served on TPC, or to the best of the knowledge of TPC, have been commenced or are pending or threatened against TPC, for amounts which exceed $75,000 in the aggregate at any time or affect any of the Collateral;

(d) promptly after the occurrence of any material development with respect to any Claims referred to in Section 10.1(2)(c), and in any event within three (3) Business Days after TPC obtains knowledge of the occurrence thereof, Notice thereof to Hydro, and, to the extent Hydro requests them, copies of all documentation relating thereto; and

(e) such other information and reports relating to TPC, the Collateral or the Business, as Hydro may from time to time reasonably request.

(3) **Corporate Existence**. Preserve and maintain TPC's corporate existence.

(4) **Compliance with Laws**. Comply, in all material respects, with the requirements of all applicable Laws.

(5) **Payment of Taxes, Claims and Governmental Licence Fees**. Pay and discharge, before the same shall become delinquent:

(a) all Taxes, governmental assessments, charges or levies and Claims imposed upon it or upon any of its Property;

(b) all lawful Claims which, if unpaid, might by Law become a Lien upon its Property, in each case except for any such Tax, assessment, charge, levy or Claim which would result in a Lien which is a Permitted Lien; and

(c) all fees payable to Governmental Entities or other authorities in connection with all governmental licences issued to and held by TPC, (if any).

(6) **Keeping of Books**. Keep proper books, records and accounts, in which full and correct entries shall be made of all of TPC's financial transactions in accordance with GAAP.

(7) **Visitation and Inspection**. If, in the reasonable opinion of Hydro, an Event of Default has or may have occurred, at any reasonable time or times and upon reasonable prior notice given to TPC by Hydro permit Hydro or any of its authorized representatives, full and reasonable access to the premises of TPC and obtain any consents and waivers from any Person necessary, in the reasonable opinion of Hydro to ensure such access, for the purposes of inspecting (and, where required, taking copies of) the business, financial and computer records of TPC and to discuss the business, affairs, finances and accounts of, and the compliance by TPC with the terms of this Agreement and the other Loan Documents with the management and Auditors thereof.

(8) **Protect Hydro Liens**. At all times take all action and supply Hydro with all such information reasonably necessary to allow Hydro to create, maintain, perfect, protect and preserve the Liens provided for under the Security Documents and confer upon Hydro the security interest intended to be created thereby.

(9) **Payments**. Subject to Section 3.7(3), pay all amounts of principal, interest, costs and expenses on the dates, at the times and at the places specified in this Agreement or under any other Loan Document, but subject to the provisions of Section 12.2 in respect of costs and expenses.

(10) **Use of Proceeds.** Apply the proceeds of the Equity Credit Facility only in accordance with Sections 2.4 and 3.4.

(11) **Payment of Preferred Claims**. Pay, as and when due, any and all amounts which may result in a Lien on the Collateral under applicable Law (other than a Permitted Lien), whether or not such Lien is entitled to priority over the Liens in favour of Hydro under the Security Documents.

(12) **Loan Documents.** Execute and deliver to Hydro the Loan Documents.

(13) **Material Agreements**. Comply with the provisions of all of the Materials Agreements. In respect of each Material Agreement executed by TPC after the date hereof (each a "**Future Material Agreement**"), provide to Hydro a certified true copy of each Future Material Agreement.

(14) **Notice of Defaults.** TPC shall immediately notify Hydro:

(a) of any Event of Default or of any event, occurrence, condition or act which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become an Event of Default, or of any material default (either by

TPC or by any other party) under any Material Agreement or of any event which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a material default under or would otherwise allow the termination of any Material Agreement, and thereafter provide Hydro with all information reasonably requested by Hydro from time to time concerning the status thereof;

(b) on becoming aware of the occurrence of any litigation, dispute, arbitration, proceeding, labour or industrial dispute, the result of which if determined adversely would have a Material Adverse Business Effect on the ability of TPC to perform its obligations under this Agreement and the other Loan Documents, and thereafter provide Hydro with all information reasonably requested by Hydro concerning the status thereof.

(15) **Changes in Year End or Auditors.** TPC shall provide prior notice to Hydro of any changes in its Financial Year end or its auditors, specifying the new Financial Year end or auditors, as the case may be;

(16) **Further Assurances.** Upon request of Hydro, acting reasonably, duly execute and deliver or cause to be duly executed and delivered to Hydro such further instruments and other documents and do and cause to be done such further acts as may be necessary or desirable in the opinion of Hydro, acting reasonably, to carry out more effectively the provisions and purposes of the Loan Documents.

10.2 Negative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Credit Facility Commitment under this Agreement and unless Hydro, as the case may be, shall otherwise consent, TPC agrees not to:

(1) **Business Activity.** Engage in any business activity except the Business.

(2) **Liens**. Create, incur, assume or suffer to exist, any Lien on TPC's Property, including the Collateral and the Capital Stock of TPC other than Permitted Liens.

(3) **Disposal of Property.** Dispose of any of the Collateral without the prior written consent of Hydro.

(4) **Debt**. Allow, except with the prior consent of Hydro, any Debt to be created, incurred, assumed or suffered to exist, directly or contingently or otherwise, other than:

(a) Debt to Hydro;

(b) unsecured current liabilities incurred and payable in the ordinary course of the Business and not represented by any note, bond or debenture; or

(c) Purchase Money Debt, provided that the payments under such Purchase Money Debt do not exceed, in any one year period, $15,000.

(5) **Mergers**. Reorganize, amalgamate, merge, consolidate or otherwise enter into any form of business combination with any other Person.

(6) **Guarantees and Indemnities**. Guarantee or indemnify or give financial assistance in respect of any contingent liability in respect of any Debt or any other obligations or liabilities of any other Person at any time other than TPC's guarantee of the Debt owed by NCN to Hydro under the NCN Financing Agreement.

(7) **Dividends.**

(a) Declare or pay any dividends or other distributions after Hydro has provided notice to TPC that an Event of Default has occurred; or

(b) Declare or pay any dividends or other distributions, in any other circumstances if, after declaring or paying such Dividends or other distributions, TPC would not be able to meet its Obligations under the Loan Documents.

(8) **Financial Year and Auditors**. Change its Financial Year end or its Auditors

(9) **Change in Constating Documents or Capital Stock.**

(a) Make any change in the constating documents or by-laws of TPC as delivered to Hydro which would:

(i) amend the authorized shares or other equity securities of TPC;

(ii) otherwise be detrimental to the rights or interests of Hydro under any of the Loan Documents.

(b) Issue any Capital Stock in TPC that would cause an Event of Default to occur or that would cause a Change of Control of TPC.

(10) **Material Agreements**. Amend, supplement, terminate or waive, or enter into any forbearance from exercising any rights with respect to, any of the terms of any Material Agreement in a manner which would cause a Material Adverse Business Effect or an Event of Default hereunder.

(11) **Limited Partnership Payments.** Make any payment to the Limited Partnership unless at least thirty (30) calendar days prior to the proposed date TPC intends to make the payment to the Limited Partnership it delivers to Hydro a statutory

declaration signed by a duly authorized officer of TPC (each such statutory declaration a "**Limited Partnership Payment Certification**") which shall certify as to the source of the money to be used to make the proposed payment to the Limited Partnership and shall disclose all material information relating to the money to be used in respect of the proposed payment and shall attach notarized copies of all material documents. Hydro shall have the right to request from TPC, within five (5) calendar days of receipt of the Limited Partnership Payment Certification such additional information and notarized copies of documents relating to the monies to be used in respect of the proposed payment as it may require, acting reasonably, and to receive such written consents and waivers from TPC to obtain additional information and documents from any other Person relating to the monies to be used in respect of the proposed payment as Hydro may request, acting reasonably. Hydro shall be required to confirm in writing within twenty (20) calendar days of receipt of the Limited Partnership Payment Certification whether or not it will accept the Limited Partnership Payment Certification, unless the time period is extended by Hydro, acting reasonably, due to Hydro awaiting receipt of the additional information and documents as it may have requested in connection to the Limited Partnership Payment Certification.

If Hydro accepts the Limited Partnership Payment Certification, TPC shall be permitted to make the proposed payment to the Limited Partnership on the condition it provides to Hydro (with concurrent notice to Hydro of the payment that is made to the Limited Partnership and for greater certainty the payment will under this Agreement be Approved Funds and will form part of TPC's Invested Cash), a statutory declaration signed by a duly authorized officer of TPC certifying there has been no material change to any of the information or documents provided by TPC in the Limited Partnership Payment Certification or obtained by Hydro concerning the monies being paid to the Limited Partnership, including the source of the monies. TPC shall not make the payment without providing the said statutory declaration. Hydro shall be required to accept the Limited Partnership Payment Certification, if Hydro determines, acting reasonably, that the monies being used for the payment fall within the definition of TPC's Own Funds or based on Hydro's analysis of the information disclosed and documents provided or otherwise obtained by Hydro. If based on Hydro's analysis, acting reasonably, Hydro determines that the said monies fall within the definition of TPC's Third Party Funds, then Hydro is entitled, acting reasonably, to reject or accept the Limited Partnership Payment Certification. In making that determination, Hydro will consider the source of the monies, the terms of any financing, any repayment requirements associated with the monies that have been provided, whether or not any Person has recourse against TPC's Units in the event of default in respect of any financing associated with obtaining the monies and, if so, the likelihood of that right being exercised. If Hydro rejects the Limited Partnership Payment Certification, TPC shall not be entitled to proceed with the proposed payment. If Hydro accepts the Limited Partnership's Payment Certification, the payment can be made and the funds will be Approved Funds and once the payment is made, it shall form part of TPC's Invested Cash.

(12) **Change of Control.** There shall be no Change of Control.

(13) **Change of Registered Owner.** Change the registered owner of the Capital Stock of TPC to any person other than the Chief or a Councillor of NCN, as bare trustee for NCN, or change the form of bare trustee declaration prior to obtaining the written consent of Hydro to the change.

10.3 Cross-Default.

Any Event of Default (as defined in the NCN Financing Agreement) by TPC or by NCN shall be deemed to be an Event of Default hereunder.

ARTICLE XI
SECURITY

11.1 Security.

TPC shall execute and deliver the Security Documents to which it is a party, with each of the said Security Documents to be in form and substance satisfactory to Hydro, acting reasonably, as and when required hereunder or under the Loan Documents as continuing collateral security in the Collateral for the due, prompt and complete payment, performance and satisfaction by TPC of all of its indebtedness, liabilities and obligations of every nature whatsoever (whether present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time due or accruing due, wheresoever and howsoever incurred, including any ultimate unpaid balance thereof, in any currency, and whether incurred prior to, at the time of or subsequent to the execution of this Agreement) to Hydro, in connection with this Agreement and the other Loan Documents (collectively, the "**Obligations**").

11.2 Security Documents Prevalence.

Notwithstanding anything to the contrary herein, this Agreement shall be interpreted in all respects having regard for the fact that, and the Security Documents shall provide that, (a) Hydro has a first charge security interest on TPC's Units and the Distributions on TPC's Units and any interest related to TPC's Units and the said Distributions; and (b) Hydro's sole recourse for payment of the Obligations shall be to the Collateral in accordance with the provisions of this Agreement, and for greater certainty, it shall have no right to sue TPC or NCN on any personal covenant to pay all or any of the Obligations. Without limiting the generality of the foregoing, it is agreed, and the Security Documents shall provide that if TPC is in default of the repayment provisions specified in Section 2.5, Hydro's sole recourse for the payment of the Total Outstandings under (and all other amounts owing to Hydro for costs, interest or otherwise in connection with) the Equity Credit Facility on the Maturity Date shall be to TPC's Loan Units and the Distributions thereon.

11.3 Registrations.

Hydro, in its sole discretion, may register, file or record the Liens constituted by the Security Documents in all jurisdictions where such registration, filing, or recording is necessary or of advantage to the creation, perfection, preservation or protection of such Liens.

11.4 Renewals Registrations, Filings, Recordings.

Hydro may renew such registrations, filings and recordings from time to time as and when required or of advantage, in the sole discretion of Hydro, to keep them in full force and effect. TPC acknowledges that the forms of the Security Documents have been prepared based upon the Laws of the jurisdictions indicated therein as being applicable thereto in effect at the date hereof and that such Laws may change. TPC agrees that, following prior notice to and consultation with TPC, upon direction from Hydro, shall have the right to require that the forms of the Security Documents be amended, restated or supplemented, to reflect any changes in such Laws, whether arising as a result of statutory amendments, court decisions or other similar changes, in order to confer upon Hydro the Liens in the Collateral intended to be created by the Security Documents, in the sole discretion of Hydro. For greater certainty, nothing in this Agreement can be used by Hydro or TPC to expand or reduce or otherwise change the scope of the Property comprising the Collateral as defined herein or to confer upon Hydro a right to sue TPC or NCN on a personal covenant to pay all or any of the Obligations, or to require any guarantees, indemnities or covenants from NCN or any other Person in respect of the Obligations or otherwise.

ARTICLE XII
EVENTS OF DEFAULT

12.1 Events of Default.

If any of the following events, conditions or circumstances (each an "**Event of Default**") shall occur and be continuing:

(a) TPC shall fail to pay any portion of the principal or interest or any costs or other amounts due hereunder or under any of the other Loan Documents on the date when due hereunder, and such amount remains unpaid for a period of six (6) Business Days after Hydro notifies TPC that the amount is overdue, provided however, that this provision shall be read in conjunction with Section 12.2 and with the provisions in this Agreement and the other Loan Documents which provide that, for so long as no Event of Default has occurred that remains outstanding and uncured, all such payments to Hydro are to be made solely through the irrevocable assignment and direction to Hydro of the Distributions on TPC's Units (or portion thereof, as applicable hereunder) prior to the Maturity Date (and, in certain circumstances hereunder, after the Maturity Date), and from no other source, such that for so long as the Distributions are so assigned and directed and are paid over to Hydro as and when declared by the General Partner of the Limited Partnership pursuant to the irrevocable assignment and direction in favour of Hydro, TPC shall be deemed to be in compliance with its covenants to pay for all purposes hereunder and under the other Loan Documents. The parties hereto acknowledge that neither TPC nor NCN control the timing or amount of such Distributions, and as such, there may be periods of time during which there are no or few Distributions to be paid over to Hydro in accordance with the irrevocable assignment and direction to Hydro, and this shall not be construed to be an Event of Default hereunder;

(b) any representation or warranty or certification made or deemed to be made by TPC pursuant to or in connection with any of the Loan Documents delivered to Hydro shall prove to have been incorrect in any material respect when made or deemed to have been made;

(c) TPC shall fail to perform or observe any other term, covenant or agreement contained in any of the Loan Documents on its part to be performed or observed and such failure shall remain unremedied for fifteen (15) Business Days (the "**Cure Period**") after written notice thereof shall have been given to TPC by Hydro; provided that the length of the Cure Period shall be extended by Hydro in its unfettered discretion where TPC demonstrates to Hydro that the breach is not capable of being cured within fifteen (15) Business Days but provides Hydro, within ten (10) Business Days, with a plan for curing the breach within sixty (60) calendar days and in good faith implements such plan;

(d) any of the Loan Documents, at any time, is not or ceases to be valid or enforceable in whole or in part, or if any Lien intended to be created by any of the Security Documents is not or ceases to be a valid and perfected Lien having the ranking or priority contemplated thereby, or if the validity or enforceability of any of the Loan Documents or the validity or perfection of any such Lien shall be contested by any party thereto or any other Person (unless such contestation by such party or other Person is being opposed diligently, in good faith and by proper legal proceedings by Hydro with the assistance of TPC and Hydro covenants to oppose such contestation in good faith where there is a reasonable prospect of success), or if any Person (other than Hydro or the Limited Partnership) obtains any interest in the Collateral or any part thereof (except Permitted Liens); provided however, that this provision shall only be invoked where Hydro, acting reasonably, has determined that its inability to enforce the said Lien with its intended ranking or priority cannot be cured by Hydro within a reasonable period of time or without Hydro being adversely affected notwithstanding that TPC has provided a written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said Lien with its intended ranking or priority;.

(e) with respect to Debt of TPC under any one or more agreements other than the Debt under the Loan Documents,

(i) TPC shall fail to pay any principal, interest or other amount pursuant to the agreements governing such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) when such amount becomes due and payable (whether by scheduled maturity, required repayment, acceleration, demand or otherwise) and such failure shall continue after any applicable grace period specified in such agreement or agreements; or

(ii) any other event, condition or circumstance shall occur and shall continue after any applicable grace period specified in such agreement or agreements, if the effect of such event, condition or circumstance is to accelerate the maturity of such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency); or

(iii) other Debt of TPC in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) shall be declared to be due and payable prior to the stated maturity thereof under any such agreement or agreements;

(f) the occurrence of any default, or any event or condition which, with the giving of notice or passage of time, or both, would constitute a default by TPC under any

Material Agreement, and such default shall continue unremedied after any applicable grace period specified in such Material Agreement;

(g) TPC shall:

(i) become insolvent;

(ii) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(iii) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(iv) institute or have instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (z) the entry of an order for relief or the appointment of a Receiver, interim Receiver, Receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of its Property, and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within forty-five (45) days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a Receiver, trustee, custodian or other similar official for it or for any substantial part of its Property) shall occur; or

(v) take any corporate action to authorize any of the foregoing actions;

(h) a Notice is sent to or received by TPC from any creditor with respect to the intention of such creditor to enforce a Lien on:

(i) any of the Collateral; or

(ii) any Property of TPC (other than the Collateral) unless such notice is being contested in good faith by appropriate legal proceedings and such notice has not resulted in, or does not involve, any danger of the sale, forfeiture or loss of any of the Collateral;

(i) any one or more judgments or orders in excess of $75,000 (or the equivalent in another currency) in the aggregate, or any one or more orders, directives, letters of credit or other communications from any Governmental Entity which may be reasonably likely to require TPC to expend an amount in excess of $75,000 (or the equivalent amount in another currency) in the aggregate shall be rendered against TPC, and either:

(i) enforcement proceedings shall have been commenced by any creditor upon any such judgment(s) or order(s); or

(ii) there shall be any period of ten (10) consecutive Business Days during which a stay of enforcement of any such judgment or order, directive, letter or other communication by reason of a pending appeal or otherwise, shall not be in effect;

(j) the audited financial statements of TPC in respect of any Financial Year are qualified in any material adverse respect by the Auditors;

(k) the occurrence of a Change of Control;

(l) the loss, suspension or failure to renew any licence or permit held by TPC or any agreement to which TPC is a party the effect of which would prohibit or otherwise restrict TPC from conducting all or a material part of the Business;

(m) TPC is enjoined or restrained in any material way by an order of any Governmental Entity, arbitrator or board in Canada or elsewhere from conducting all or a material part of the Business;

(n) the occurrence of a Material Adverse Business Effect;

(o) the occurrence of an Event of Default committed by TPC or NCN (as such term is defined in the NCN Financing Agreement); or

(p) the occurrence of any event, condition or circumstance which, with the giving of notice or passage of time, or both, would constitute an Event of Default after the expiration of, in the case of a Loan Document, the applicable Cure Period or in the case of any other agreement, the applicable cure period (if any) thereunder;

then, and in any such event, Hydro shall be entitled by written notice to TPC to: (i) terminate the obligation of Hydro to make further Advances under the Equity Credit Facility; and/or (ii) demand repayment of all indebtedness of TPC to Hydro under the Equity Credit Facility, whereupon the principal amount of all outstanding Advances and other amounts payable thereunder shall become forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by TPC (except such notices as may be required under applicable Laws). Provided, however, that Hydro shall only have recourse to the Collateral for the repayment of the Obligations, and further provided, however, that upon any Event of Default specified in Section 12.1(g), the obligation of Hydro to make Advances hereunder shall automatically terminate.

12.2 **Expenses of Hydro.**

Upon the occurrence of any Event of Default which has not been waived and is continuing, Hydro may take any action Hydro considers advisable, acting reasonably, to remedy the effect of such Event of Default. All reasonable expenses, costs and charges incurred by or on behalf of Hydro in connection with: (i) any remedial action taken pursuant to this Section; or (ii) the realization of the Collateral, including all reasonable fees, court costs, Receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral, in all cases shall be added to and form a part of the Obligations, but subject always to the provision that Hydro's sole recourse for payment of the Obligations shall be to the Collateral, as set out herein. For greater certainty, for so long as there is no Event of Default hereunder, Section 5.14 of the PDA shall govern the payment of Hydro's costs and expenses properly recoverable hereunder.

12.3 **Remedies Cumulative.**

The remedies provided for in this Agreement and each of the Loan Documents are cumulative and do not exclude any other right or remedy provided by Law (except that there shall be no right of Hydro to sue TPC or NCN on any personal covenant to pay, it being acknowledged that Hydro's sole recourse is to the Collateral).

12.4 **Allocations.**

For greater certainty, the parties agree that any expenses or costs that are, by the terms of this Agreement, reimbursable to Hydro shall be allocated to the Equity Credit Facility.

ARTICLE XIII

PAYMENTS, COMPUTATIONS AND INDEMNITIES

13.1 Timing of TPC Payments.

Unless otherwise expressly provided in this Agreement or agreed to by Hydro, TPC shall make any payment required to be made by it to Hydro by depositing the amount of such payment in Hydro's Account not later than 11:00 a.m. (Winnipeg time) on the date such payment is due.

13.2 Timing of Hydro Payments.

Unless otherwise expressly provided in this Agreement and subject to the provision by Hydro of the requisite notice to TPC and the General Partner as set out in Section 4.2(1), Hydro shall make any Advance or other payment to TPC hereunder by crediting or causing the crediting of the Limited Partnership Account for TPC with the amount of such Advance on the date such Advance is to be made.

13.3 Payments on Non-Business Days.

Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

13.4 Overdue Amounts.

All amounts owed by TPC which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the rate in effect on the date the said amounts are due and unpaid.

13.5 Application of Payments, Repayments and Prepayments.

All amounts received by Hydro from or on behalf of TPC, including from realization by Hydro on the Collateral of the Security, and not previously applied pursuant to this Agreement shall be applied:

(a) first, in reduction of TPC's obligation to pay any costs and expenses, which are due and owing to Hydro and reimbursable or indemnity amounts or Losses which have been determined by a court of competent jurisdiction or by arbitration to be due and owing to Hydro;

(b) second, in reduction of TPC's obligation to pay any unpaid interest accrued on the principal amount of Advances;

(c) third, in reduction of TPC's obligation to pay any amounts due and owing on account the principal amount of all Advances; and

(d) fourth, to be held in escrow by Hydro in an interest-bearing account on account, and up to the amount, of any written claim by Hydro then issued and outstanding seeking reimbursement or indemnity hereunder for Losses, pending determination by a court of competent jurisdiction or by arbitration as to the amount (if any) which is due and owing to Hydro hereunder (in which event, such funds and any interest earned thereon shall be dealt with in accordance with the order of the court of competent jurisdiction or arbitrator, as the case may be); and

(e) fifth, to TPC or such other Persons as may lawfully be entitled to the remainder or as any court of competent jurisdiction may otherwise direct.

13.6 Computations of Interest and Fees.

All computations of interest shall be made by Hydro, taking into account the actual number of days occurring in the period for which such interest is payable pursuant to Sections 4.4(a)(i) and on the basis of a year of 365 days, except for interest payable under Sections 4.4(a)(ii) and 4.4(a)(iii), in respect of which the computation of interest shall be made based on a semi-annual interest computation and not by the number of days in the six (6) month period.

Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the aggregate "interest" (as defined in Section 347 of the *Criminal Code* (Canada), as the same may be amended, replaced or re-enacted from time to time) payable under this Agreement exceed the maximum amount of interest on the "credit advanced" (as defined in that Section) under this Agreement lawfully permitted under that Section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that Section) is determined to be contrary to the provisions of that Section, such payment, collection or demand shall be refunded to TPC. For purposes of this Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term that the Equity Credit Facility is outstanding on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of any dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Hydro will be conclusive for the purposes of such determination.

Each determination by Hydro of any amount payable hereunder by TPC shall be prima facie evidence of the amount payable for all purposes absent error.

13.7 Indemnity for Change in Circumstances.

If with respect to Hydro:

(a) any change in Law, or any change in the interpretation or application by any Governmental Entity of any Law occurring or becoming effective after the date hereof; or

(b) any compliance by Hydro with any direction or requirement having the force of Law of any Governmental Entity made or becoming effective after the date hereof, in either case shall have the effect of causing Loss to Hydro by:

(i) increasing the actual cost to Hydro of performing its obligations under this Agreement or in respect of any Advance; or

(ii) reducing any amount otherwise properly payable to Hydro under this Agreement or in respect of any Advance by any amount that Hydro deems material acting reasonably (other than pursuant to Section 13.6);

then Hydro may give notice to TPC specifying the nature of the event giving rise to such Loss and TPC shall, within twenty (20) Business Days of demand, pay such amounts as Hydro may specify is necessary to compensate Hydro for such Loss. A certificate as to the amount of any such Loss, submitted in good faith by Hydro to TPC shall be prima facie evidence of the amount of such Loss for all purposes, absent error.

13.8 Taxes on TPC Payments.

Except as required by applicable Law, TPC shall make all payments under this Agreement to Hydro without deducting or withholding of any Taxes. To the extent that deduction or withholding of Taxes is required by applicable Law, TPC will:

(a) promptly notify Hydro of such requirement;

(b) pay to the appropriate authority the full amount required to be so withheld or deducted before penalties attach thereto or interest accrues thereon;

(c) promptly forward to Hydro an official receipt or other documentation reasonably satisfactory to Hydro evidencing such payment to such authority; and

(d) pay to Hydro an additional amount so that Hydro receives the full amount it would have received had no such deduction or withholding been required.

If any Taxes are directly asserted against Hydro with respect to any payment under this Agreement, Hydro may pay such Taxes and TPC shall promptly pay such additional amount (including any penalties, interest and expenses) necessary so that the net amount received by Hydro after the payment of such Taxes, including any Taxes on such additional amounts, shall equal the amount Hydro would have received had Hydro not paid such Taxes.

TPC will indemnify Hydro for all incremental Taxes, interest or penalties that Hydro must pay if TPC fails to deduct or withhold any Taxes when due or to send Hydro the required receipts or other documentation.

Hydro acknowledges that in respect of this Section 13.6(2), Taxes shall not include any income taxes that may be payable by Hydro. Hydro shall remain solely obligated to pay and shall save TPC and NCN harmless from any income taxes that may be asserted against Hydro or payable by Hydro, including with respect to any payments or amounts received or made under this Agreement.

13.9 Indemnity.

TPC hereby agrees to indemnify, exonerate and hold Hydro and its officers, directors, employees, agents and other representatives (in this Section 13.7(1), the "**Indemnified Parties**") free and harmless from and against any and all Claims, demands, actions, causes of action, suits, losses, costs (including all documentary, recording, filing, mortgage duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which such indemnification hereunder is sought), and including reasonable legal fees and disbursements (collectively, in this Section 13.7(1), the "**Indemnified Liabilities**") paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them or, with respect to, or as a direct or indirect result of: (i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Advances obtained hereunder; or (ii) the execution, delivery, performance or enforcement of this Agreement or any of the Loan Documents, except for such Indemnified Liabilities that a court of competent jurisdiction determines or rules to be on account of the relevant gross negligence or willful misconduct of the Indemnified Party or any Person for whom such Indemnified Party is responsible at law (in which event, such Party shall indemnify TPC, and its officers and directors, for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct).

13.10 TPC Obligations.

All obligations provided for in this Section 13.7 shall not be reduced or impaired by any investigation made by or on behalf of Hydro. If, for any reason, the obligations of TPC pursuant to this Section 13.7 shall be unenforceable, TPC agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the gross negligence or willful misconduct of Hydro or any Person for whom Hydro is responsible at law (in which event such Party shall indemnify TPC, and its officers and directors for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct).

13.11 Contribution.

If any provision in any of the Loan Documents providing for indemnification by TPC (the "**Indemnitor**") in favour of Hydro or any of the Indemnified Parties (as defined in Section 13.7) (the "**Indemnitee**") is found by reason of the occurrence of an event, other than the gross negligence or wilful misconduct of the Indemnitee, to be unenforceable by a court of competent jurisdiction in a final judgment that has become non-appealable, then the Indemnitor shall contribute to the amount paid or payable by the Indemnitee which is subject to the indemnification provision in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnitee on the other hand but also the relative fault of the Indemnitor and the Indemnitee but only to the extent that such contribution is consistent with the terms of the final judgment. The rights of contribution herein provided shall be in addition to and not in derogation of any other right to contribution which the Indemnitee may have under this Agreement or applicable Laws.

13.12 Market Make-whole Payment

In the event of a voluntary payment of principal by TPC to Hydro prior to the date on which such payment is due and payable (other than any payment of interest or costs whatsoever or any payment out of Distributions, including payments of principal pursuant to any of Sections 2.6(2), 2.6(2) from Distributions on TPC's Units), the principal amount of the repayment shall be an amount calculated by Hydro on the Business Day preceding the date of repayment equal to the applicable Canada Yield Price on the Business Day preceding the date of the payment less the principal amount of the Equity Credit Advances that are being repaid. For greater certainty, if the amount so determined is a positive number it shall increase the principal amount to be repaid by that amount, and if it is a negative number it shall reduce the principal amount to be repaid by that amount.

13.13 Confirmation of Limited Recourse.

For greater certainty, Hydro acknowledges that nothing in this Article XIII shall in any way detract from the limited recourse nature of Hydro's security and remedies hereunder, as set out in Section 11.1 of this Agreement.

ARTICLE XIV
DISPUTE RESOLUTION

14.1 Dispute Resolution.

Each of the parties to this Agreement agrees that any disputes or claims arising out of this Agreement shall be determined solely in accordance with the dispute resolution process set out in Article XXI of the PDA and it shall not bring any action in respect of any matter arising hereunder, other than pursuant to Article XXI of the PDA, against any other party.

ARTICLE XV
GENERAL PROVISIONS

15.1 Notices.

All notices provided for in this Agreement or in the other Loan Documents shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set opposite the party's name in Schedule F hereto or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

Each Borrowing Notice and Repayment Notice shall be irrevocable and binding on TPC.

15.2 Time of the Essence.

Time shall be of the essence of this Agreement.

15.3 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the parties hereto and the Persons contemplated in Section 13.7 or Section 15.7, and no Person, other than the parties hereto and the Persons contemplated in Section 13.7 or Section 15.7, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum. For greater certainty, nothing in this Section 15.3 is intended to prevent or restrict the Taskinigaph Trust from receiving Dividends declared by the Board of Directors of TPC pursuant to the NCN Deed of Assignment subject always to TPC's compliance with the covenants, representations and warranties of this Agreement.

15.4 Enurement.

his Agreement shall enure to the benefit of and be binding upon the Parties . This Agreement shall be binding upon any assigns and enure to the benefit of any permitted assigns.

15.5 Counterparts.

Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

15.6 Knowledge.

Where any representation or warranty contained in this Agreement or any other Loan Documents is expressly qualified by reference to the "best of the knowledge" of TPC, or where any other reference is made herein or in any Loan Document to "the knowledge" of TPC, it shall be deemed to refer to the best of the knowledge of the members of the Board of Directors of TPC.

15.7 Assignment.

Neither this Agreement nor the rights and obligations under this Agreement shall be assignable or transferable by TPC or Hydro, except that Hydro may assign this Agreement to any Affiliate, on the condition that notwithstanding the assignment, Hydro will remain jointly and severally liable with the said Affiliate, for compliance with the covenants of Hydro under this Agreement.

15.8 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the Parties in this Agreement and the Loan Documents shall not merge on and shall survive the Initial Closing, the Final Closing and the Final Investment Closing and the making of any Advance, and notwithstanding such Initial Closing and Final Closing and the Final Investment or Advance, or any investigation made by or on behalf of any party, shall continue in full force and effect. Neither the Initial Closing, the Final Closing or the Final Investment Closing nor the making of any Advance shall prejudice any right of one party against any other party in respect of anything done or omitted hereunder or under any of the other Loan Documents or in respect of any right to damages or other remedies.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, on the date first above written.

TASKINIGAHP POWER CORPORATION

Per:
Name:
Title: President

Per:
Name:
Title: Vice- President

Per: ______________________________
Name: Shirley L. Linklater
Title: Secretary-Treasurer

THE MANITOBA HYDRO-ELECTRIC BOARD

Per:
Name: Title: President and Chief Executive Officer

Per:
Name: Title: Assistant Corporate Secretary

SCHEDULE A

REPAYMENT NOTICE

TO: THE MANITOBA HYDRO-ELECTRIC BOARD ("Hydro")

FROM: TASKINIGAHP POWER CORPORATION ("TPC")

This Repayment Notice is delivered to you pursuant to Section 4.6 of the financing agreement (the "TPC Financing Agreement") dated •, 2015 between TPC, as borrower, and Hydro, as lender. All capitalized terms used in this Repayment Notice and defined in the TPC Financing Agreement shall have the meanings defined in the TPC Financing Agreement.

1. TPC hereby gives notice of repayment as follows:

    (a) Date of repayment:

    (b) Type of Advance:

    (c) Amount of principal being repaid:

TASKINIGAHP POWER CORPORATION

Per:
Name:
Title:

Per:
Name:
Title:

SCHEDULE B

[intentionally blank]

SCHEDULE C

ISSUED AND OUTSTANDING CAPITAL STOCK AND DEBT

To be provided on Final Investment Date

SCHEDULE D

MATERIAL AGREEMENTS

Provided on Initial Closing

SCHEDULE E

LIABILITIES

Provided on Initial Closing

SCHEDULE F

ADDRESS FOR NOTICE

Taskinigahp Power Corporation
Attention: President
General Delivery
Nelson House, MB R0B 1A0
Fax: (204) 484-2392

Manitoba Hydro
Attention: General Counsel
360 Portage Avenue
Winnipeg, MB R3C 0G8
Fax: (204) 360-4947

SCHEDULE G

LIST OF SECURITY DOCUMENTS

1. TPC Security Agreement
2. Pledge of TPC's Units
3. Limited Power of Attorney granted by TPC respecting TPC's Units

SCHEDULE H

AUTHORIZATIONS – HYDRO

1. Order in Council as required pursuant to the provisions of the Hydro Act.

2. Such Additional Borrowing Authorizations required from time to time.

SCHEDULE 8.1
SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

between

5022649 MANITOBA LTD.,

- and -

TASKINIGAHP POWER CORPORATION,

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD.

DATED as of March 31, 2015

TABLE OF CONTENTS

SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

This Agreement made as of the 31st day of March, 2015.

BETWEEN:

5022649 MANITOBA LTD.,

(hereinafter called the "**General Partner**"),

OF THE FIRST PART,

- and -

TASKINIGAHP POWER CORPORATION,

(hereinafter called "**Taskinigahp Power Corporation**"),

OF THE SECOND PART

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter called "**Hydro**"),

OF THE THIRD PART.

WHEREAS the **General Partner** was incorporated under the laws of the Province of Manitoba on November 30, 2004;

AND WHEREAS a partnership agreement (the "**Initial Agreement**") was entered into on the 9th day of December, 2004, between the **General Partner** and the **Initial Limited Partner**;

AND WHEREAS under the **Initial Agreement**, the **General Partner** and the **Initial Limited Partner** formed a partnership known as the Wuskwatim Power Limited Partnership (the "**Partnership**") which was registered in accordance with the laws of the Province of Manitoba as a limited partnership on the 9th day of December 2004;

AND WHEREAS the **Initial Agreement** was amended and restated pursuant to an agreement dated the 28th day of June, 2006 between the **General Partner**, **Taskinigahp Power Corporation** and **Hydro ("First Amended and Restated Agreement")**;

NOW THEREFORE in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

GENERAL INTERPRETATION

Definitions

1.01 For the purpose of this Agreement, the following terms shall be deemed to have the following meanings:

(a) "**Act**" means *The Partnership Act* (Manitoba);

(b) "**Affiliate**" has the meaning ascribed to affiliate or associate as those terms are defined in *The Securities Act* (Manitoba);

(c) "**Agreement**" means this Amended and Restated Limited Partnership Agreement and any amendments or modifications made thereto, including without limitation any schedules or appendices attached hereto;

(d) "**Allowable Operating Expenses**" means all expenses incurred directly or indirectly by the **General Partner** in managing the **Business** of the **Partnership**, including, without limiting the type of expenses, all administrative expenses, including the costs of holding meetings of the board of directors of the **General Partner** and preparing financial statements of the **General Partner** but, for greater certainty, shall not include any costs other than costs incurred in furtherance of the **Business** or which are properly allocated, in whole or in part, to the **Business**, and, without limiting the generality of the foregoing, shall not include any of the costs incurred by **Hydro** in building the project known as the Churchill River Diversion nor any of the costs incurred by **Hydro** and allocated to the operation of the project known as the Churchill River Diversion;

(e) "**Business**" shall have the meaning ascribed to it in section 2.05 hereof;

(f) "**Capital Contribution**" means, with respect to a **Partner**, the amount in cash or other property contributed to the **Partnership** by such **Partner**;

(g) "**Construction Agreement**" means the agreement to be entered into by the **Partnership** as owner and **Hydro** as project manager in substantially the same form as described in the **PDA**;

(h) "**Declaration**" means the declaration pursuant to the Act to be filed under *The Business Names Registration Act* of Manitoba;

(i) "**Debt Ratio**" means for any particular day, the quotient of the Limited Partnership's Net Debt (as defined in the Project Financing Agreement) on such day divided by the sum of: (i) the Limited Partnership's Net Debt on such day; and (ii) the Limited Partnership's Equity (as defined in the Project Financing Agreement) on such day, expressed as a percentage;

(j) "**Distributable Cash**" in respect of any distribution period, means **EBITDA** earned by the **Partnership** for such period, plus any additional cash on hand at the end of a distribution period and any additional amounts that the **General Partner** approves for distribution, less: (i) payments to satisfy debt service obligations (including principal, interest and deposits for debt retirement) incurred in such period under credit facilities of the **Partnership** (including under the **Project Financing Agreement**) or other agreements to which the **Partnership** is bound; (ii) payments to satisfy general and administrative expenses and other known expense obligations of the **Partnership**; and (iii) amounts retained in respect of the distribution period to cover (1) anticipated expenses, (2) reserves under section 6.06 of this **Agreement** and (3) the amount (if any) required to be held as equity in order to maintain the **Debt Ratio** in accordance with section 6.05;

(k) "**EBITDA**" for any period means earnings before interest, income taxes, depreciation and amortization, determined in accordance with **Generally Accepted Accounting Principles** ("earnings" for this purpose means the **Net Income** or **Net Loss**, as applicable, for that period);

(l) "**Final Closing Date**" has the meaning ascribed thereto in the **PDA**;

(m) "**Financial Statements**" shall mean the audited financial statements of the **Partnership** prepared in accordance with **Generally Accepted Accounting Principles**;

(n) "**Fiscal Year**" means the fiscal year of the **Partnership** as described in section 2.04;

(o) "**General Partner**" shall mean 5022649 Manitoba Ltd. or any other **Person** who may become the general partner of the **Partnership** in place of or substitution for 5022649 Manitoba Ltd. and is deemed to be the **General Partner** from time to time under the terms of this **Agreement**;

(p) "**Generally Accepted Accounting Principles**" means, at any time, accounting principles as recommended by the Canadian Institute of Chartered Accountants, or any successor **Person** at such time;

(q) "**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by The Manitoba Hydro Act, R.S.M. 1987, c.H190;

(r) "**Hydro Service Agreements**" means, collectively, the Management Agreement, the Project Financing Agreement, the Construction Agreement, the Power Purchase Agreement, the Operations and Maintenance Agreement, the Interconnection and Operating Agreement and the System Operations and Dispatch Agreement;

(s) "**Initial Agreement**" means the Limited Partnership Agreement between the **General Partner** and the **Initial Limited Partner** signed December 9, 2004;

(t) "**Initial Limited Partner**" means **Hydro**;

(u) "**Integrated Power System**" means **Hydro's** integrated system of hydraulic and thermal electric generation and power transmission facilities owned and operated by **Hydro** or in some circumstances, owned by **Hydro** in partnership with others, which system is interconnected with other power utilities. The **Wuskwatim Project** will be part of the **Integrated Power System**.

(v) "**Interconnection and Operating Agreement**" means the agreement entered into between **Hydro** (Transmission and Distribution Business Unit) and **Hydro** (Power Supply Business Unit) dated May 4, 2005, as amended, and to be subsequently assigned by **Hydro** (Power Supply Business Unit) to the **Limited Partnership**, whereby the **Wuskwatim Project** will be interconnected with the **Integrated Power System**;

(w) "**Limited Partner**" shall mean **Hydro** or **Taskinigahp Power Corporation** for so long as each is a holder of at least one **Unit**;

(x) "**Limited Partnership**" or "**Partnership**" means the Wuskwatim Power Limited Partnership formed pursuant to the **Initial Agreement**, as amended and restated by this **Agreement**, for the purpose of the **Business**;

(y) "**Management Agreement**" means the agreement entered into between the **Partnership** as owner and **Hydro** as contractor in substantially the same form as described in the **PDA**;

(z) "**NCN**" means the Nisichawayasihk Cree Nation;

(aa) "**NCN Adverse Effects Agreement**" means the agreement to be entered into by the **General Partner** on behalf of the **Partnership** and **NCN** and **Hydro** in substantially the same form as described in the **PDA**;

(bb) "**NCN Financing Agreement**" means the agreement to be entered into between **NCN, Taskinigahp Power Corporation** and **Hydro** in substantially the same form as described in the **PDA**;

(cc) "**Net Income**" or "**Net Loss**" in respect of any **Fiscal Year** means, respectively, the income or loss of the **Partnership** for such period determined in accordance with Section 6.07;

(dd) "**Operations and Maintenance Agreement**" means the agreement to be entered into between the **Partnership** as owner and **Hydro** as contractor in substantially the same form as described in the **PDA**;

(ee) "**Ordinary Resolution**" means a resolution passed by **Partners** holding, in the aggregate, a majority of the issued and outstanding **Units**, who, being entitled to do so, vote in person or by proxy at a duly convened meeting of **Partners** or any adjournment thereof or, alternatively, pass such a resolution unanimously in writing in lieu of a meeting;

(ff) "**Partner**" means the **General Partner** or any **Limited Partner** and "**Partners**" means all **Limited Partners** together with the **General Partner**;

(gg) "**Partnership Assets**" means all assets and property, whether tangible or intangible and whether real, personal or mixed, at any time owned legally or beneficially by the **Partnership**;

(hh) "**Person**" means and includes any individual, corporation, partnership, firm, trust or any other form of entity or organization;

(ii) "**Power Purchase Agreement**" means the agreement to be entered into between the **Partnership** as owner and **Hydro** in substantially the same form as described in the **PDA**;

(jj) "**PDA**" means the project development agreement entered into by **Hydro**, **NCN**, **Taskinigahp Power Corporation,** the **General Partner** and the **Partnership** regarding the planning, development and construction of the **Wuskwatim Project** and the operation of the **Business**;

(kk) "**Project Financing Agreement**" means the agreement to be entered into between the **Partnership** and **Hydro** in substantially the same form as described in the **PDA**;

(ll) "**Record of Limited Partners**" means the record required to be maintained by the **General Partner** at the principal place of business of the **Partnership** pursuant to The Business Names Registration Act, C.C.S.M. c. B110;

(mm) "**Refinancing**" means any borrowings made by the **Partnership** for any purpose other than operating purposes, which are secured by a mortgage or other charge on or against the **Partnership's** interest in the **Partnership Assets**;

(nn) "**Refinancing Proceeds**" means the net proceeds resulting from a **Refinancing**;

(oo) "**Registrar and Transfer Agent**" means the **General Partner** or an agent appointed thereby to keep a register of **Limited Partners** and a register of the transfer of **Units**;

(pp) "**Sale**" means the disposition of all or any part of the **Partnership Assets**, whether by way of sale, expropriation or otherwise;

(qq) "**Sale Proceeds**" means:

i) the proceeds resulting from a **Sale**, after deducting the amounts required to discharge or partially discharge any security relating thereto, and/or repay or partially repay loans incurred in respect of the acquisition of any asset of the **Partnership** for which the **Sale Proceeds** are received and all costs incurred as a result of such **Sale**; and

ii) the proceeds of any insurance to the extent not applied to repair, rebuild or replace some or all of the assets held by the **Partnership**;

(rr) "**Special Resolution**" means:

i) a resolution approved by all of the votes cast in person or by proxy at a duly constituted meeting of **Partners** who are entitled to vote or at any adjournment of that meeting, called in accordance with this Agreement; or

ii) a written resolution in one or more counterparts signed by Partners holding in the aggregate all of the **Units** held by those **Partners** who are entitled to vote on that resolution at a meeting;

(ss) "**Subscription Agreement**" means the subscription form and power of attorney attached hereto as Schedule "A", or as determined by the **General Partner** pursuant to section 5.04 of this **Agreement**;

(tt) "**Subscription Price**" means the price per **Unit** payable by a **Person** to purchase a **Unit** as set forth in section 5.04 of this **Agreement**;

(uu) "**System Operations and Dispatch Agreement**" means the agreement to be entered into between the **Partnership** and **Hydro** in substantially the same form as described in the **PDA**;

(vv) "**Taskinigahp Power Corporation Financing Agreement**" means the agreement to be entered into between **Taskinigahp Power Corporation** as borrower and **Hydro** as lender in substantially the same form as described in the **PDA**, in which it is defined as the TPC Financing Agreement;

(ww) "**Tax Act**" means the *Income Tax Act* (Canada) as amended from time to time;

(xx) "**Taxable Income**" and "**Tax Loss**", in respect of any tax year means, respectively, the amount of income or loss of the **Partnership** for such period determined in accordance with the provisions of the **Tax Act** (including the amount of taxable capital gains or allowable capital losses, recapture of capital cost allowance or terminal loss, resulting from the disposition of each capital property of the **Partnership** as determined by the **General Partner** in accordance with the provisions of the **Tax Act**);

(yy) "**Term**" has the meaning ascribed thereto in section 2.07 hereof;

(zz) "**Unit**" means one of the units of the **Partnership** representing an interest in the **Partnership** and "**Units**" means all of the units of the **Partnership**;

(aaa) "**Unit Certificate**" means the form of certificate issued by the **Limited Partnership** evidencing the number of **Units** owned by a **Partner** or any certificates issued in replacement thereof in accordance with the provisions of this **Agreement**;

(bbb) "**Wuskwatim Generating Station**" means the proposed hydro-electric generating station forming the **Wuskwatim Project** and consisting of a complex of structures, including the powerhouse, spillway, dam, dyke and transition structures, used in the production of electricity;

(ccc) "**Wuskwatim Project**" means the **Wuskwatim Generating Station** and all related works, excluding the **Wuskwatim Project Related Transmission Facilities**, but including, without limitation, all dams, dykes, channels, control structures, excavations, camps, storage areas, local roads and access road, to be located at Taskinigup Falls near Wuskwatim Lake which, if built, will contribute about 200 megawatts to the **Integrated Power System** through the **Wuskwatim Project Related Transmission Facilities**;

(ddd) "**Wuskwatim Project Related Transmission Facilities**" means the proposed complex of transmission and communication related facilities to be constructed as part of the **Wuskwatim Transmission Project**, including without limitation all transmission lines, switching and transformer stations and the construction power line;

(eee) "**Wuskwatim Transmission Project**" means **Hydro's** proposed project to develop the **Wuskwatim Project Related Transmission Facilities** and all related works.

Interpretation

1.02 For all purposes of this **Agreement** except as otherwise expressly provided or unless the context otherwise requires:

(a) headings are for convenience of reference only and do not form a part of this **Agreement**, nor are they intended to interpret, define or limit the scope, extent or intent of this **Agreement** or any provision hereof;

(b) all references to currency herein are references to Canadian currency unless otherwise stated;

(c) any reference to a statute shall include and shall be deemed to be a reference to such statute and the regulations made pursuant thereto, with amendments made thereto in force from time to time and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto;

(d) any reference to any entity shall include and shall be deemed to be a reference to any entity that is a successor to such entity;

(e) words importing the masculine gender include the feminine or neuter gender and words importing the singular include the plural and vice versa;

(f) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(g) all accounting terms not specifically defined herein shall be construed in accordance with **Generally Accepted Accounting Principles**.

ARTICLE II

THE PARTNERSHIP

Continuation of Partnership

2.01 The **General Partner** and the **Limited Partners** acknowledge and confirm that the **Partnership** was formed pursuant to the **Initial Agreement** and that this **Agreement** is an amendment to and a restatement of the terms of the **Initial Agreement**. The **General Partner** and the **Limited Partners** agree to continue the **Partnership** under the laws of the Province of Manitoba and the **General Partner** agrees to prepare, complete and file the requisite "Change in a Limited Partnership Form" required pursuant to The Business Names Registration Act, C.C.S.M. c. B110 and to do all things and to execute and deliver all such documents, instruments and assurances as may be necessary to qualify, continue and keep in good standing the **Partnership** as a limited partnership. The **General Partner** shall take all necessary actions on the basis of information available to it in order to maintain the status of the **Partnership** as a limited partnership.

Name of the Partnership

2.02 The **Partnership** shall carry on business under the name "Wuskwatim Power Limited Partnership" (or such other name or names as the **General Partner** may from time to time adopt if required to comply with laws of the jurisdictions in which the **Partnership** may conduct business). The **General Partner** shall notify each **Limited Partner** of any change in the name of the **Partnership** within 10 days of such change. The **General Partner** shall hold the **Partnership** out as an entity separate from any other **Person**.

Maintaining Status of Partnership

2.03 The **General Partner** shall be the sole general partner of the **Partnership**, and shall do all things and shall cause to be executed, amended and filed such certificates, declarations, registers, instruments and documents as may be required to reflect the constitution of the **Partnership** and to carry on the **Business** of the **Partnership**, including, without limitation, the maintaining of a **Record of Limited Partners** stating for each **Limited Partner** the information prescribed by The Business

Names Registration Act, C.C.S.M. c. B110. The **General Partner** and each **Limited Partner** shall execute and deliver as promptly as possible any document that may be necessary or desirable to accomplish the purposes of this **Agreement** or to give effect to the formation and continuation of the **Partnership** under any and all applicable laws. The **General Partner** shall take all necessary action to reflect the constitution of the **Partnership**, on the basis of information available to it, in order to maintain the status of the **Partnership** as a limited partnership under the laws of the Province of Manitoba and to maintain the **Partnership** in compliance with the laws of any other governing authority having jurisdiction over the **Partnership**. The **General Partner** covenants and agrees that:

i) The **Partnership** will not carry on any business in any jurisdiction unless the **General Partner** has taken all steps which may be required by the laws of that jurisdiction for the **Limited Partners** to benefit from limited liability to the same extent that **Limited Partners** enjoy limited liability under the **Act**. The **Partnership** will not carry on business in any jurisdiction in which the laws do not recognize the liability of the **Limited Partners** to be limited unless, in the opinion of the **General Partner**, the risks associated with the possible absence of limited liability in that jurisdiction are not significant considering the relevant circumstances.

ii) The **Partnership** will carry on business in a manner so as to ensure to the greatest extent possible the limited liability of the **Limited Partners**, and the **General Partner** will register the **Partnership** in other jurisdictions where the **General Partner** considers it appropriate to do so.

Fiscal Year

2.04 The **Fiscal Year** of the **Partnership** shall begin on the 1st day of April and shall end on the 31st day of March in each and every year or on such other date as the **Limited Partners** may determine by **Ordinary Resolution**.

Business of the Partnership

2.05 The business of the **Partnership** (the "**Business**") is the completion of the planning, construction, ownership, maintenance and operation of the **Wuskwatim Project** and the sale of energy generated by it and any activities incidental or related thereto with a view to making a profit therefrom.

Registered Office and Mailing Address

2.06 The registered office and mailing address of the **Partnership** and the registered office and mailing address of the **General Partner** shall be**360 Portage Avenue, Winnipeg, MB R3C 0G8.** The **General Partner** may not change the registered office or mailing address of the **Partnership** without the consent of all **Limited Partners**.

Term

2.07 The term of the **Agreement** (the "**Term**") shall be indefinite, unless the **Partnership** is dissolved in accordance with Article 10. For greater certainty, this **Agreement** is intended to preclude any **Partner** from dissolving the **Partnership** by giving notice to the other **Partners**, except in accordance with the provisions of Article 10.

Representations and Warranties of the General Partner

2.08 The **General Partner** represents and warrants to, and covenants with, each **Limited Partner** that:

(a) the **Partnership** is a valid limited partnership, duly formed under the laws of the Province of Manitoba;

(b) it is and shall continue to be a corporation incorporated and in good standing under the laws of the Province of Manitoba, or any other jurisdiction under which the **General Partner** may continue or under which a successor to the **General Partner** may be incorporated or continue;

(c) it will maintain all registrations in any jurisdiction where the **Business** of the **Partnership** requires such registration necessary for the conduct of the **Business** and, subject to the successful completion of all necessary regulatory reviews, will have and will continue to have all licenses and permits necessary to carry on the **Business** as **General Partner**;

(d) it has and will continue to have the capacity and corporate authority to act as the general partner of the **Partnership** and to perform its obligations under this **Agreement**, and such obligations do not and will not conflict with, nor do they or will they result in a breach of, its articles of incorporation, its by-laws, any resolutions of its directors or shareholders or any agreement to which it is a party or by which it is bound;

(e) the entering into of this **Agreement** by the **General Partner**, and the performance of its obligations under this **Agreement**, do not and will not require the approval or consent of, or any notice to or filing with, any governmental authority except such approvals and consents as: (i) have been obtained on or before the date hereof; or (ii) will be obtained by the **General Partner** prior to such consents and approvals being required in order for the **General Partner** to carry out its duties and covenants hereunder;

(f) it is not, and shall continue not to be, a non-resident of Canada within the meaning of the **Tax Act**;

(g) the **General Partner** has taken and will take all necessary corporate action to authorize the execution, delivery and performance of this **Agreement**, and this **Agreement** constitutes a valid and binding obligation of the **General Partner**, enforceable against the **General Partner** in accordance with the terms of this **Agreement**;

(h) no authorization, consent or approval of, or filing with, or notice to, any **Person** is required in connection with the execution, delivery or performance of this **Agreement** by the **General Partner,** except such authorizations, consents and approvals as: (i) have been obtained on or before the date hereof; or (ii) will be obtained prior to such authorizations, consents and approvals being required in order for the **General Partner** to carry out its duties and covenants hereunder;

(i) there are no actions, suits or proceedings pending or, to the knowledge of the **General Partner**, threatened, against or affecting the **General Partner** or any of its assets or undertaking at law or in equity or before any arbitrator or any governmental authority having jurisdiction which, if determined adversely, could affect adversely the **General Partner**, and the **General Partner** is not in default with respect to any law, regulation, order, writ, judgment, injunction or award of any competent governmental authority, court, arbitrator or instrumentality which would have such an effect.

Representations and Warranties of each Limited Partner

2.09 Each **Limited Partner** represents and warrants to each other **Limited Partner** and to the **General Partner** that it:

(a) is not and shall continue not to be a "non-resident" of Canada within the meaning of the **Tax Act**;

(b) is not and shall not become a "non-Canadian" within the meaning of the Investment Canada Act (Canada);

(c) is legally competent to execute this **Agreement** and all other agreements contemplated hereby and to take all actions required pursuant hereto, and further certifies that all necessary approvals of directors, shareholders, partners, members or otherwise have been given;

(d) shall promptly provide such evidence of its status as the **General Partner** may reasonably request; and

(e) is and shall continue to be a corporation incorporated and in good standing under its jurisdiction of incorporation, which is Manitoba in the case of **Hydro** and **Taskinigahp Power Corporation**.

Covenant on Representations and Warranties

2.10 Each **Limited Partner** covenants and agrees that it will not transfer or purport to transfer its **Units** to any **Person** which would be unable to make the representations and warranties in section 2.09 and will not change its status such that the above representations would at any time be untrue.

Compliance with Laws

2.11 Each **Limited Partner** shall, on request by the **General Partner**, immediately execute all certificates, declarations, instruments and documents necessary to comply with any applicable law or regulation in regard to the formation, continuance, operation or dissolution of the **Partnership** or in connection with the qualification of the **Partnership** to carry on the **Business** or to own the **Partnership Assets**.

Limitation on the Authority of Limited Partners

2.12 No **Partner**, other than the **General Partner**, shall or shall be entitled to:

(a) take part in the management of the **Business** or the **Partnership** or exercise any power in connection with that control or management or transact business on behalf of the **Partnership**;

(b) execute any document, other than those signed in connection with the **Partners** voting on a resolution of the **Partners**, which binds or purports to bind any other **Partner**, the **General Partner** or the **Partnership**;

(c) hold itself out as having the authority or power to bind any other **Partner**, the **General Partner** or the **Partnership**;

(d) have any authority or power to act for or undertake any obligation or responsibility on behalf of any other **Partner, General Partner** or the **Partnership**;

(e) bring any action for partition or sale or otherwise in connection with the **Partnership**, or any interest in any property of the **Partnership**, whether real, tangible or intangible, or file or register or permit to be filed, registered or remain undischarged any lien or charge in respect of any property of the **Partnership**;

(f) compel or seek a partition or sale, judicial or otherwise, of any of the assets of the **Partnership** distributed or to be distributed to the **Partners** in kind in accordance with this **Agreement**;

(g) bring any action for the dissolution of the **Partnership**; or

(h) take any action that will jeopardize or eliminate the status of the **Partnership** as a limited partnership or a "Canadian partnership" for the purposes of the **Tax Act**.

Authority of Hydro

2.13 Notwithstanding the provisions of section 2.12 or any other provision of this **Agreement,** but subject always to the receipt of such approvals as may be required under the **PDA** for **Hydro** or any **Affiliate** of **Hydro** to enter into any agreements with the **Partnership** other than the **Hydro Service Agreements**, **Hydro** shall be entitled to perform all acts and do all things necessary or desirable pursuant to the terms of any agreement between **Hydro** and the **Partnership,** including the **Hydro Service Agreements,** provided, however, that no such act or thing shall jeopardize or eliminate the status of the **Partnership** as a limited partnership or a "Canadian partnership" for the purposes of the **Tax Act**.

ARTICLE III

MANAGEMENT OF PARTNERSHIP

Authority of General Partner

3.01 The **General Partner**, subject to the terms of this **Agreement** and to all applicable laws, shall and is authorized to carry on the **Business** of the **Partnership**, with full power and authority to administer, manage, control and operate the **Business** of the **Partnership** and shall and is given all power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for and incidental to carrying on the **Business** of the **Partnership** for and on behalf of and in the name of the **Partnership**. The **General Partner** shall have unlimited liability for the debts, liabilities, obligations and losses of the **Partnership** to the extent that they exceed the assets of the **Partnership**, as required by the **Act**.

Powers of General Partner

3.02 Without limiting the generality of section 3.01 and subject to the terms of this **Agreement**, the **General Partner**, acting reasonably, shall carry out the objects, purposes and all of the activities of the **Partnership** and shall manage the **Business** of the **Partnership** and shall have full power and authority for and on behalf of and in the name of the **Partnership** to:

(a) provide overall management, financial and business planning as required in the operation of the **Business**;

(b) negotiate, execute and perform all agreements which require execution by or on behalf of the **Partnership** involving matters or transactions with respect to the **Business**;

(c) subject to any prior approval of the **Limited Partners** required pursuant to the terms of this **Agreement**, cause the **Partnership** to acquire, sell, transfer or otherwise dispose of, mortgage, pledge, encumber, hypothecate or exchange any or all of the **Partnership Assets**;

(d) use the **Partnership Assets** (including, without limitation, cash on hand) for the purpose of furthering the **Business** on such terms as it sees fit, including, without limitation, the financing of the **Business**, the repayment of obligations of the **Partnership**, the conduct of the **Business** and the purchase or acquisition, as

Partnership Assets, of any other assets or interests in properties, as may be deemed appropriate in its sole discretion in connection with the **Partnership's** operations;

(e) open and manage bank accounts in the name of the **Partnership** and spend the capital of the **Partnership** in the exercise of any right or power exercisable by the **General Partner** hereunder;

(f) borrow funds in the name of the **Partnership** from time to time, including without limitation from the **General Partner** or any affiliate of the **General Partner** provided that the rate of interest and any other expenses relative to those borrowings will not, under any circumstances, exceed that which the Partnership could obtain from a Canadian chartered bank with respect to similar borrowings;

(g) draw, make, execute and issue promissory notes, evidences of indebtedness and all other negotiable or non-negotiable instruments;

(h) mortgage, charge, assign, hypothecate, pledge or otherwise create a security interest in all **Partnership Assets**;

(i) subject to section 6.06, establish such reserves as shall be determined to be reasonable in connection with the operation and future needs of the **Business** in order to carry on prudently the **Business**;

(j) see to the sound management of the **Partnership** and to manage, control and develop all the activities of the **Partnership** and take all measures necessary or appropriate for the **Business** of the **Partnership** or ancillary thereto;

(k) maintain, improve, upgrade, expand, acquire or dispose of the **Partnership Assets** from time to time;

(l) incur and pay all costs and expenses in connection with the **Partnership**;

(m) allocate **Net Income** or **Net Losses** and distribute **Distributable Cash** to the **Partners** in accordance with the provisions of this **Agreement**;

(n) employ, retain, engage or dismiss from employment, individuals, agents, representatives or professionals or other persons with the powers and duties upon the terms and for the compensation as in the discretion of the **General Partner** may be necessary or advisable in the carrying on of the **Business**;

(o) engage agents to assist the **General Partner** to carry out its management obligations to the **Partnership** or subcontract administrative functions;

(p) establish advisory committees to provide to it such advice on such matters as it deems appropriate from time to time;

(q) invest cash assets of the **Partnership** that are not immediately required for the **Business** in investments which the **General Partner** considers appropriate;

(r) act as attorney in fact or agent of the **Partnership** in disbursing and collecting moneys for the **Partnership** and in paying debts and fulfilling the obligations of the **Partnership** and handling and settling any claims of the **Partnership**;

(s) commence or defend any action or proceeding in connection with the **Partnership**;

(t) file returns or other documents required by any governmental or like authority;

(u) make any election that may be made under the **Tax Act** or any other legislation;

(v) purchase, lease or otherwise acquire equipment and premises in connection with the **Business**;

(w) retain legal counsel, experts, advisors or consultants as the **General Partner** considers appropriate and rely upon the advice of such persons;

(x) purchase policies of insurance, as it considers appropriate, for the **Business** and to insure against any liabilities or potential liabilities of the **General Partner**, **Limited Partners** and the **Partnership** that arise or may arise from this **Agreement** or in law or in equity, including, without limiting the generality of the foregoing, relating to personal injury or property damage;

(y) execute and carry out the obligations of the **Limited Partnership** under the terms of the **PDA** and in such other agreements as are referred to in the **PDA** or as are otherwise necessary or desirable for the carrying on of the **Business**;

(z) do anything that is in furtherance of or incidental to the **Business** or that is provided for in this **Agreement** and execute, acknowledge and deliver the documents necessary to effectuate any or all of the foregoing or otherwise in connection with the **Business**; and

(aa) conduct business so that no **Persons** dealing with the **Partnership** will be required to enquire into the authority of the **General Partner** to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for or on behalf of or in the name of the **Partnership**. The **General Partner** will make all reasonable efforts to insert, and to cause agents of the **Partnership** to insert, the following clause in any contracts or agreements to which the **Partnership** is a party or by which it is bound (other than the **PDA**, the **Interconnection and Operating Agreement** and the **NCN Adverse Effects Agreement** provided that this exclusion from the requirement of inserting the following clause in these agreements shall not be construed as detracting from the limited liability of the **Limited Partners** hereunder or thereunder):

"The parties hereto acknowledge that Wuskwatim Power Limited Partnership is a limited partnership formed under the laws of the Province of Manitoba, a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to the capital of the limited partnership and the limited partner's pro rata share of any undistributed income. The parties hereto acknowledge that the obligations of Wuskwatim Power Limited Partnership shall not be personally binding upon, nor shall resort be had to, the property of any of the limited partners, their heirs, successors and assigns, and that resort shall only be had to the property of the Wuskwatim Power Limited Partnership or the property of its general partner. 5022649 Manitoba Ltd. is the sole general partner of the limited partnership."

Covenants of General Partner

3.03 Subject to the provisions of this **Agreement**, the **General Partner** covenants that:

(a) it will exercise the powers and discharge its duties under this **Agreement** honestly, in good faith, and in the best interests of the **Partnership**;

(b) in carrying out its obligations under this **Agreement**, it will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(c) it will maintain the confidentiality of financial and other information and data which it may obtain through or on behalf of the **Partnership**, the disclosure of which may adversely affect the interests of the **Partnership** or of a **Limited Partner**, except to the extent that disclosure is permitted as provided in this **Agreement**, is required by law, is required by virtue of the fact that **Hydro** is a Crown Corporation and must present annual financial statements for public review, or is in the best interests of the **Partnership**;

(d) it shall not carry on any operations in addition to its activities as general partner of the **Partnership** and will devote its best efforts to, and for the benefit of, the **Partnership** and will devote as much time as is necessary for the conduct and prudent management of the activities and affairs of the **Partnership**; and

(e) it will do all things and take all actions as may be necessary to ensure and protect, to the extent reasonably possible, the limited liability of the **Limited Partners**.

Conflict of Interest

3.04 Notwithstanding sections 3.03 or 3.09 or any other provision of this **Agreement**, the **Parties** acknowledge that there is an inherent conflict of interest in **Hydro** entering into the **Hydro Service Agreements** with the **Partnership**. The parties agree that the entering into of the

Hydro Service Agreements and the performance by the **General Partner** on behalf of the **Partnership** and **Hydro** of their respective obligations thereunder in accordance with their respective terms shall not constitute a breach by the **General Partner** of its obligations, fiduciary, contractual or otherwise, to the **Partnership**. It is further acknowledged and agreed that, in accordance with the provisions of the **Operations and Maintenance Agreement** and the **System Operations and Dispatch Agreement**, **Hydro**, in performing its functions under the said two agreements only, is entitled to act and may act at any time as **Hydro** in its sole discretion acting in good faith deems advisable in the best interests of the **Integrated Power System** regardless of whether a particular act, or actions, taken by **Hydro** in the best interests of the **Integrated Power System** may be detrimental to the interests of the **Partnership** or constitute a breach by **Hydro** of an agreement between it and the **Partnership**. The parties agree that neither **Hydro** nor the **General Partner** shall be liable to any **Partner** nor to the **Partnership** for any loss or damage of whatever nature the latter may incur as a consequence of the **General Partner** having entered into the **Operations and Maintenance Agreement** and the **System Operations and Dispatch Agreement** or of **Hydro**, acting in good faith, having acted in the best interests of the **Integrated Power System** as described in this section, subject to section 3.08 hereof and the review processes set out in Articles XVIII and XIX, respectively, of the **PDA**.

Other Activities of General Partner, Shareholder or Affiliates

3.05 Notwithstanding any other provision of this **Agreement**, it is expressly understood and agreed that shareholders and **Affiliates** of the **General Partner** may engage in businesses which may be similar to or competitive with those in which the **Partnership** is or might be engaged and neither the **General Partner** nor its shareholders and affiliates shall be required to offer or make available to the **Partnership** any business, other than the **Business**, or investment opportunity which its shareholders and **Affiliates** may acquire or be engaged in for their own account. The validity of a transaction, agreement or payment involving the **Partnership** and the **General Partner's** shareholders or an **Affiliate** is not affected by reason of the relationship between the **General Partner** and its shareholders or **Affiliates** nor by reason of the approval or lack thereof of the transaction, agreement or payment by the directors of the **General Partner**, all or some of whom may be involved personally or as officers or directors of, or otherwise interested in or related to, the **General Partner's** shareholders or **Affiliates**. Subject always to the receipt of such approvals as may be required under section 2.19 of the **PDA** for **Hydro** or any **Affiliate** of **Hydro** to enter into any agreements with the **Partnership** (other than the **Hydro Service Agreements**), the **General Partner** may engage or retain its shareholders or **Affiliates** on behalf of the **Partnership** to provide goods or services to the **Partnership** and may, in its discretion, engage other **Persons** interested in or companies owned by, associated with or affiliated with the **General Partner**, to render on behalf of the **General Partner**, part or all of such generalized and specialized management functions or administrative services as are reasonably required to accomplish the **Business** of the **Partnership.** This section 3.05 is not intended to detract from or limit the fiduciary obligations of the **General Partner** to the **Partnership** and shall not be deemed to do so.

Title to Partnership Assets

3.06 Title to the **Partnership Assets** shall be deemed to be owned by the **Partnership** as an entirety, and no **Partner** individually shall have any ownership interest in the assets of the **Partnership** or any portion thereof. Title to any or all of the **Partnership's** assets shall be held in the name of the **General Partner** for the benefit of the **Partnership** or in such other names as the **General Partner** may determine from time to time. The **General Partner** declares and warrants that any assets of the **Partnership** of which legal title is held in the name of the **General Partner** shall be held by the **General Partner** as agent of the **Partnership** for the use and benefit of the **Partnership** in accordance with the provisions of this **Agreement**. All of the assets of the **Partnership** shall be recorded as the property of the **Partnership** on its books and records, irrespective of the name in which legal title to such assets is held.

Expenses of the General Partner

3.07 The **Partnership** shall be directly responsible for the payment of all **Allowable Operating Expenses** and shall reimburse the **General Partner** for them, to the extent that they are not otherwise recoverable from the revenues of the **Business**, on a monthly basis, or on any other basis as the **General Partner** may determine in its sole and complete discretion, provided that the **General Partner** is not in default of its duties in connection with such expenses.

Limitation of Liability

3.08 The **General Partner** and its officers, directors, shareholders, employees, agents and **Affiliates** shall not be liable to a **Limited Partner** for any act or omission that does not constitute actual fraud, gross negligence or willful misconduct, if the **General Partner** or the **Person** acted in good faith and in a manner the **General Partner**, or the **Person**, believed to be in the interests of the **Partnership** or not opposed to the interests of the **Partnership** or pursuant to section 3.04. The **General Partner** shall indemnify the **Partnership** and the **Limited Partners** for any costs, damages, liabilities or expenses (including legal fees and expenses) suffered or incurred by the **Partnership** or the **Limited Partners** for an act or omission other than in the circumstances where the **General Partner** is excluded from liability in accordance with the immediately preceding sentence or in circumstances wherein **Hydro**, its subsidiaries and employees are either exempt from liability, or liability is limited (in which instances no more than the amounts determined through application of the sections in question shall be paid), pursuant to the provisions of sections 4(4), 13, 23(4), 24(2), 24(3) and 25(5) of the *Hydro Act,* R.S.M. 1987, c. H190 and amendments thereto (in which instances no more than the amounts determined through application of the sections in question shall be paid).

Indemnity

3.09 The **Partnership** shall indemnify the **General Partner** and its officers, directors, shareholders, employees, agents and **Affiliates** for any costs, damages, liabilities or expenses (including legal fees and expenses) suffered or incurred by them arising out of or incidental to the furtherance of the **Business**, except where the **General Partner** is not entitled to indemnity by application of section 3.08 hereof. Nothing in this provision is intended to detract from the limited liability to which the **Limited Partners** are entitled hereunder and under the **Act**.

Limited Liability of Limited Partners

3.10 Subject to the **Act** and the applicable legislation of any other jurisdiction in which the **Partnership** carries on business, and subject further to any act taken or thing done by a **Limited Partner** contrary to the provisions of this **Agreement**, the liability of each **Limited Partner** for the debts, liabilities and obligations of the **Partnership** is limited to the **Limited Partner's Capital Contribution**, plus the **Limited Partner's** *pro rata* share of any undistributed income of the **Partnership**. Where **Limited Partners** have received the return of all or part of their **Capital Contribution**, the **Limited Partners** shall be liable to the **Partnership's** creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the **Partnership** to all creditors who extended credit or whose claims otherwise arose before the return of the **Capital Contribution**. The **General Partner** will operate the **Partnership** to ensure to the greatest extent possible the limited liability of the **Limited Partners** and will indemnify and hold harmless each **Limited Partner** (including former **Limited Partners**) for all costs, expenses, damages or liabilities suffered or incurred by the **Limited Partner** if the limited liability of that **Limited Partner** is lost, but only if that **Limited Partner's** limited liability is lost as a result of the gross negligence, wilful misconduct or fraud of the **General Partner** in performing its duties and obligations under this **Agreement**. Each **Limited Partner** (the "**Breaching Limited Partner**") will indemnify and hold harmless each of the other **Limited Partners** (including former **Limited Partners**) for all costs, expenses, damages or liabilities suffered or incurred by any such other **Limited Partner** if the limited liability of such other **Limited Partner** is lost due to an act or omission of the **Breaching Limited Partner** that constitutes a breach of this **Agreement**, gross negligence, wilful misconduct or fraud.

Power of Attorney

3.11 In consideration of the sum of $10.00, the receipt and sufficiency of which is hereby acknowledged, each **Limited Partner** hereby irrevocably and unconditionally nominates, constitutes and appoints the **General Partner** with full power of substitution, as its true and lawful attorney and agent with full power and authority in its name, place and stead and for its use and benefit to do the following, namely:

(a) make, execute, swear to, sign, acknowledge, deliver and file, including filing for recording at the appropriate public offices, as, when and where required, any and all of the following:

(i) this **Agreement** and all declarations and other instruments necessary to form, qualify or continue and keep in good standing the **Partnership** as a limited partnership under the laws of the Province of Manitoba and any other jurisdiction in which any such documents may be required or desirable;

(ii) all instruments, declarations and certificates necessary to reflect any amendment to this **Agreement** (subject to such approvals as may be required hereunder) or to the constitution of the **Partnership**; and

(iii) all conveyances, agreements and other instruments necessary or desirable to reflect the dissolution and termination of the **Partnership** and the cancellation of any certificates or declarations, subject always to the provisions of this **Agreement**, including Article 10 hereof;

(b) execute and file with any government body or instrumentality thereof of the Government of Canada or a province in Canada or any other governmental authority having jurisdiction any documents necessary to be filed in connection with the **Business**, property, assets and undertaking of the **Partnership**;

(c) execute and deliver this **Agreement** and any amendments to it approved as required under this **Agreement**;

(d) execute and deliver all such other documents or instruments on behalf of and in the name of the **Partnership** and/or the **Limited Partners** as may be deemed necessary or desirable by the **General Partner** to carry out fully the provisions of this **Agreement** and the provisions of any agreements to which it is a party;

(e) prepare, execute and file all income tax, sales tax and other tax forms, returns and elections which the **Partnership** is required to file or which are deemed desirable to be filed by the **General Partner**; and

(f) prepare and execute assignments and transfers of **Units** when necessary or desirable in accordance with the terms of this **Agreement**.

To evidence the foregoing, each **Limited Partner**, in executing a **Subscription Agreement** or in executing the form of transfer of a **Unit**, will have executed a power of attorney containing substantially the same powers set forth above. Each **Limited Partner** hereby declares that the power of attorney granted herein is irrevocable, is a power coupled with an interest, will survive the insolvency of a **Limited Partner** and will survive the assignment (to the extent of the **Limited Partner's** obligations hereunder and with respect to such actions as are necessary to effect the substitution of the assignee as a limited partner in the **Partnership**) by the **Limited Partner** of the whole or any part of the interest of the **Limited Partner** in the **Partnership** and extends to the heirs, executors, administrators, successors and assigns of the **Limited Partner** and may be exercised by the **General Partner** executing on behalf of each **Limited Partner** any instrument with a single signature as attorney and agent for all of them.

This power of attorney shall not revoke any previous general or continuing power of attorney granted by the **Limited Partner** and will not itself be revoked by any future grant of a general or continuing power of attorney by the **Limited Partner**.

This power of attorney shall not be affected by the withdrawal, resignation or deemed resignation of the **General Partner** as general partner for the **Partnership** and, upon substitution therefore of a replacement **General Partner**, may be exercised by such replacement **General Partner** as if it were an original party to this **Agreement**.

Each **Limited Partner** agrees to be bound by any representations and actions made or taken in good faith by the **General Partner** pursuant to such power of attorney in accordance with the terms hereof, and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the **General Partner** taken in good faith under such power of attorney.

Restrictions on Authority of General Partner

3.12 The **General Partner's** powers and authorities do not extend to any powers, actions or authority enumerated in Section 9.11 unless and until the requisite **Special Resolution** is passed by the applicable **Partners**. The **General Partner** will not:

(a) commingle the funds of the **Partnership** with its own funds or the funds of any of its **Affiliates** or associates or any other **Person**;
(b) dissolve the affairs of the **Partnership**, except in accordance with the provisions of Article 10;
(c) sell, exchange or otherwise dispose of all or substantially all of the assets of the **Partnership**;
(d) except in accordance with Article 4, assign, transfer or otherwise dispose of its entire interest as **General Partner** without approval of the **Limited Partners**; and
(e) enter into any agreement on behalf of the **Partnership** with **Hydro** or an **Affiliate** of Hydro that requires prior approval in accordance with section 2.19 of the **PDA** until such approval is obtained.

ARTICLE IV

WITHDRAWAL OR REMOVAL OF GENERAL PARTNER

Withdrawal of General Partner

4.01 The **General Partner** may withdraw if such withdrawal is approved by **Special Resolution** of the **Limited Partners**.

Deemed Resignation of General Partner

4.02 The **General Partner** shall be deemed to have resigned as the general partner of the **Partnership** in the event of the bankruptcy, dissolution, liquidation or winding-up of the **General Partner** (or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the **General Partner**) or by the appointment by a court of competent jurisdiction of a trustee, receiver or manager of the affairs of all or substantially all of the properties of the **General Partner**. The **General Partner** shall forthwith advise the **Limited Partners** by written notice of the occurrence of any event referred to in this section 4.02. In such circumstances, the **Limited Partners** shall have the right by **Ordinary Resolution,** after consultation, to designate a successor **General Partner**.

No Removal of General Partner

4.03 The **General Partner** may not be removed by the **Partners** as the **General Partner** except by **Special Resolution**. In such circumstances, the **Limited Partners,** after consultation, shall have the right by **Ordinary Resolution** to designate a successor general partner.

Effect of Withdrawal, Deemed Resignation or Removal of General Partner

4.04 In the event of the withdrawal, deemed resignation or the removal of the **General Partner**, as provided herein, the **General Partner** shall cease to be entitled to any allocation of **Net Income** or **Net Loss** provided for herein upon the effective date of such resignation, deemed resignation or removal, but shall be entitled to its share of any allocation of **Net Income** or **Net Loss** up to such date. The withdrawing, resigning or removed **General Partner** shall be, and shall remain liable for all obligations and liabilities incurred by the **Partnership** for which the **General Partner** was liable before such withdrawal, deemed resignation or removal became effective.

Successor General Partner

4.05 A **Special Resolution** recording the withdrawal or removal of the **General Partner** may provide for the nomination and appointment of a successor **General Partner**, and the resolution in that circumstance shall become effective only on the admission of the successor **General Partner** to the **Partnership** in accordance with the provisions of this **Agreement**. Upon the occurrence of the events described in this paragraph, the successor **General Partner** shall continue the **Business** of the **Partnership** without dissolution.

On the admission of a successor **General Partner** to the **Partnership** on the resignation or removal of the **General Partner**, the resigning or retiring **General Partner** will do all things and take all steps to transfer the administration, management, control and operation of the **Business** of the **Partnership** and the books, records and accounts of the **Partnership** to the successor **General Partner** and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer in a timely fashion.

On the resignation or removal of the **General Partner** and the admission of a successor **General Partner**, the resigning, or retiring, **General Partner**, at the cost of the **Partnership**, will transfer title to the **Partnership**'s property to such successor **General Partner** and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer in a timely fashion.

On the resignation or removal of the **General Partner**, the **Partnership** will release and hold harmless the **General Partner** resigning or being removed from any costs, expenses, damages or liabilities suffered or incurred by the **General Partner** as a result of or arising out of events which occur in relation to the **Partnership** after such resignation or removal.

A successor **General Partner** shall not be a "non-resident" of Canada within the meaning of the ***Tax Act*** and will become a party to this **Agreement** and will agree to be bound by all of the provisions of this **Agreement** and to assume the obligations, duties and liabilities of the **General Partner** from the date the new **General Partner** becomes a party to this **Agreement**.

General Partner's Interest

4.06 The **General Partner** shall transfer all, but not less than all, of its **General Partner** interest in the **Partnership** to a successor **General Partner** appointed in accordance with the provisions of this **Agreement** or otherwise with the unanimous consent of the **Limited Partners**, provided in each case that any transferee assumes the rights and duties of the **General Partner** and agrees to be bound by the provisions of this **Agreement**.

Continuity of Partnership

4.07 In the event of the bankruptcy, insolvency, dissolution, liquidation or winding up of the **General Partner**, the **Partnership** shall not terminate but shall be continued by the then newly appointed or admitted **General Partner**.

ARTICLE V

THE UNITS

Number of Units

5.01 Subject to this **Agreement**, the **Partnership** shall be divided into **Units.** Subject to section 5.02, the Units may be sub-divided into such classes as the **General Partner** may determine are necessary or appropriate provided that the prior consent is obtained from any **Limited Partner** owning **Units** at the time of such proposed sub-division. The **Partnership** shall be authorized to issue an unlimited number of **Units**. **Units** may be issued in fractions.

Nature of Unit

5.02 Each issued and outstanding **Unit** shall be equal to each other **Unit** with respect to voting rights, the right to receive distributions from the **Partnership** and otherwise. No **Unit** shall have any preference or right in any circumstances over any other **Unit**. Each **Unit** carries the right to one vote in respect of all matters to be decided by the **Limited Partners**. Holders of fractional **Units** shall be entitled to vote as hereinafter provided. **Units** have no preference, exchange, preemptive or redemption rights. Only registered holders of **Units** will be entitled to vote or receive distributions or otherwise to exercise or enjoy the rights of **Limited Partners**.

Unit Certificates

5.03 **Unit Certificates** shall be in such form as is from time to time approved by the **General Partner** and shall be signed by the **General Partner** for and on behalf of the **Partnership**.

Unit Subscription

5.04 For each **Unit** subscribed for a **Person** shall pay to the **Partnership** the sum of $1,000 per **Unit**. The **General Partner** shall subscribe for a nominal number of **Units**, not to exceed 0.01% of the issued **Units**. Unless the Parties otherwise agree, subscriptions for **Units** shall be accepted by the **General Partner** only if they are in compliance with this **Agreement** and the **PDA**. The **General Partner** shall subscribe for, and maintain at all times while it is the general partner of the **Partnership**, such number of **Units** equal to 0.01% of the issued **Units**.

Receipt by Limited Partner

5.05 The receipt of any money, securities or other property from the **Partnership** by a **Person** in whose name any **Units** are recorded, or if such **Units** are recorded in the names of more than one **Person**, the receipt thereof by any one of such **Persons**, or by the duly authorized agent of any such **Person** in that regard, shall be a sufficient and proper discharge for that amount of money, securities and other property payable or deliverable in respect of such **Units**.

Registrar and Transfer Agent

5.06 The **General Partner**, or such other **Person** as may be appointed from time to time by the **General Partner**, shall act as **Registrar and Transfer Agent** of the **Partnership** and shall maintain such books as are necessary to record the names and addresses of the **Limited Partners**, the number of **Units** held by each **Limited Partner** and particulars of the transfer of **Units**. The **General Partner** shall cause the **Registrar and Transfer Agent** to perform all duties usually performed by a registrar and transfer agent of certificates of shares in a corporation except as the same may be modified by reason of the nature of the **Units**.

For so long as the **General Partner** shall be **Registrar and Transfer Agent**, the register of **Limited Partners** will be kept by the **General Partner** at its registered office.

Inspection of Records

5.07 The **General Partner** shall cause the **Registrar and Transfer Agent** to make the records relating to the **Limited Partners** available for inspection by any **Limited Partner**, or his agent duly authorized in writing, at the expense of such **Limited Partner**. A copy of the register of the **Limited Partners** shall be provided to any **Limited Partner** on forty-eight [48] hours notice in writing to the **Registrar and Transfer Agent**, at the expense of the **Limited Partner** requesting same.

Transfer of Units

5.08 **Partners** shall not transfer any **Units** owned by them without the unanimous consent of all **Limited Partners**, which consent can be unreasonably withheld except, no consent shall be required in the case of transfers of **Units** between **Hydro** and **Taskinigahp Power Corporation** and transfers of **Units** from the **General Partner** to a successor **General Partner** appointed in accordance with the provisions of this **Agreement,** and the refusal to consent must be reasonable in the case of transfers from **Taskinigahp Power Corporation** to another wholly owned subsidiary of **NCN** or from **Hydro** to another entity wholly owned by **Hydro**. The **General Partner** shall effect any transfer of **Units** required pursuant to the exercise of any sale or purchase right conferred upon **Hydro** or Taskinigahp Power Corporation, as the case may be, in the **Taskinigaph Power Corporation Financing Agreement**.

Restriction on Pledge of Unit(s)

5.09 Save and except for the provisions of the **NCN Financing Agreement,** the **Taskinigahp Power Corporation Financing Agreement** and the **Revenue Advances Consolidation Agreement** as described in the **PDA, Limited Partners** shall not pledge, encumber or assign their **Units** or their interests in their respective capital accounts without the unanimous consent of all **Limited Partners,** which consent can be unreasonably withheld.

Parties Not Bound To See To Trust or Equity

5.10 Except where specific provision has been made therefore in this **Agreement** or a related agreement, including such related finance agreements as may be entered into between **Hydro** and **NCN** and/or **Taskinigahp Power Corporation**, the **Registrar and Transfer Agent** may not be bound to see to the execution of any trust, express, implied or constructive, or any charge, pledge or equity to which any **Unit** or any interest therein is subject or to ascertain or inquire whether any sale or transfer of any such **Unit** or interest therein by a **Limited Partner** or his personal representative is authorized by such trust, charge, pledge or equity, or to recognize any **Person** having any interest therein except for the **Person** or **Persons** recorded as such **Limited Partner.**

Insolvency or Bankruptcy

5.11 In the event of the incapacity, death, insolvency or bankruptcy of a **Limited Partner**, the remaining **Limited Partners** shall have the right, if they so elect, to purchase the **Units** of the **Limited Partner** so incapacitated, deceased, insolvent or bankrupt for a price equal to the fair market value of such **Units** less the amount of any outstanding indebtedness in respect of such **Units** which would have to be paid to obtain the full release of any security interest in such **Units** and after making such adjustments as are reasonable on account of the limited market for the sale of the **Units** and the fact that such sale, in some circumstances, would amount only to a disposition of the minority interest in the **Partnership**, all as determined by an independent third party with expertise in the generation and sale of electricity at the time of disposition.

Lost Unit Certificates

5.12 Where a **Limited Partner** claims that the **Unit Certificate** for its **Units** has been defaced, lost, apparently destroyed or wrongly taken, the **Registrar and Transfer Agent** shall cause a new **Unit Certificate** to be issued, provided that the **Limited Partner** files with the **Registrar and Transfer Agent** a proof of loss in a form satisfactory to the **General Partner** to protect the **Registrar and Transfer Agent** and the **Partnership** from any claimants producing the lost **Unit Certificate** and provided further that the **Limited Partner** satisfies all other reasonable requirements imposed by the **Registrar and Transfer Agent**.

ARTICLE VI

CONTRIBUTIONS, ALLOCATIONS AND DISTRIBUTIONS

Capital Contribution

6.01 The capital of the **Partnership** shall be the aggregate amount of the **Capital Contributions** made by all of the **Partners** from time to time.

Separate Capital Accounts

6.02 There shall be established on the books of the **Partnership** a separate capital account for each **Partner** and each **Partner** shall be credited with the amount of its **Capital Contribution** to the **Partnership**. The capital account of each **Partner** shall be increased by the **Partner's** share of **Net Income** for each **Fiscal Year** and any additional **Capital Contributions**, and shall be decreased by distributions to the **Partner** and **Partner's** share of **Net Loss** for any **Fiscal Year**. No **Partner** shall be entitled to withdraw any part of its capital account or to receive any distribution on return of its **Capital Contribution** except as provided in this **Agreement**. The interest of a **Partner** in the **Partnership** shall not terminate by reason of a negative balance in its capital account.

Additional Capital Contributions

6.03 The **General Partner** shall be entitled to call upon the **Partners** to make additional cash contributions by way of capital investment in the **Partnership** in pro rata amounts in accordance with the number of **Units** owned by each **Partner** on the date of such call. In determining whether to make a call and the amount of the cash contribution required of the **Partners** in respect of that call the **General Partner** shall, acting honestly and in good faith, consider:

(i) the best interests of the **Partnership**;

(ii) the effect of the call and the amount of the cash contribution on each of the **Limited Partners** including the extent to which the call may dilute the interest of a **Partner**;

(iii) the current and desired **Debt Ratio** of the **Partnership**;

(iv) the amount of reserves currently being maintained by the **General Partner** for the **Partnership**, if any and the desired reserves;

(v) the cost of borrowing funds in the name of the **Partnership**; and

(vi) the amount of **Distributable Cash** of the **Partnership**, if any.

After considering the factors in clauses (i) to (vi), the **General Partner** shall decide whether to call for such additional cash contributions as the **General Partner**, acting reasonably, determines are necessary or desirable for the operation of the **Business**, including, without limiting the generality of the foregoing, cash for the costs of operating and maintaining the **Wuskwatim Project**.

If each **Partner** contributes its pro rata amount of any cash contribution demanded of it by the **General Partner** within 90 days of such demand having been received, such cash contribution will be allocated to each **Partner's** respective capital account and each **Partner** shall be issued additional **Units** in the **Partnership** in a number calculated by taking the amount contributed by such **Partner** within the 90-day period pursuant to the demand by the **General Partner** and dividing it by $1,000.00.

In the event that any **Partner** (the "**Defaulting Partner**") does not contribute the full amount demanded of it by the **General Partner** within 90 days of receiving such demand (provided that the amount demanded of such **Defaulting Partner** does not exceed an amount calculated by multiplying the aggregate amount demanded of all **Partners** by a fraction, the numerator of which is the number of **Units** owned by the **Defaulting Partner** prior to the demand, and the denominator of which is the total number of issued **Units** in the **Partnership** prior to the demand), then each of the **Partners** (including the **Defaulting Partner**) shall be issued additional **Units** in the **Partnership** in a number calculated by taking the amount contributed by such **Partner** within the 90-day period pursuant to the demand by the **General Partner** and dividing it by $1,000.00.

Hydro agrees that it shall ensure that at all times while there is one or more **Limited Partners** other than **Hydro** and the **General Partner** is a subsidiary or **Affiliate** of **Hydro**, **Hydro** shall cause the **General Partner** to make all of its **Capital Contributions** pursuant to any demand hereunder so as to maintain the **General Partner's** proportionate ownership of **Units** at a percentage not less than 0.01%.

No Interest Payable

6.04 No interest shall be payable to any **Partner** on account of its **Capital Contribution** by the **Partnership**.

Debt Ratio

6.05 Subject to section 6.03, the General Partner shall maintain the **Debt Ratio** of the **Partnership** at the percentage the **General Partner**, acting reasonably, honestly and in good faith considers advisable. The **Debt Ratio** shall be calculated to the nearest full percentage point when decisions regarding the distribution of **Distributable Cash** and regarding cash calls are to be made. The amount of the reserves as determined in accordance with section 6.06 shall not be included in calculating the **Debt Ratio**.

Reserves

6.06 The **General Partner** may cause the **Partnership** to establish reserves for capital expenditures, decommissioning costs and other legitimate business purposes and may set aside such funds for reserves as the **General Partner** shall determine to be reasonable in connection with the current operation and the future needs of the **Partnership** in order to carry on prudently the **Business**. The **General Partner** shall have the right to establish reserves as long as the **General Partner** acts reasonably and in a manner that is consistent with prudent business practices having regard to the purposes for which the reserves were established. Funds set aside as reserves shall not be considered to be a cash distribution. Reserves will be funded only out of the income or capital of the **Partnership** and not by calls for additional cash contributions. Once reserves are established, the **General Partner** need not draw on reserves prior to making calls upon **Partners** for additional cash contributions except where expenditures are required for which the reserves were established. For greater certainty, the **General Partner** shall ensure that income used to fund reserves is allocated as between the **Partners** based on their respective pro rata shares of the **Units** of the **Partnership**. The **General Partner** shall provide the **Partners** within 120 days of the end of each **Fiscal Year** with a written report on how the amount of the reserves was determined, which shall include an estimate of capital expenditures and other costs. The reasonableness of the amount of reserves being held by the **Partnership** may be reviewed in the manner set forth in Article XX of the PDA.

Determination of Net Income and Net Loss

6.07 The **Partnership** shall calculate **Net Income** and **Net Loss** according to the application of **Hydro's** accounting policies and practices, in effect from time to time, in accordance with **Generally Accepted Accounting Principles** as evidenced by an unqualified audit opinion. In the event that the application of **Hydro's** accounting policies and practices results in an inability to get an unqualified audit opinion, then the policies and practices in question will not be followed for the **Partnership.**

Allocation of Net Income and Net Loss

6.08 **Net Income** and **Net Loss** shall be allocated between the **General Partner** and the **Limited Partners** pro rata in accordance with the number of **Units** owned by each of them as of the close of business on the last day of the **Fiscal Year** as determined by the **General Partner** from time to time.

Allocation of Taxable Income and Tax Loss

6.09 In respect of each **Fiscal Year, Taxable Income, Tax Losses** and any tax credits due to the **Partnership** shall be allocated among the **Partners** in the same proportion as the allocation of **Net Income** and **Net Loss** as determined in accordance with section 6.08.

Distributions

6.10 Within 120 days of the end of each **Fiscal Year**, the **General Partner** shall provide the **Partners** with a written report showing the **General Partner's** determination of **EBITDA** and **Distributable Cash** together with its supporting calculations thereof in reasonable detail. The written report shall include disclosure of the amount of cash held by the **Partnership** and the deductions therefrom in accordance with the definition of **Distributable Cash** to arrive at the **Distributable Cash** for the relevant period. Subject to sections 6.05 and 6.06, the **General Partner** shall distribute to the **Partners** the amount of **Distributable Cash** shown on such report within 10 business days of having provided such statement to the **Partners**. Without limiting the **General Partner's** obligation to report on, and distribute, **Distributable Cash** not less than once annually as herein contemplated, the **General Partner** may calculate the amount of and make a distribution thereof in such amounts and at such other time or times as the **General Partner** may determine from time to time, subject always to sections 6.05 and 6.06

Each **Partner** shall receive its pro rata share of distributions of **Distributable Cash** made by the **General Partner**, calculated as the amount determined by multiplying the total amount of the distribution by a fraction, in which the numerator is the number of **Units** owned by the **Partner** on the last day of the period for which such distribution is made and the denominator is the total number of **Units** owned by all **Partners** on the same date. Distributions shall not be made subject to any withholding taxes except as may be required by law.

Distributions payable pursuant to this provision will be made by electronic transfer of funds and, in the event of the failure of electronic payment methods, by cheque. Any payment by the **General Partner** to a **Partner** pursuant to this **Agreement** will be deemed to have been made upon the date of the electronic withdrawal of funds from the **General Partner's** bank account or upon the date the cheque clears the **General Partner's** bank account. Upon such payment, the **General Partner** will be discharged from all liability to the Partner in respect of such payment; provided, however, that if the electronic payment fails to deposit funds in a **Partner's** bank account or a cheque is lost or destroyed, then, upon the presentation of evidence satisfactory to the **General Partner** of such failure or loss, together with such indemnity as the **General Partner** may reasonably require, the **General Partner** will make a further electronic transfer or issue a replacement cheque to the **Partner**.

Adjustments

6.11 Any financial statements prepared and certified by the auditors of the **Partnership** as provided in this **Agreement** shall be final, binding and conclusive among the **Partners**, provided that any error or omission therein of which notice is given by any **Partner** to the **General Partner** within 180 days after the receipt of a copy thereof by such **Partner** shall be rectified and all proper adjustments made.

Return of Capital

6.12 The **Partners** shall not be entitled to a return of all or a portion of their **Capital Contributions** except as determined by the **General Partner**.

ARTICLE VII

BOOKS, RECORDS AND FINANCIAL INFORMATION

Books and Records

7.01 The **General Partner** will keep and maintain, or cause to be kept and maintained on behalf of the **Partnership** at its principal place of business, full, complete and accurate books of account and records of the business and affairs of the **Partnership** which will, without limitation, include:

(a) capital accounts for the **Partners**;

(b) **Capital Contributions** of the **Partners**;

(c) a register to record the names and addresses of the **Partners**, the number of **Units** held by each **Partner** and the particulars of registration and assignment of **Units**;

(d) a copy of this **Agreement** and any amendments to it; and

(e) a record of all payments made to Taskinigahp Trust.

Inspection by Limited Partners

7.02 Each **Limited Partner** and the duly authorized representative of each **Limited Partner** shall have the right, at any reasonable time during regular business hours and without charge, to obtain from the **General Partner**:

(a) a current list of the name and last known business or mailing address of each **Partner**;

(b) a copy of this **Agreement** and the **Declaration** and all amendments to either of them, together with executed copies of any Powers of Attorney pursuant to which this **Agreement**, and all amendments to it, have been executed;

(c) true and full information regarding the amount of cash and the description and statement of any other property and services contributed by each **Partner** and which each **Partner** has agreed to contribute in the future and the date on which each **Partner** became a **Partner**;

(d) the **Record of Limited Partners**;

(e) copies of all minutes of meetings of the **Partners** and all resolutions in writing of the **Partners** in lieu of meetings; and

(f) any other information regarding the affairs of the **Partnership** as is just and reasonable.

Financial Information

7.03 The **General Partner**, or its agent in that behalf, shall be responsible for the preparation and maintenance of internal financial records and retaining auditors with respect to the preparation of annual **Financial Statements** of the **Partnership** at the end of each **Fiscal Year**. Within five days after the receipt of audited **Financial Statements**, the **General Partner** will forward to each **Partner** appearing in the register as a **Partner** at the end of the **Fiscal Year** an annual report for the **Fiscal Year** containing:

(a) **Financial Statements** for the **Partnership** as at the end of the **Fiscal Year** with comparative **Financial Statements** as at the end of, and for the immediately preceding **Fiscal Year**;

(b) a report of the auditor on the **Financial Statements**;

(c) a report on allocations and distributions to **Partners**;

(d) the amount of reserves being maintained by the **General Partner** for the **Partnership**, and each **Partner's** allocation of such reserves;

(e) the current **Debt Ratio**; and

(f) any other information as is material to the **Business**, in the opinion of the **General Partner** (including any management letter).

The **General Partner** shall cause unaudited, monthly financial statements (also including year-to-date financial information), together with a monthly report providing month-end and year-to-date information in respect of the matters outlined in clauses (c) to (e) above) to be prepared within fifteen [15] days of the end of each month and shall forward copies of them to each **Limited Partner** appearing in the **Record of Limited Partners** as a limited partner at the end of the month to which they relate.

No later than 120 days after the end of each **Fiscal Year** of the **Partnership**, **Financial Statements** shall be prepared and certified by the auditors of the **Partnership**, for and as of the end of such **Fiscal Year**, and such **Financial Statements** shall show the assets and the liabilities of the **Partnership**, all incomes and revenues received and receivable, and all expenses, costs, and charges incurred and paid or payable by the **Partnership** in respect of such **Fiscal Year**, with the resulting **Net Income** or **Net Loss** of the **Partnership** in respect of such **Fiscal Year**, and shall also show the amounts standing to the credit of each of the **Partners** in respect of its capital account and separately in respect of the **Net Income** and **Net Loss** of the **Partnership** which has been allocated to each such **Partner** (which amount shall be set out in an account for such **Partner** called its "current account"), all in accordance with the provisions contained in this **Agreement**. The auditors of the **Partnership** shall be the auditors of **Hydro**.

The cost of preparing all such reports shall be at the **Partnership's** expense. Subject to section 7.04, each **Partner** shall be solely responsible for filing its income tax returns and reporting its share of the **Partnership's Taxable Income** or **Tax Loss**, as the case may be.

In addition to the foregoing reporting, the **General Partner** agrees to provide to each **Limited Partner** copies of the written statements provided monthly by **Hydro** to the **Partnership** in accordance with Section 5.13 of the **Project Financing Agreement**, copies of any notices and statements provided by **Hydro** to the **Partnership** pursuant to the **Project Financing Agreement,** the Access Road User Easement as described in the **PDA**, the Transmission Lease as described in the **PDA** and copies of such other business and financial information as the **General Partner** determines to be reasonable in the circumstances with the objective of keeping the **Limited Partners** informed as to matters of a material nature affecting the **Business** of the **Partnership**.

Tax Matters

7.04 The **Partnership** shall be treated as a limited partnership for federal, provincial and municipal income tax and other tax purposes. The **General Partner** shall prepare, or cause to be prepared, any federal, provincial and municipal tax or information returns required to be filed by the **Partnership** and all financial statements required by each **Partner** to enable the filing of any tax or information return which is required to be filed by such **Partner**.

ARTICLE VIII

AMENDMENTS

Amendments to be Adopted Solely by the General Partner

8.01 The **General Partner** (pursuant to the **General Partner's** Powers of Attorney from the **Limited Partners** described in section 3.07), without the consent or approval at the time of any **Limited Partner** (each **Limited Partner**, by acquiring a **Unit**, being deemed to consent to any amendment pursuant to this section 8.01), may amend any provision of this **Agreement** or the **Declaration**, and execute, swear to, acknowledge, deliver, file and record all documents required or desirable in connection with it to reflect:

(a) the omission, substitution, termination or withdrawal of any **Partner** in accordance with this **Agreement**;

(b) a change that is necessary to qualify the **Partnership** as a limited partnership or a partnership in which the **Limited Partners** have limited liability under the laws of any province or state;

(c) a change that is:

(i) of an inconsequential nature and does not adversely affect the **Limited Partners** (or any of them) in any material respect; or

(ii) required or specifically contemplated by this **Agreement** to be accomplished by the **General Partner** acting alone;

(d) a change in any provision of this **Agreement** which requires any action to be taken by or on behalf of the **General Partner** or the **Partnership** pursuant to the requirements of applicable law if the provisions of applicable law are amended, modified or revoked so that the taking of action is no longer required. The authority set forth in this paragraph shall specifically include the authority to make amendments to this **Agreement** and to the **Declaration** as the **General Partner** deems necessary or desirable in the event the **Act** is amended to eliminate or change any provision now in effect.

Notwithstanding the foregoing, the unanimous consent of all of the **Partners** shall be required for any amendments to this **Agreement** that: (i) alter the ability of the **Limited Partners** to remove the **General Partner** involuntarily; (ii) change the limited liability of any **Limited Partner**; (iii) change the right of a **Limited Partner** to vote at any meeting; (iv) change the **Partnership** from a limited partnership to a general partnership; (v) reduce the percentage of net income allocable to the **Limited Partners** to below 99.99%; (vi) adversely affect the rights and obligations of any particular **Limited Partner** without similarly affecting the rights and obligations of all other **Limited Partners** (vii) change the factors to be considered pursuant to Section 6.05 when determining whether a cash contribution is required of the **Partners** or (viii) establishes a fixed **Debt Ratio**.

The **General Partner** shall notify the **Limited Partners** of the full details of any amendment to this **Agreement** that does not require the approval of the **Limited Partners** within 10 days of the effective date of such amendment.

Amendment Procedures

8.02 Except as specifically provided in the preceding paragraph, all amendments to this **Agreement** shall be made solely in accordance with the following procedures:

(a) any amendments to this **Agreement** must be proposed by either:

(i) the **General Partner**, by submitting the text of the proposed amendment to all **Limited Partners** in writing; or

(ii) any **Limited Partner** submitting the text of the proposed amendment in writing to the **Partners**.

(b) The **General Partner** shall, within 10 days after the receipt of any proposed amendment or as soon thereafter as is reasonably practicable, submit the text of the proposed amendment to all **Limited Partners**. The **General Partner** may include in the submission its recommendation as to the proposed amendment.

(c) If any amendment is proposed pursuant to this section the **General Partner** shall seek the written consent of the **Partners** to the amendment or shall call a meeting of the **Partners** in accordance with the provisions of this **Agreement** to consider and vote on the proposed amendment. A proposed amendment shall be effective only if approved by **Special Resolution**, unless a greater or different percentage vote of the **Partners** is required by law or any other provision of this **Agreement**. The **General Partner** shall notify all **Partners** upon final adoption or rejection of any proposed amendment.

ARTICLE IX

MEETINGS

Meetings Called by General Partner

9.01 The **General Partner** may call a meeting of the **Partnership** subject to sections 9.03 and 9.04 at such time and place as it considers appropriate in its absolute discretion for the purpose of considering any matters set forth in the notice of meeting.

Meetings Called by Limited Partners

9.02 Any **Limited Partner** may give to the **General Partner** notice, accompanied by the information required to be provided under paragraph 9.04(b), signed by it requesting a meeting of the **Partnership**. The **General Partner** will, within 30 days of receipt of such notice, convene a meeting, and if it fails to do so, the **Limited Partner** requesting the meeting may convene the meeting by giving notice to the **Partners** in accordance with this **Agreement**, signed by such **Person** as the **Limited Partner** requesting the meeting specifies. Every meeting, however convened, will be conducted in accordance with this **Agreement** and the **Act**.

Place of Meeting

9.03 The annual meeting will be held on a rotational basis, unless otherwise unanimously agreed by the **Partners**, at convenient locations in northern Manitoba and southern Manitoba. Meetings can be attended by telephone conference.

Notice of Meetings

9.04 Notice of any meeting will be given to each **Partner** by prepaid ordinary mail or by personal delivery not less than fourteen [14] days (nor more than forty-five [45] days) prior to such meeting, and will state:

(a) the time, date and place of such meeting; and

(b) in general terms, the nature of the business to be transacted at the meeting in sufficient detail to enable the **Partners** to make a reasoned judgment concerning each matter to be considered at the meeting. A copy of the text of any proposed resolution shall accompany the notice of the meeting.

Corporations and Proxies

9.05 A **Partner** which is a corporation shall appoint by resolution an officer, director or other authorized person as its representative to attend, vote and act on its behalf at a meeting of **Partners**. Any **Limited Partner** entitled to vote at a meeting of **Partners** may vote by proxy if a form of proxy has been received by the **General Partner** or the chairperson of the meeting for verification prior to the time fixed by the **General Partner** preceding the meeting, or any adjournment of the meeting. A proxy purporting to be executed by or on behalf of a **Limited Partner** will be considered to be valid unless challenged at the time of or prior to its exercise. The **Person** challenging the proxy will have the burden of proving to the satisfaction of the chairperson of the meeting that the proxy is invalid and any decision of the chairperson concerning the validity of a proxy will be final. Every proxy will be substantially in the form as may be approved by the **General Partner** or as may be satisfactory to the chairperson of the meeting at which it is sought to be exercised. A vote cast in accordance with the terms of an instrument of proxy will be valid notwithstanding the previous death, incapacity, insolvency or bankruptcy of the **Limited Partner** giving the proxy or the revocation of the proxy unless written notice of that death, incapacity, insolvency, bankruptcy or revocation has been received by the chairperson of the meeting prior to the commencement of the meeting.

Attendance of Others

9.06 Any officer or director of the **General Partner** will be entitled to attend and receive notice of any meeting of **Partners**.

Chairperson

9.07 The **General Partner** may nominate an individual (including an officer, director or shareholder of the **General Partner** and who need not be a **Partner**) to be chairperson of a meeting of **Partners** and the individual nominated by the **General Partner** will be chairperson of such meeting unless the **Partners** elect a chairperson by **Ordinary Resolution**. The position of chairperson at the annual meeting of the **Partners** shall rotate annually between a nominee proposed by **Taskinigahp Power Corporation** and a nominee proposed by **Hydro**.

Quorum

9.08 The quorum for a meeting of **Partners** will consist of all **Partners** being present in person or by proxy; provided however, that if within half an hour after the time fixed for the holding of any meeting of **Partners**, all **Partners** are not present, the meeting, will be held at the same time, and, if available, the same place, not fewer than 10 days nor more than 21 days later (or if that date is not a business day, the first business day after that date), and the **Partner** which requested the meeting will give at least 7 days notice to all **Partners** of the date of the reconvening of the adjourned meeting. Such notice need not set forth the matters to be considered unless they are different from those for which the original meeting was called. At such reconvened meeting the quorum for the meeting will consist of one **Limited Partner** present in person or by proxy holding not less than 50% of the outstanding **Units**. Nothing herein shall detract from the requirement of all **Partners** being present in person or by proxy at any meeting (whether original or adjourned) at which a **Special Resolution** will be proposed for consideration and vote of the **Partners**. **Partners** can attend meetings by telephone conference.

Voting

9.09 Each question submitted to a meeting will be decided on a show of hands unless a **Partner** demands a ballot be executed by each **Partner**, in which case ballots shall be prepared and signed by each **Partner** present in person or by proxy and entitled to vote and such ballots shall be preserved. The Chairperson will be entitled to vote in respect of any **Units** pursuant to which he or she may have been appointed to vote. On any vote at a meeting of **Partners**, a declaration of the chairperson concerning the result of the vote will be conclusive absent demonstrable error.

Subject as hereinafter provided, each **Partner** present at the meeting will have one vote for each **Unit** of which it is registered as the **Unit** holder. A holder of a fractional **Unit** is entitled to one vote upon a show of hands at all meetings at which holders of that class of **Units** is entitled to vote but if a ballot is demanded, the vote of the holder of the fractional **Unit** shall only be counted as a fractional vote in the same fraction as the **Unit** held by it.

A vote requested or required concerning the election of a chairperson or an adjournment will be taken immediately on request and any other matter will be managed at the meeting or an adjournment of the meeting in such manner as the chairperson directs.

Resolutions Binding

9.10 Any resolution passed in accordance with this **Agreement** will be binding on all the **Partners** and their respective heirs, executors, administrators, successors and assigns, whether or not any such **Partner** was present in person or voted against any resolution so passed.

Powers Requiring Special Resolution

9.11 The following powers shall only be exercisable by the **General Partner** upon the Special Resolution of the **Partners**:

(a) selling, exchanging or otherwise disposing of all or substantially all of the assets of the **Partnership**;

(b) continuing the **Partnership** in the event that the **Partnership** is terminated by operation of law;

(c) changing or terminating the business of the **Partnership**;

(d) issuing to any party other than **Hydro** or **Taskinigahp Power Corporation**, or a wholly owned subsidiary of **Hydro** or **NCN**, additional **Units**;

(e) changing the auditors except in the event of a change to Manitoba **Hydro's** auditors;

(f) any amendment of this **Agreement**, except as expressly provided for herein or any amendment, alteration, modification or repeal of any **Special Resolution** previously passed by the **Partners**;

(g) dissolving or terminating the **Partnership**, other than as provided for in this **Agreement**;

(h) a merger or consolidation involving the **Partnership**;

(i) a consolidation, subdivision or reclassification of any **Units**;

(j) adding to, changing or removing any right, privilege, restriction or condition attaching to the **Units** which may reasonably be considered materially adverse to any one or more of the holders of the **Units**;

(k) any change to Article VI, provided that where **Partners** are unable to agree on a proposed change to any part of Article VI, such dispute may be referred to arbitration in accordance with the provisions of this **Agreement** and the **PDA**;

(l) requiring the **General Partner** on behalf of the **Partnership** to enforce any obligation or covenant on the part of any **Limited Partner**;

(m) consenting to any judgment in favour of **Hydro** entered in a court of competent jurisdiction against the **Partnership**; and

(n) establishing a fixed **Debt Ratio,** but for greater certainty, this Section 9.11(n) shall not be interpreted as requiring a Special Resolution before the General Partner can request the Partners to make additional cash contributions pursuant to Section 6.03.

Powers Exercisable by Ordinary Resolution

9.12 Any other matters not expressly stated in this **Agreement** (including in section 9.11) to be determined by **Special Resolution** and effected by the **General Partner** or stated in section 8.01 to be effected solely by the General Partner shall be determined by **Ordinary Resolution**.

Minutes

9.13 The **General Partner** will cause minutes to be kept of all proceedings and resolutions passed at every meeting, with copies of any resolutions of the **Partnership** to be made and entered in books to be kept for that purpose, and any minutes, if signed by the chairperson of the meeting, will be deemed to be evidence of the matters stated in them and such meeting will be deemed to have been duly convened and held and all resolutions and proceedings shown in them will be deemed to have been duly passed.

Additional Rules and Procedures

9.14 To the extent that the rules and procedures for the conduct of a meeting of the **Partners** are not prescribed in this **Agreement**, the rules and procedures will be determined by the chairperson of the meeting in accordance with *Robert's Rules of Order*.

Authorized Attendance

9.15 The **General Partner** has the right to authorize the presence of any **Person** at a meeting regardless of whether the **Person** is a **Partner**, providing that **Persons** who are not **Partners** are attending the meeting in connection with the **Business**. With the approval of the **General Partner** that **Person** is entitled to address the meeting. When requested by a **Limited Partner**, the **General Partner** shall authorize the attendance of legal counsel for the **Limited Partner** at any meeting of the **Partners**.

Consent Without Meeting

9.16 Any matter which may be addressed by the **Partners** at a meeting may be addressed by written resolution signed by all of such **Partners** in lieu of holding such meeting. In addition, any action required or permitted by this **Agreement** or any provision of law to be taken at a meeting of the **Partners**, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the **Partners** holding all of the **Units** then issued and outstanding and entitled to vote thereon. Such consent shall have the same effect as a vote of such **Partners** and may be stated as such in any certificate or document.

ARTICLE X

DISSOLUTION AND LIQUIDATION

Events of Dissolution

10.01 The **Partnership** shall be dissolved upon the earliest to occur of any one of the following events:

(a) subject to section 4.02 of this **Agreement**, the bankruptcy, dissolution, liquidation or winding up of the **General Partner**, unless a successor **General Partner** is elected in accordance with this **Agreement** in such manner so as to preserve the on-going limited liability of the **Limited Partners**;

(b) withdrawal or resignation of the **General Partner** unless a successor **General Partner** is elected in accordance with this **Agreement** in such manner so as to preserve the on-going limited liability of the **Limited Partners**;

(c) the removal of the **General Partner** in accordance with section 4.03 and the failure to elect a successor **General Partner** in such manner so as to preserve the on-going limited liability of the **Limited Partners**;

(d) except as otherwise provided in this **Agreement**, any other event which would cause a dissolution under the **Act**;

(e) after the passing of a resolution requiring unanimous consent in accordance with paragraph 9.11 (g);

(f) the dissolution of the **Partnership** by operation of law; and

(g) the conversion or reconstitution of the **Partnership** into another form of entity under circumstances permitted by this **Agreement**.

Appointment of Receiver

10.02 Upon the occurrence of an event described in section 10.01, the **General Partner** shall act as the Receiver (the "Receiver") of the **Partnership**. If the **General Partner** is unable or unwilling to act as the Receiver or if the event causing dissolution is set out in section 10.01(a), (b) or (c), the **Partners** shall, by **Ordinary Resolution**, appoint some other appropriate person to act as Receiver. Subject to section 10.03, the Receiver shall proceed diligently to wind up the affairs of the **Partnership** and to liquidate the **Partnership Assets** and to distribute the net proceeds from the sale of the **Partnership Assets** in the priority set out herein unless otherwise required by mandatory provisions of applicable law. During the course of such liquidation, the Receiver shall operate the **Business** and in so doing shall be vested with all the powers and authority of the **General Partner** in relation to the **Partnership** under the terms of this **Agreement**. A Receiver which is not the **General Partner** shall be paid reasonable fees and disbursements incurred in carrying out such duties.

Sale of Partnership Assets

10.03 In the event of dissolution, any sale, liquidation, distribution or other disposition of the **Partnership Assets** shall only be to **Hydro**. Not later than 120 days from a decision by the Receiver to liquidate the **Partnership Assets**, the Receiver shall sell the **Partnership Assets** to **Hydro** and **Hydro** shall purchase the **Partnership Assets** from the Receiver for an amount equal to the fair market value of such assets after making such adjustments as are reasonable on account of the limited market for the sale of the assets, all as determined by an independent third party with expertise in the generation and sale of electricity at the time of sale.

Distribution Upon Dissolution

10.04 In the event of the dissolution of the **Partnership**, the Receiver shall distribute the net proceeds from the sale of the **Partnership Assets** as follows:

(a) first, to pay the expenses of liquidation and the creditors of the **Partnership**;

(b) secondly, to provide such reserves as the Receiver considers necessary for any contingent liabilities, including the costs of foreseeable environmental requirements, of the **Partnership**;

(c) thirdly, to return the balance to the **Partners**, pro rata among them according to the capital accounts of each of them at the time.

Events Not Causing Dissolution

10.05 To the maximum extent permitted by the laws of the Province of Manitoba and notwithstanding any rule of law or equity to the contrary, the **Partnership** shall not be dissolved or terminated by admission of any new **General Partner** or **Limited Partner** or the removal, actual or deemed resignation, death, incompetence, bankruptcy, insolvency, other disability or incapacity, dissolution, liquidation, winding-up or receivership, or the admission, resignation or withdrawal of the **General Partner**, the **Limited Partners** or any **Limited Partner**, except in accordance with this **Agreement**.

Deferring Liquidation

10.06 Subject to section 10.03, upon the occurrence of an event described in section 10.01, the Receiver may defer the liquidation of the **Partnership Assets** or may distribute any of the **Partnership Assets** in kind if the **General Partner** or the Receiver determines that a sale would be impractical or would cause undue loss to the **Limited Partners**.

Reasonable Time for Winding Up

10.07 A reasonable time shall be allowed for the orderly winding up of the **Business** and affairs of the **Partnership** and the liquidation of the **Partnership Assets** pursuant to section 10.02 in order to minimize any losses otherwise attendant upon a winding up.

ARTICLE XI

MISCELLANEOUS

Notices

11.01 Any notice or other written communication which must be given or sent under this **Agreement** shall be deemed to have been validly given and received on the third business day following its sending by first class ordinary mail to the address of the **General Partner** and the **Limited Partners** as follows:

(a) in the case of the **General Partner**, at 360 Portage Avenue, Winnipeg, Manitoba R3C 0G8 (Facsimile No. 204-474-4947) or any new address as the **General Partner** may give notice of; and

(b) in the case of the **Limited Partners** to the address appearing on the register maintained by the **Registrar and Transfer Agent,** which shall include, where available, a mailing address, facsimile number and electronic mail address for each such **Limited Partner** (a **Limited Partner** may give notice to the **Registrar and Transfer Agent** of a new address for such **Limited Partner**, and the **Registrar and Transfer Agent** shall update the register accordingly).

Notices may be personally delivered or delivered by facsimile or other electronic communication and shall be deemed to be received on the day delivered or, if transmitted, as evidenced by confirmed transmission report.

Further Acts

11.02 The parties hereto agree to execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this **Agreement** and every part thereof.

Binding Effect

11.03 Subject to the restrictions on assignment and transfer herein contained, this **Agreement** shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

Severability

11.04 Each provision of this **Agreement** is intended to be severable. If any provision hereof is illegal or invalid, such illegality or invalidity shall not affect the validity of the remainder hereof.

Counterparts

11.05 This **Agreement** may be executed in any number of counterparts (either originally or by facsimile) with the same effect as if all parties hereto had signed the same document. This **Agreement** may also be adopted in any subscription and assignment forms or similar instruments signed by a **Partner**, with the same effect as if such **Partner** had executed a counterpart of this **Agreement.** All counterparts and adopting instruments shall be construed together and shall constitute one and the same agreement.

Time

11.06 Time shall be of the essence.

Governing Law

11.07 This **Agreement** shall be governed by and construed in accordance with the laws of the Province of Manitoba and the laws of Canada applicable therein.

Dispute Resolution

11.08 The parties each agree that any disputes or claims arising out of this **Agreement** (other than a review of reserves established by the **General Partner** under section 6.06 hereof, which shall be carried out in accordance with the process set out in Article XX of the **PDA**), including, for greater certainty, any dispute about whether the General Partner has breached its fiduciary obligations to the **Partnership**, shall be determined solely in accordance with the dispute resolution process set out in Article XXI of the **PDA** and they shall not bring any action, other than pursuant to Article XXI of the **PDA**, against any other party or against the **Limited Partnership.** The parties each agree that they shall not bring any action against any officer or director of the **General Partner**, except where such officer or director has committed fraud or has, by act or omission, done anything in respect of which such officer or director would not be entitled to indemnity from the **General Partner** under The Corporations Act (Manitoba), The Manitoba Hydro Act or such other legislation as may be applicable.

[Execution page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused it to be executed on their behalf by their duly authorized signing officers as of the day and year first above written.

5022649 MANITOBA LTD.

Per: ______________________________
Name: Ken R. F. Adams
Title: Chairman

TASKINIGAHP POWER CORPORATION

Per: ______________________________
Name:
Title: President

Per: ______________________________
Name:
Title: Vice-President

Per: ______________________________
Name: Shirley L. Linklater
Title: Secretary-Treasurer

THE MANITOBA HYDRO-ELECTRIC BOARD

Per: ______________________________
Name:
Title: President and Chief Executive Officer

Per: ______________________________
Name:
Title: Corporate Secretary

SCHEDULE A

WUSKWATIM POWER LIMITED PARTNERSHIP SUBSCRIPTION FORM AND POWER OF ATTORNEY

TO: WUSKWATIM POWER LIMITED PARTNERSHIP

The undersigned hereby subscribes for ____________ **Unit**(s) of Wuskwatim Power Limited Partnership (the "Limited Partnership") on the terms and as described in the Second Amended and Restated Limited Partnership Agreement, receipt of which is hereby acknowledged and tenders herewith its cheque in the amount of____________ in full payment of the aggregate subscription price for the said **Unit**(s). The undersigned agrees to be bound, as a party to and as limited partner in the **Partnership**, by the terms and conditions of the Second Amended and Restated Limited Partnership (the "**Agreement**"), as same may be amended from time to time in accordance with its terms, as if the undersigned had executed the **Agreement**.

The undersigned hereby represents, warrants and declares that:

(a) the undersigned is a "resident" of Canada within the meaning of *The Income Tax Act* (Canada);

(b) the undersigned is purchasing the **Units** as principal for its own account and not for the benefit of any other person; and

(c) this subscription agreement has been duly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of, the undersigned.

The undersigned hereby irrevocably constitutes and appoints the **General Partner** of the **Partnership**, with full power of substitution, as his or its true and lawful attorney and agent, with full power and authority in his name, place and stead to:

(a) execute, deliver, swear to and record in the appropriate public offices any and all of the following:

(i) the **Agreement**, all declarations and declarations of change required under *The Partnership Act* (Manitoba), *The Business Names Registration Act* (Manitoba) and elsewhere as may be required, and any other instruments and amendments thereto which the **General Partner** deems appropriate or necessary to form, qualify, continue and keep in good standing the **Partnership** as a limited partnership in compliance with the laws of the Province of Manitoba or elsewhere as may be required;

(ii) any instruments, certificates and any amendments thereto necessary to reflect any amendment to the Amended and Restated Limited Partnership Agreement properly approved as required pursuant to the terms of the Amended and Restated Limited Partnership Agreement; and

(iii) any conveyances, agreements and other instruments which the **General Partner** deems appropriate or necessary to reflect the dissolution and termination of the **Partnership** pursuant to the terms of the **Agreement** to be entered into on behalf of each **Partner**, including cancellation of any declarations;

(b) execute and file with any governmental body or instrumentality of the Government of Canada or of a province any documents necessary to be filed in connection with the business, property, assets and undertaking of the **Partnership**;

(c) execute and deliver such documents on behalf of and in the name of the **Partnership** and for the **Partners** as may be necessary to give effect to the purposes of the **Partnership** as described in the **Agreement**;

(d) prepare, execute and file all income tax, sales tax and other tax forms, returns and elections which the **Partnership** is required to file or which are deemed desirable to be filed by the **General Partner**; and

(e) prepare and execute assignments and transfers of **Units** when necessary or desirable in accordance with the terms of the **Agreement**.

The power of attorney granted herein is irrevocable and is a power coupled with an interest and is executed under seal and will survive the legal incapacity or mental incompetence of the undersigned and extend to the heirs, executors, administrators, successors and assigns of the undersigned. The undersigned agrees to be bound by any representation or action made or taken by the **General Partner** pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm any action of the **General Partner** taken in good faith under this power of attorney.

IN WITNESS WHEREOF the undersigned has executed this subscription form and power of attorney at Winnipeg, in the Province of Manitoba, this ______ day of ______, 20__.

______________________ ______________________

Witness Subscriber

IN WITNESS WHEREOF the Wuskwatim Power Limited Partnership has accepted this subscription form and power of attorney by its **General Partner**, 5022649 Manitoba Ltd., having caused its duly authorized proper officer to execute this subscription form and power of attorney this ____ day of , 20___.

WUSKWATIM POWER LIMITED PARTNERSHIP
by its **General Partner**, 5022649 Manitoba Ltd.

Per: ____

AMENDED AND RESTATED POWER PURCHASE AGREEMENT

between

WUSKWATIM POWER LIMITED PARTNERSHIP

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD

DATED ~~June 28, 2006~~as of APRIL 1, 2014

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AMENDED AND RESTATED POWER PURCHASE AGREEMENT

DATED as of the ~~28th~~first day of ~~June~~April, ~~2006~~2014

B E T W E E N:

WUSKWATIM POWER LIMITED PARTNERSHIP,

(hereinafter referred to as the "Limited Partnership")

- and –

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter referred to as "Hydro")

WHEREAS pursuant to the Construction Agreement dated ~~even date herewith~~June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, as project manager, Hydro either directly or indirectly through subcontractors ~~will plan, design, engineer, construct and commission~~ planned, designed, engineered, constructed and commissioned the Wuskwatim Project;

AND WHEREAS the Wuskwatim Project ~~will be~~ is being operated in conjunction with the Integrated Power System;

AND WHEREAS pursuant to the Interconnection and Operating Agreement entered into between Hydro (Transmission and Distribution Business Unit) and Hydro (Power Supply Business Unit) dated May 4, 2005 and subsequently assigned by Hydro (Power Supply Business Unit) to the Limited Partnership, the Wuskwatim Project will be interconnected to the Integrated Power System;

AND WHEREAS pursuant to the Operations and Maintenance Agreement dated ~~even date herewith~~June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, as contractor, Hydro is managing and will continue to manage the operations and maintenance of the Wuskwatim Project;

AND WHEREAS pursuant to the System Operations and Dispatch Agreement dated ~~even date herewith~~June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, the Limited Partnership granted to Hydro the right and authority to control and operate the Wuskwatim Project, including matters related to the dispatch of the Wuskwatim Generating Station;

AND WHEREAS pursuant to the Power Purchase Agreement dated June 28, 2006 the Limited Partnership ~~is willing~~agreed to sell exclusively to Hydro and Hydro ~~is willing~~agreed to purchase all of the Net Actual Generation and capacity of the Wuskwatim Generating Station~~, subject to the terms and conditions and at the rates set forth in this~~;

AND WHEREAS the parties have agreed to amend and restate the Power Purchase Agreement;.

NOW THEREFORE~~ this Agreement witnesses that in consideration of the covenants and agreements herein contained~~ the Parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Defined Terms.

In this Agreement and the preamble hereto, defined terms~~ used herein~~ shall have the following meanings:

"**Additional Costs**" shall have the meaning specified in Section 3.1(~~8~~h)~~.~~;

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under direct or indirect common Control with, such Person~~.~~;

"**Adjustments**" shall have the meaning specified in Section ~~5.1.~~2.4;

"**Agreement**" means this amended and restated Power Purchase Agreement and the schedules attached hereto and instruments in amendment or confirmation of it; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement~~.~~;

~~"**Applicable Commissioning Time Period**" shall have the meaning specified in Section 2.6(1)(a).~~"**Applicable Domestic Transactions**" means those Domestic Transactions or portions thereof for energy sold during the Applicable Domestic Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice;

~~"**Applicable Long-Term Transactions**" shall have the meaning specified in Section 2.2(1)(c).~~

~~"**Applicable Long-Term Transaction Time Period**" shall have the meaning specified in Section 2.2(1)(b).~~

"**Applicable** ~~**Off-Peak Opportunity Transactions**" shall have the meaning specified in Section 2.6(1)(b).~~**Domestic Transaction Time Period**" means the twelve (12) month time period comprised of the month for which the applicable Domestic Transaction Rate is being determined plus the prior eleven (11) months;

"**Applicable Export Factor Time Period**" means the twelve (12) month time period comprised of the month for which the Export Factor is being determined plus the prior eleven (11) months plus the prior eleven (11) months;

"**Applicable Long-Term Transactions**" means the Long-Term Transactions or portion thereof for energy sold during the Applicable Long-Term Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice;

"**Applicable Long-Term Transaction Time Period**" means the twelve (12) month time period comprised of the month for which the applicable Long-Term Transaction Rate is being determined plus the prior eleven (11) months;;

"**Applicable On-Peak Opportunity Transactions**" shall have the meaning specified in Section 5.2~~(a).~~;

"**Applicable Opportunity Transaction Time Period**" ~~shall have the meaning specified in Section 2.2(3)(b).~~means the twelve (12) month time period comprised of the month for which the applicable Opportunity Transaction Rate is being determined plus the prior eleven (11);

"**Applicable Opportunity Transactions**" ~~shall have the meaning specified in Section 2.2(3)(c).~~means those Opportunity Transactions or portions thereof for energy sold during the Applicable Opportunity Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice; "**Applicable Reliability Organization**" means any reliability standards organization whose standards Hydro has contracted to adhere to or having authority in the region in which the Wuskwatim Project is located~~.~~;

"**Applicable Transaction Rate**" means the rate equal to the actual weighted average price over a twelve (12) month period, Hydro, as purchaser or as seller, is obligated to pay or is to be paid for the energy and capacity purchased or sold by Hydro;

"**Applicant**" shall have the meaning specified in Section ~~10.4.~~11.4;

"**Arbitrator**" means an arbitrator appointed in accordance with the procedures set out in Article ~~X~~XI of this Agreement~~.~~;

"**Business**" means, the business carried on by the Limited Partnership consisting of the development, ownership, operation and maintenance of the Wuskwatim Project and any activities incidental or related thereto~~.~~;

"**Business Day**" means any day on which Hydro's head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba~~.~~;

"**Canadian Dollars**" and **"$"** each mean lawful money of Canada~~.~~;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participation or equivalent interests in (however designated) the equity (including, without limitation, common shares, preferred shares, trust units and partnership interests) of such Person and any rights (other than debts securities convertible into an equity interest), warrants or options to subscribe for or acquire an equity interest in such Person~~.~~;

~~"**Commissioning Energy**" means the actual energy generated by a Generator Unit and delivered to the Point of Interconnection prior to the In Service Date for that Generator Unit.~~

"**Construction Agreement**" means the agreement dated ~~even date herewith~~June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project, and Hydro, as project manager, whereby Hydro, either directly or indirectly through subcontractors, ~~will design, engineer, construct and commission~~ designed, engineered, constructed and commissioned the Wuskwatim Project~~, as amended from time to time.~~;

~~"**Construction Start Date**" shall have the meaning ascribed thereto in the Construction Agreement.~~

"**Control**" for the purposes of this Agreement, a Person (the "**first Person**") shall be deemed to be Controlled by another Person or Persons if the Capital Stock of the first Person directly or indirectly held by or for the benefit of the other Person or Persons, acting in concert, other than by way of security only, is either:

~~(i)~~ (a) more than 50% of the Capital Stock of the first Person outstanding at the time of such determination; or

~~(ii)~~ (b) sufficient to permit the other Person or Persons to replace or elect the majority of the board of directors of the first Person, and "**Controlled**" **and** "**Controlling**" shall have the corresponding meaning~~.~~;

"**Dispute**" shall have the meaning specified in Section ~~10.4.~~11.4;

"**Dispute Notice**" shall have the meaning specified in Section ~~10.4.~~11.4;

"**Domestic Factor**" shall have the meaning specified in Section 2.11;

"**Domestic Transactions**" means all written agreements or undertakings between Hydro and a Person located in Manitoba, other than an Affiliate of Hydro for the sale of energy and capacity;

"Domestic Transaction Rate" shall have the meaning specified in Section 2.13;

"**Energy ~~Charge~~Calculation**" means the compensation determined to be payable by Hydro to the Limited Partnership for Net Actual Generation under ~~Section 2.2~~Article 2 or ~~under~~following an Energy Rate Review ~~for the Net Actual Generation received by Hydro at the Point of Interconnection.~~;

"**Energy Rate**" means the rate per MWh, Hydro will pay to the Limited Partnership in accordance with Sections ~~2.2(1)~~2.6, 2.7, 2.8 and ~~2.2(3)~~2.9 for the On-Peak Energy and the Off-Peak Energy respectively received by Hydro at the Point of Interconnection~~.~~;

"**Energy Rate Review**" means a review conducted in accordance with Article XVII of the PDA of the pricing mechanisms used under this Agreement to determine the Energy ~~Charge~~Calculations;.

"**Equivalent Canadian Dollar Amount**" means, on any day with respect to any amount of U.S. Dollars, the equivalent amount of Canadian Dollars determined by using the Bank of Canada noon spot rate quoted by the CDCFUSD index in Bloomberg to provide Canadian Dollars in exchange for U.S. Dollars at approximately 12 noon (Toronto time) on such day~~.~~;

"**Equivalent U.S. Dollar Amount**" means, on any day with respect to any amount of Canadian Dollars, the equivalent amount of U.S. Dollars determined by using the Bank of Canada noon spot rate quoted by the CDCFUSD index in Bloomberg to provide U.S. Dollars in exchange for Canadian Dollars at approximately 12 noon (Toronto time) on such day~~.~~;

"**Event of Hydro Default**" shall have the meaning specified in Section ~~9.3.~~10.3.

"**Event of Limited Partnership Default**" shall have the meaning specified in Section 9.1.

"Excess Spill Energy Review" means the review of the methodology, assumptions and pricing principles for the determination of Excess Spill Energy Revenue Adjustment pursuant to Section 9.4;

"**Expert**" means an expert appointed pursuant to the PDA to conduct an Energy Rate Review or a Transaction Rate Review~~.~~;

~~"**Final Closing Date**~~**"Export Factor"** shall have the meaning ~~ascribed thereto in the PDA.~~specified in Section 2.10;

~~"**First Operating Month**" means the month during which the first Generator Unit is In-Service.~~

"**GAAP**" means, at any time, generally accepted accounting principles in Canada as recommended in the Handbook of the ~~Canadian Institution of~~ Chartered Professional Accountants of Canada, or any successor Person at such time~~.~~;

"**General Partner**" means 5022649 Manitoba Ltd. in its capacity as general partner of the Limited Partnership pursuant to the terms of the Limited Partnership Agreement~~.~~;

"**Generator Units**" means the three units, each consisting of a vertical-shaft, fixed blade propeller-type turbine and vertical umbrella-type generator ~~to be~~ installed as part of the Wuskwatim Project pursuant to the Construction Agreement and "**Generator Unit**" means any of the Generator Units~~.~~;

"**Good Utility Practice**" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgement in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region~~.~~;

"**Governmental Authority**" means any federal, provincial, local or other governmental, regulatory or administrative agency, court, commission, department, board or other governmental subdivision, legislature, rulemaking board, tribunal, or arbitration body having jurisdiction over either Party~~.~~;

"**GWh**" means gigawatt-hours~~.~~;

"**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by the *Hydro Act*~~.~~;

"**Hydro Act"** means *The Manitoba Hydro Act*,~~ R~~C.C.S.M. ~~1987,~~, c. H190, as amended from time to time~~.~~;

"**Hydro Contractual Obligation**" means any provision of any agreement, instrument or written undertaking to which Hydro is a party or by which it or any of its Property is bound, which materially impacts on the Integrated Power System and was entered into without regard to the ownership of the Wuskwatim Project and the existence of this Agreement~~.~~;

"**Hydro Financial Year**" means, the financial year of Hydro, currently commencing on April 1 of each calendar year and ending on March 31 of the next calendar year~~.~~;

"**Hydro High Voltage Transmission System**" means that portion of the Hydro Transmission System designated by Hydro, as such, from time to time~~.~~;

"**Hydro High Voltage Transmission System Energy Losses**" shall have the meaning specified in Section ~~4.1.~~4.2;

"**Hydro Metering Equipment**" shall have the meaning specified in Section ~~4.2(1).~~4.3;

"**Hydro Transmission System**" means the transmission facilities owned and operated or operated by Hydro which are a component of the Integrated Power System~~.~~;

"**Initial Closing Date**" shall have the meaning ascribed thereto in the PDA~~.~~;

"**Initial Limited Partnership Agreement**" means the limited partnership agreement entered into between the General Partner, and Hydro in its capacity as limited partner, dated the 9th day of December, ~~2004.~~2004;

"Initial PPA" means the Power Purchase Agreement dated June 28, 2006 between Hydro and the Limited Partnership;

"In-Service" or "**In-Service Date**" means~~, in respect of~~ the date on which a particular Generator Unit~~, the date on which the particular Generator Unit is~~ was fully commissioned and

~~comes~~ came into service as evidenced by a commissioning certificate issued ~~in respect of that~~for the unit by Hydro's commissioning engineer~~ and "**In-Service**" means, in respect of a Generator Unit, when that particular Generator Unit is fully commissioned and comes into service as evidenced by a commissioning certificate issued in respect of that unit by Hydro's commissioning engineer.~~;

"**Insufficient Long-Term Transaction Year**" shall have the meaning ascribed thereto in Section ~~5.2.~~5.2;

"Insufficient Transactions" means~~, in respect of the Long Term Transaction Rate at any time,~~ for the relevant rate calculation either less than a total of 800 GWh of energy bought or sold ~~pursuant to the~~as Long-Term Transactions applicable at that time ~~and in respect of the Opportunity Transaction Rate at any time,~~ or less than a total of 1500 GWh of energy bought or sold ~~pursuant to~~as the Opportunity Transactions ~~applicable at that~~ during the time~~.~~;

"**Integrated Power System**" means the system of hydraulic and thermal electric generation and power transmission facilities owned and operated or operated by Hydro, which system is interconnected with other power utilities~~.~~;

"**Interconnection and Operating Agreement**" means the Interconnection and Operating Agreement entered into between Hydro (Transmission and Distribution Business Unit) and Hydro (Power Supply Business Unit) dated May 4, 2005, as amended or replaced from time to time and subsequently assigned by Hydro (Power Supply Business Unit) to the Limited Partnership, whereby the Wuskwatim Project will be interconnected to the Integrated Power System~~.~~;

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of such Laws~~.~~;

"**Licences**" means all authorizations, approvals, consents, registrations and certificates required by any Governmental Authority for the construction, operation or maintenance of the Wuskwatim Project~~.~~ ;

"**Limited Partner**" means one or both of Hydro and Taskinigahp Power Corporation as the context requires, in their capacity as limited partners of the Limited Partnership ~~and "**Limited Partners**" means both of Hydro and Taskinigahp Power Corporation in their capacity as limited partners of the Limited Partnership.~~ ; "**Limited Partnership**" means the Wuskwatim Power Limited Partnership created pursuant to the Initial Limited Partnership Agreement as amended and restated by the second and third Limited Partnership ~~Agreement~~Agreements, for the purposes of owning and directly or indirectly planning, designing, constructing, operating and maintaining the Wuskwatim Project~~.~~

"**Limited Partnership Agreement**" means the third amended and restated limited partnership agreement amending and restating the second amended and restated limited partnership agreement dated June 28, 2006 and the Initial Limited Partnership Agreement, dated ~~even date herewith~~ the same day as this Agreement between the General Partner in its capacity as General Partner and Hydro and Taskinigahp Power Corporation as limited partners~~.~~;

"**Limited Partnership Contractual Obligation**" means any provision of any agreement, instrument or undertaking to which the Limited Partnership is a party or by which it or any of its Property is bound~~.~~;

"**Long-Term Transaction Rate**" shall have the meaning specified in Section ~~2.2(1).~~2.12;

"**Long-Term Transactions**" means all written agreements or undertakings between Hydro and a Person, other than an Affiliate of Hydro, for the purchase or sale of energy ~~and~~physically crossing a Manitoba border and the cross-border capacity, which meets the following criteria:

~~(i)~~ (a) Hydro is pursuant to the written agreement or undertaking exporting or importing energy to or from electricity markets outside of Manitoba;

~~(ii)~~ (b) the written agreement or undertaking ~~is~~ was entered into on or after the Initial Closing Date;

~~(iii)~~ (c) the seller under the written agreement or undertaking has included the commitments made under the written agreement or undertaking, as a factor in the operation, planning and development of its energy system, in order to maintain sufficient resources to meet those commitments~~;~~, and either:

~~(iv)~~ (i) the time period between the date the written agreement or undertaking is entered into ~~on~~ and the date energy is first supplied pursuant to the written agreement or undertaking is at least 365 days in duration; or

~~(v)~~ (ii) if the ~~aforesaid~~ time period is less than 365 days, but the written agreement or undertaking has a component whereby energy will be supplied 365 days after the date the written agreement or undertaking is entered into, that component of the written agreement, or undertaking shall be included as part of the Long-Term Transactions~~.~~;

"**Material Adverse Business Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in and of itself, but which cumulatively results in a material adverse effect) that precludes or materially restricts the ability of the Limited Partnership from performing any of its obligations under this Agreement~~.~~;

"**MWh**" means megawatt-hours~~.~~

"NCN Total Outstandings" means the Total Outstandings of NCN (as that term is defined in the Second NCN Financing Agreement), plus all accrued and unpaid interest and all other amounts owing under the Dividend Credit Facility (as that term is defined in the Second NCN Financing Agreement)**;**

"**Net Actual Generation**" means the actual energy generated by the Wuskwatim Project during the applicable period less any energy generated which is used for the Wuskwatim Project's station service or auxiliaries but includes only the energy generated from each Generator Unit after its In-Service Date~~. (For greater certainty Net Actual Generation includes only On-Peak Energy and Off-Peak Energy and does not include Commissioning Energy).~~;

"**Notice**" means any written notice, citation, directive, request for information, writ, summons and statement of claim or other communication from any Person~~.~~ other than the Parties;

"**Off-Peak Energy**" means that portion of the Net Actual Generation delivered by the Wuskwatim Project to the Point of Interconnection during Off-Peak Hours~~.~~;

"**Off-Peak Energy to Date**" means the Off-Peak Energy received by Hydro during the period of time from the first day of the applicable Hydro Financial Year to the last day of the applicable month in that Hydro Financial Year for which the Off-Peak Energy Payment is to be calculated in accordance with sections 2.8 and 2.9 of this Agreement;

"**Off-Peak Hours**" means the period of time which is not included in the On-Peak Hours~~.~~;

"**Off-Peak Opportunity Transactions**" means those Opportunity Transactions where the sale or purchase of energy and capacity is in respect of energy sold or received only during ~~the~~ Off-Peak Hours~~. If~~ but if an Opportunity Transaction includes energy sold or received during Off-Peak Hours and On-Peak Hours, ~~it means~~ only those ~~provisions of that~~ Opportunity ~~Transaction that are applicable to the energy~~ Transactions sold or received ~~only~~ during ~~the~~ Off-Peak Hours~~.~~ shall be considered Off-Peak Opportunity Transactions;

~~"**Off-Peak Opportunity Transaction Rate**" shall have the meaning specified in Section 2.6(1).~~

"**On-Peak Energy**" means that portion of the Net Actual Generation delivered by the Wuskwatim Project to the Point of Interconnection during On-Peak Hours~~.~~;

"**On-Peak Energy to Date**" means the On-Peak Energy received by Hydro during the period of time from the first day of the applicable Hydro Financial Year to the last day of the applicable month in that Hydro Financial Year for which the On-Peak Energy Payment is to be calculated in accordance with section 2.6 and 2.7 of this Agreement;

"**On-Peak Hours**" means the period of time between 6:00 a.m. and 10:00 p.m. central standard time, Monday through Friday excluding holidays designated by the North American Electric Reliability Council or any successor agency~~.~~;

"**On-Peak Opportunity Transaction Rate**" shall have the meaning specified in Section ~~5.2.~~5.2;

"**On-Peak Opportunity Transactions**" means those Opportunity Transactions where the sale or purchase of energy is ~~in respect of~~ for energy sold or received only during the On-Peak Hours~~. If the~~ but if an Opportunity Transaction includes energy sold or received during ~~the~~ Off-Peak Hours and ~~the~~ On-Peak Hours, ~~it means~~ only those ~~provisions of that~~ Opportunity ~~Transaction that are applicable to the energy~~Transactions sold or received ~~only~~ during the On-Peak ~~Hours.~~ Hoursshall be considered On-Peak Transactions;

"**Operations and Maintenance Agreement**" means an agreement dated ~~even date herewith~~June 28, 2006 between the Limited Partnership, as owner of the Wuskwatim Project and Hydro, whereby Hydro will manage the operations and maintenance of the Wuskwatim Project, as amended or replaced from time to time~~.~~;

"**Opportunity Transaction Rate**" shall have the meaning specified in Section ~~2.2(3).~~2.14;

"**Opportunity Transactions**" means all agreements or undertakings between Hydro and a Person, other than an Affiliate of Hydro, for the sale or purchase of energy ~~and~~physically crossing a Manitoba border and cross-border capacity which meets the following criteria:

~~(i)~~ (a) the agreement or undertaking ~~is~~ was entered into on or after the Initial Closing Date;

~~(ii)~~ (b) the agreement or undertaking is not a Long-Term Transaction; and

~~(iii)~~ (c) Hydro is pursuant to the agreement or undertaking exporting or importing energy to or from electricity markets outside of Manitoba~~.~~;

"**PDA**" means ~~the~~ for purposes of this Agreement, the Wuskwatim Project Development Agreement dated June ~~26, 2006 made between Nisichawayasihk Cree Nation, Hydro, Taskinigahp Power Corporation, the General Partner and the Limited Partnership.~~28, 2006 amended by the PDA Supplement No. 1 dated March 15, 2011 and PDA Supplement No. 2 dated as of March 31, 2015;

"**Party**" means either the Limited Partnership or Hydro and "**Parties**" means both the Limited Partnership and Hydro~~.~~;

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture or other entity or Governmental Authority, and pronouns have a similarly extended meaning~~.~~;

"**Point of Interconnection**" shall mean the point on the output (high) side of the step up transformer located on the tail race deck of the Wuskwatim Generating Station at which each of the Generator Units connects to one of the three 230 kV transmission lines running from the Wuskwatim Generating Station to the switching station~~.~~;

"**Pricing Criteria**" shall have the meaning specified in Section ~~6.3.~~6.3;

"**Pricing Principle**" shall have the meaning specified in Section ~~6.2.~~6.2;

"**Property**" means, with respect to any Person, any interest of such Person in any land or property or asset of every kind, wherever situate, whether now owned or hereafter acquired, whether real or immovable, personal, movable or mixed, tangible or corporeal, intangible or incorporeal, including Capital Stock in any other Person~~.~~;

"**Rate Review**" means an Energy Rate Review, an Excess Spill Energy Review or a Transaction Rate Review, as the case may be and "**Rate Reviews**" means all of them;

"**Reply**" shall have the meaning specified in Section ~~10.5.~~11.5;

"**Respondent**" shall have the meaning specified in Section ~~10.5.~~11.5;

"**Second NCN Financing Agreement**" means the amended and restated NCN Financing Agreement dated April 16, 2015;

"Second TPC Financing Agreement" means the amended and restated TPC Financing Agreement dated April 16, 2015;

"**System Operations and Dispatch Agreement**" means an agreement dated even date herewith, between the Limited Partnership and Hydro whereby Hydro will control and operate the Wuskwatim Project on behalf of the Limited Partnership, including matters related to the dispatch of the Wuskwatim Generating Station as amended or replaced from time to time~~.~~;

"TPC Total Outstandings" means the Total Outstandings of TPC (as that term is defined in the Second TPC Financing Agreement), plus all accrued and unpaid interest and all other amounts owing by NCN under the Equity Credit Facility (as that term is defined in the Second TPC Financing Agreement);

"**Term**" means the initial ~~Term~~and subsequent term of this Agreement as specified in Section ~~2.7(1) plus any extension of the Term pursuant to Section 2.7(2).~~2.19;

"**Transaction Rate Review**" means a review conducted in accordance with Article XVII of the PDA of the determination, allocation and ~~adjustments~~Adjustments made by Hydro pursuant to ~~Sections 2.2(1)(c), (d) and (e) and 2.2(3)(c), (d) and (e)~~Article 2 of this Agreement in the calculation~~, from time to time,~~ of the Long~~-~~ Term Transaction Rate, the Domestic Transaction Rate and the Opportunity Transaction Rate~~.~~;

"**Transmission Owner Interconnection Facilities**" shall have the meaning ascribed thereto in the Interconnection and Operating Agreement~~.~~;

"**U.S. Dollars** means lawful money of the United States of America~~.~~;

"**Wuskwatim Generating Station**" shall have the meaning ascribed thereto in the PDA~~.~~; and

"**Wuskwatim Project**" shall have the meaning ascribed thereto in the PDA.

1.2 Interpretation.

This Agreement shall be interpreted in accordance with the following:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) headings are inserted for convenience only and shall not affect the interpretation of this Agreement, or any provisions hereof;

(c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;

(d) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(e) the expressions "the aggregate", "the total", "the sum" and expressions of similar meaning shall mean "the aggregate (or total or sum) without duplication";

(f) in the computation of periods of time, unless otherwise expressly provided, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding"; and

(g) accounting terms not specifically defined shall be construed in accordance with GAAP.

1.3 Severability.

If any provision of this Agreement is, or becomes, illegal, invalid or unenforceable, such provision shall be severed from this Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability. The remaining provisions ~~hereof shall be unaffected by such provision and~~ of this Agreement shall continue to be valid and enforceable.

1.4 Entire Agreement.

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, of the Parties, whether oral or written, ~~of the parties relating to the subject matter hereof and entered into~~ prior to the date of this Agreement.

1.5 Waiver.

No failure on the part of a Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right; nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No Notice to or demand on the Limited Partnership in any case shall entitle it to any Notice or demand in similar or other circumstances. No waiver of any of the provisions of this Agreement shall be effective unless it is in writing duly executed by the waiving Party.

1.6 No Presumption.

The Parties have endeavoured to ensure that the terms of this Agreement are as clear ~~as possible and in interpreting this Agreement and except where~~ and unambiguous so unless expressly provided there shall be no presumption in favour of or against any Party.

1.7 Governing Law.

This Agreement shall be governed by, and interpreted in accordance with, the applicable Laws of Manitoba and ~~the Laws of~~ Canada ~~applicable therein~~.

1.8 Incorporation of Schedules.

The following schedules ~~attached~~ shall~~, for all purposes hereof,~~ be incorporated ~~in~~into and form an integral part of this Agreement:

Schedule A	-	Arbitrator's Undertaking
Schedule B	-	Notices

1.9 Acknowledgement.

The Parties acknowledge that :

(a) the Limited Partnership is a limited partnership formed under the Laws of Manitoba, ~~a~~and each limited partner ~~of which~~ is only liable for ~~any of~~ its respective liabilities or ~~any of its~~ losses to the extent of the amount that the limited partner has contributed or agreed to contribute to the capital of the limited partnership and the limited partner's pro rata share of any undistributed income~~. The Parties acknowledge that~~;

(b) the obligations of the Limited Partnership shall not be personally binding upon, nor shall resort be had to, the property of any of the limited partners, their successors and assigns, and that resort shall only be had to the property of the Limited Partnership or the property of its ~~general partner. The~~General Partner;

(c) the General Partner is the sole general partner of the Limited Partnership~~. Nothing~~; and

(d) nothing in this Agreement shall be deemed to detract from or limit or restrict in any way the limited liability of any ~~limited partner of the~~ Limited ~~Partnership~~Partner.

ARTICLE II
SALE AND PURCHASE OF ENERGY

2.1 Net Actual Generation and Charge.

~~(1)~~ Subject to the terms and conditions of this Agreement, the Limited Partnership agrees to sell and Hydro agrees to purchase the Net Actual Generation and capacity of the Wuskwatim Project~~.~~ and the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection determined in accordance with Sections 2.2 and 2.3 and capacity in accordance with Section 2.4.

~~(2) The Limited Partnership agrees that it shall not enter into any agreement or instrument or undertake to sell and it shall not sell any energy or capacity from the Wuskwatim Project to any Person other than Hydro.~~

~~**2.2 Energy Charge.**~~

2.2 Energy Calculations – Financial Years 2014/15 to 2023/24.

Subject to the terms and conditions of this Agreement including ~~adjustments, if any, provided for in Articles V and VI, the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection, on a Canadian Dollar per MWh basis, determined in the following manner:~~

~~On-Peak Energy~~

~~(1) Hydro shall pay to the Limited Partnership each month in the manner hereinafter set forth, subject to the adjustments provided for in this Agreement and the set-off of all amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), for the On-Peak Energy received by Hydro at the Point of Interconnection, during any particular Hydro Financial Year, based on a rate that is equal to the actual weighted average price over a twelve (12) month period, that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, for the energy and capacity, purchased or sold by Hydro, pursuant to all applicable Long-Term Transactions during that twelve (12) month period (the "**Long-Term Transaction Rate**") determined in the following manner:~~

~~(a) the Long-Term Transaction Rate will be determined for each month during the Hydro Financial Year;~~

~~(b) the twelve (12) month time period shall be comprised of the month for which the rate is being determined plus the prior eleven (11) months (the "**Applicable Long-Term Transaction Time Period**");~~

~~(c) only those Long-Term Transactions or portions thereof applicable to the time period where the energy sold or purchased physically crossed the Manitoba border and were delivered during the Applicable Long-Term Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice, (the "**Applicable Long-Term Transactions**") shall be included in determining the actual weighted average price over the Applicable Long-Term Transaction Time Period;~~

~~(d) Hydro, acting reasonably, in addition to all other allocations or adjustments that may be required, shall include the portion of the price, if any, that is payable for capacity, which is attributable to that portion of the energy that physically crossed the Manitoba border and was delivered during the Applicable Long-Term Transaction Time Period for each of the Applicable Long-Term Transactions in determining the actual average weighted price over the Applicable Long-Term Transaction Time Period;~~

~~(e) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable Long-Term Transactions shall be adjusted by Hydro, acting reasonably to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Long-Term Transactions. The charges or credits will include actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement;~~

~~(f) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable Long-Term Transactions shall be determined in Canadian Dollars per MWh and if Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid in U.S. Dollars pursuant to any of the Applicable Long-Term Transactions, the amounts shall be converted to Canadian Dollars (after the adjustments referred to in this Section 2.2(1)) by reference to the Equivalent Canadian Dollar Amount on the last Business Day of the month, during which the said obligation to pay, or the entitlement to be paid the said amount arises; and~~

~~(g) the Long-Term Transaction Rate shall be expressed in Canadian Dollars per MWh and shall be calculated by dividing (i) the total net amount that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, pursuant to the Applicable Long-Term Transactions, determined in accordance with this Section 2.2(1); by (ii) the total energy that was imported or exported by Hydro pursuant to the Applicable Long-Term Transactions, determined in accordance with this Section 2.2(1).~~

~~(2) The monthly amount to be paid to the Limited Partnership for the On-Peak Energy shall be calculated as follows:~~

~~First Operating Month~~

~~(a) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of the First Operating Month with the Long-Term Transaction Rate determined for that month. The amount to be paid for the On-Peak Energy received by Hydro from the Final Closing Date to the last day of the First Operating Month, subject to subsequent adjustment, if any, pursuant to Article V, and the set-off of all amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), shall be equal to:~~

~~(i) the Long-Term Transaction Rate, determined for the First Operating Month; multiplied by~~

~~(ii) the On-Peak Energy received by Hydro during that period, as determined pursuant to Section 4.1.~~

~~First Operating Year~~

~~(b) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of each subsequent month during the Hydro Financial Year in which the First Operating Month occurs (except where that month is the last month of the Hydro Financial Year in which case the period of time shall be extended to fifteen (15) Business Days) with the Long-Term Transaction Rate determined for each month. The amount to be paid for the On-Peak Energy received by Hydro during those months, subject to subsequent adjustment, if any, pursuant to Article V, and the set-off of all unpaid amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), shall be equal to:~~

~~(i) the Long-Term Transaction Rate determined for the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(2)(b); multiplied by~~

~~(ii) the On-Peak Energy received by Hydro during that period of time from the Final Closing Date to the last day of the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(2)(b), as determined in accordance with the provisions of Section 4.1; less~~

~~(iii) all amounts Hydro has paid or is obligated to pay pursuant to Sections 2.2(2)(a) and 2.2(2)(b) for the On-Peak Energy received by Hydro during the period of time, from the Final Closing Date to the last day of the month, in that Hydro Financial Year immediately prior to the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(2)(b).~~

~~Subsequent Operating Years~~

~~(c) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of each month during each subsequent Hydro Financial Year (except where that month is the last month of a Hydro Financial Year in which case the period of time shall be extended to fifteen (15) Business Days) with the Long-Term Transaction Rate determined for each month. The amount to be paid for the On-Peak Energy received by Hydro during each month within a Hydro Financial Year, subject to subsequent adjustment, if any, pursuant to Article V and the set-off of all unpaid amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), shall be equal to:~~

~~(i) the Long-Term Transaction Rate determined for the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(2)(c); multiplied by~~

~~(ii) the On-Peak Energy received by Hydro during that period of time from the first day of the applicable Hydro Financial Year to the last day of the particular month in that Hydro Financial Year in respect of which the payment amount is to be calculated pursuant to this Section 2.2(2)(c), as determined in accordance with the provisions of Section 4.1; less~~

~~(iii) all amounts Hydro has paid or is obligated to pay pursuant to this Section 2.2(2)(c) for the On Peak Energy received by Hydro during the period of time, from the first day of the applicable Hydro Financial Year to the last day of the month in that Hydro Financial Year, immediately prior to the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(2)(c).~~

~~Off Peak Energy~~

~~(3) Hydro shall pay to the Limited Partnership in the manner hereinafter set forth, subject to the adjustments provided for in this Agreement and the set off of all amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), for the Off-Peak Energy received by Hydro at the Point of Interconnection, during any particular Hydro Financial Year, based on a rate that is equal to the actual weighted average price over a twelve (12) month period that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, for the energy and capacity purchased or sold by Hydro pursuant to all applicable Opportunity Transactions during that twelve (12) month period (the "**Opportunity Transaction Rate**") determined in the following manner:~~

~~(a) the Opportunity Transaction Rate will be determined for each month during the Hydro Financial Year;~~

~~(b) the twelve (12) month time period shall be comprised of the month for which the rate is being determined plus the prior eleven (11) months (the "**Applicable Opportunity Transaction Time Period**");~~

~~(c) only those Opportunity Transactions or portions thereof applicable to the time period where the energy sold or purchased physically crossed the Manitoba border and were delivered during the Applicable Opportunity Transaction Time Period, as determined by Hydro in accordance with Good Utility Practice, (the "**Applicable Opportunity Transactions**") shall be included in determining the actual weighted average price over the Applicable Opportunity Transaction Time Period;~~

~~(d) Hydro, acting reasonably, in addition to all other allocations or adjustments that may be required, shall include the portion of the price, if any, that is payable for capacity, which is attributable to that portion of the energy that physically crossed the Manitoba border and was delivered during the Applicable Opportunity Transaction Time Period for each of the Applicable Opportunity Transactions in~~

~~determining the actual average weighted price over the Applicable Opportunity Transaction Time Period;~~

~~(e) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable Opportunity Transactions shall be adjusted by Hydro, acting reasonably to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Opportunity Transactions. The charges or credits will include actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement;~~

~~(f) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable Opportunity Transactions shall be determined in Canadian Dollars per MWh and if Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid in U.S. Dollars pursuant to any of the Applicable Opportunity Transactions, the amounts shall be converted to Canadian Dollars (after the adjustments referred to in this Section 2.2(3)) by reference to the Equivalent Canadian Dollar Amount on the last Business Day of the month, during which the said obligation to pay, or the entitlement to be paid the said amount arises; and~~

~~(g) the Opportunity Transaction Rate shall be expressed in Canadian Dollars per MWh and shall be calculated by dividing (i) the total net amount that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, pursuant to the Applicable Opportunity Transactions, determined in accordance with this Section 2.2(3); by (ii) the total energy that was imported or exported by Hydro pursuant to the Applicable Opportunity Transactions, determined in accordance with this Section 2.2(3).~~

~~(4) The monthly amount to be paid to the Limited Partnership for the Off-Peak Energy shall be calculated as follows:~~

~~First Operating Month~~

~~(a) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of the First Operating Month with the Opportunity Transaction Rate determined for that month. The amount to be paid for the Off-Peak Energy received by Hydro from the Final Closing Date to the last day of the First Operating Month, subject to subsequent adjustment, if any, pursuant to Article V, and the set-off of all unpaid amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), shall be equal to:~~

~~(i) the Opportunity Transaction Rate, determined for the First Operating Month; multiplied by~~

~~(ii) the Off-Peak Energy received by Hydro during that period, as determined pursuant to Section 4.1.~~

~~First Operating Year~~

~~(b) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of each subsequent month during the Hydro Financial Year in which the First Operating Month occurs (except where that month is the last month of the Hydro Financial Year in which case the period of time shall be extended to fifteen (15) Business days) with the Opportunity Transaction Rate determined for each month. The amount to be paid for the Off-Peak Energy received by Hydro during those months, subject to subsequent adjustment, if any, pursuant to Article V and the set-off of all unpaid amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), shall be equal to:~~

~~(i) the Opportunity Transaction Rate determined for the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(4)(b); multiplied by~~

~~(ii) the Off-Peak Energy received by Hydro during that period of time from the Final Closing Date to the last day of the particular month in respect of which the payment amount is to be calculated pursuant to this Section~~

~~2.2(4)(b), as determined in accordance with the provisions of Section 4.1; less~~

~~(iii) all amounts Hydro has paid or is obligated to pay pursuant to Sections 2.2(4)(a) and 2.2(4)(b) for the Off-Peak Energy received by Hydro during the period of time, from the Final Closing Date to the last day of the month in that Hydro Financial Year immediately prior to the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(4)(b).~~

~~Subsequent Operating Years~~

~~(c) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of each month during each subsequent Hydro Financial Year (except where that month is the last month of a Hydro Financial Year in which case the period of time shall be extended to fifteen (15) Business Days) with the Opportunity Transaction Rate determined for each month. The amount to be paid for the Off-Peak Energy received by Hydro during each month within a Hydro Financial Year, subject to subsequent adjustment, if any, pursuant to Article V, and the set-off of all unpaid amounts the Limited Partnership is obligated to pay to Hydro pursuant to the provisions of Section 3.1(11), shall be equal to:~~

~~(i) the Opportunity Transaction Rate determined for the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(4)(c); multiplied by~~

~~(ii) the Off-Peak Energy received by Hydro during that period of time from the first day of the applicable Hydro Financial Year to the last day of the particular month in that Hydro Financial Year in respect of which the payment amount is to be calculated pursuant to this Section 2.2(4)(c), as determined in accordance with the provisions of Section 4.1; less~~

~~(iii) all amounts Hydro has paid or is obligated to pay pursuant to Section 2.2(4)(c) for the Off-Peak Energy received by Hydro during the period of time, from the first day of the applicable Hydro Financial Year to the last~~

~~day of the month in that Hydro Financial Year, immediately prior to the particular month in respect of which the payment amount is to be calculated pursuant to this Section 2.2(4)(c)~~any Adjustments, Rate Reviews and the set-off of any amounts the Limited Partnership is obligated to pay Hydro pursuant to the provisions of Section 3.1(j), for the Hydro Financial Years 2014/15 to 2023/24 the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection, on a Canadian Dollar per MWh basis, determined by calculating the On-Peak Energy in accordance with Section 2.6, the Off-Peak Energy in accordance with Section 2.8, the On-Peak Energy to Date, the Off-Peak Energy to Date, the Export Factor in accordance with Section 2.10, the Domestic Factor in accordance with Section 2.11, the Long Term Transaction Rate in accordance with Section 2.12, the Domestic Transaction Rate in accordance with Section 2.13, the Opportunity Transaction Rate in accordance with Section 2.14 and the Spill Energy Revenue Adjustment in accordance with Article IX.

2.3 Energy Calculations – Financial Years 2024/25 and Onward.

Subject to the terms and conditions of this Agreement including any Adjustments, Rate Reviews and the set-off of all amounts the Limited Partnership is obligated to pay Hydro pursuant to the provisions of Section 3.1(j), for the Hydro Financial Years commencing April 1, 2024 and each Hydro Financial Year thereafter the Limited Partnership shall be compensated by Hydro for the Net Actual Generation received by Hydro at the Point of Interconnection, on a Canadian Dollar per MWh basis, determined by calculating the On-Peak Energy in accordance with Section 2.7, the Off-Peak Energy in accordance with Section 2.9, the On-Peak Energy to Date, the Off-Peak Energy to Date, the Export Factor in accordance with Section 2.10, the Long Term Transaction Rate in accordance with Section 2.12, the Opportunity Transaction Rate in accordance with Section 2.14, and the Spill Energy Revenue Adjustment in accordance with Article IX.

2.4 Allocations and Adjustments.

When making the Energy Calculations in Sections 2.2 and 2.3 Hydro, acting reasonably shall make the allocations and adjustments permitted by this Agreement, including in the case of energy exported and sold across Manitoba borders, (i) the portion of the price, if any, payable for capacity attributable to the portion of the energy that physically crossed a Manitoba border; and (ii) the actual costs or expenses incurred which were reasonably necessary to provide access to export markets or facilitate Hydro entering into export markets, but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses for which Hydro has been reimbursed pursuant to other provisions of this Agreement ("the **Adjustments**");

2.5 Hydro to Provide Monthly Information to the Limited Partnership.

Hydro shall, within ten (10) Business Days of the last day of each month during each Hydro Financial Year except in the last month, in which case, within fifteen (15) Business Days, provide the Limited Partnership with written notice of:

(a) the Domestic Transaction Rate;

(b) the Long Term Transaction Rate;

(c)the Opportunity Transaction Rate; and

(d) the amounts paid for On-Peak Energy and Off-Peak Energy for the month less any Adjustments or set-off pursuant to Section 3.1(j);

2.6 On-Peak Energy Payment - Financial Years 2014/15 to 2023/24.

For each month in a Hydro Financial Year from April 1, 2014 to March 31, 2024, Hydro shall pay to the Limited Partnership for On-Peak Energy an amount equal to the product of the monthly Long Term Transaction Rate, the On Peak Energy to Date, and the Export Factor plus the product of the Domestic Transaction Rate, the On-Peak Energy to Date and the Domestic Factor, minus the sum of the amounts paid or payable by Hydro for On-Peak Energy to the end of the prior month ("**On-Peak Energy Payments to Date**"). The calculation of the amount payable for On-Peak Energy under this Section 2.6 may be expressed by the following formula:

(A x B x C) + (D x B x E) – On-Peak Energy Payments to Date

Where:

A = Long Term Transaction Rate

B = On Peak Energy to Date

C = Export Factor

D = Domestic Transaction Rate

E = Domestic Factor

2.7 On- Peak Energy Payments - Financial Years 2024/25 and Onward.

For each month in the Hydro Financial Year commencing April 1, 2024 and thereafter Hydro shall pay to the Limited Partnership for On-Peak Energy an amount equal to the product of the monthly Long Term Transaction Rate, the On Peak Energy to Date, and the Export Factor minus the On-Peak Energy Payments to Date. The calculation of the amount payable for On-Peak Energy under this Section 2.7 may be expressed by the following formula:

(A x B x C) – On-Peak Energy Payments to Date

Where:

A = Long Term Transaction Rate

B = On Peak Energy to Date

C = Export Factor

2.8 Off-Peak Energy Payments - Financial Years 2014/15 to 2023/24.

For each month in a Hydro Financial Year from April 1, 2014 to March 31, 2014, Hydro shall pay to the Limited Partnership for Off-Peak Energy an amount equal to the product of the Opportunity Transaction Rate, the Export Factor and the Off Peak Energy To Date, plus the product of the Domestic Transaction Rate, the Off-Peak Energy to Date and the Domestic Factor, minus the sum of the amounts paid or payable by Hydro for Off-Peak Energy to the end of the prior month ("**Off-Peak Energy Payments to Date**"). The calculation of the amount payable for Off-Peak Energy under this Section 2.8 may be expressed by the following formula:

(F x G x C) + (D x G x E) – Off-Peak Energy Payments to Date

Where:

C = Export Factor

D = Domestic Transaction Rate

E = Domestic Factor

F = Opportunity Transaction Rate

G = Off-Peak Energy to Date

2.9 Off-Peak Energy Payment Financial Years 2024/25 and Onward.

For each month in the Hydro Financial Years commencing April 1, 2024 and thereafter, Hydro shall pay to the Limited Partnership for Off-Peak Energy an amount equal to the product of the Opportunity Transaction Rate, the Export Factor and the Off-Peak Energy To Date minus the Off-Peak Energy Payments to Date. The calculation of the amount payable for Off-Peak Energy under this Section 2.9 may be expressed by the following formula:

(F x G x C) – Off-Peak Energy Payments to Date

Where:

C = Export Factor

F = Opportunity Transaction Rate

G = Off-Peak Energy to Date

2.10 Export Factor.

The "**Export Factor**" means a factor that is equal to the weighted average proportion of Net Energy Delivered by the Integrated Power System over a twelve (12) month period that is exported by Hydro, during that twelve (12) month period. The monthly Export Factor shall be calculated for each month during the Hydro Financial Year using the following formula:

A / (A + B) where,

A is equal to the total energy generated by Hydro related to the export sales that physically crossed a Manitoba border; and

B is equal to the total energy generated by Hydro delivered in Manitoba

For any period from and after April 1, 2024 the monthly Export Factor shall be one (1.00).

2.11 Domestic Factor.

The Domestic Factor means a factor equal to one (1.00) minus the monthly Export Factor for each month during the Hydro Financial Year.

2.12 Long-Term Transaction Rate.

The "**Long-Term Transaction Rate**" means the Applicable Transaction Rate for Long-Term Transactions determined for each month during a Hydro Financial Year for the applicable Long Term Transaction Time Period determined in the following manner:

(a) adjustments to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Long-Term Transactions;

(b) the price paid or payable for Applicable Long-Term Transactions determined in Canadian Dollars per MWh, and if the payments are in U.S. Dollars for any of the Applicable Long Term Transactions the amounts shall be converted to Canadian Dollars pursuant to Section 2.15 after the adjustments referred to in Section 2.12 (b) using the average Equivalent Canadian Dollar Amount for the month during which the entitlement to be paid arises; and

(c) the Long-Term Transaction Rate expressed in Canadian Dollars per MWh calculated by dividing the total net amount that Hydro is entitled to be paid or is obligated to pay for the Applicable Long-Term Transactions by the total energy imported or exported as Applicable Long-Term Transactions.

2.13 Domestic Transaction Rate.

The "**Domestic Transaction Rate**" means the Applicable Transaction Rate for Domestic Transactions determined for each month during a Hydro Financial Year for the Applicable Domestic Transactions expressed in Canadian Dollars per MWh and calculated by dividing the total net amount Hydro is entitled to be paid or is obligated to pay for the Applicable Domestic Transactions by the total energy delivered as Applicable Domestic Transactions.

2.14 Opportunity Transaction Rate.

The "**Opportunity Transaction Rate**" means the Applicable Transaction Rate for Opportunity Transactions determined for each month during a Hydro Financial Year for the applicable Opportunity Transaction Time Period determined in the following manner:

(a) adjustments to reflect the price at a Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Opportunity Transactions;

(b) the price paid or payable for Applicable Opportunity Transactions determined in Canadian Dollars per MWh, and if the payments are in U.S. Dollars for any of the Applicable Opportunity Transactions the amounts shall be converted to Canadian Dollars in accordance with Section 2.15 after the adjustments referred to in Section 2.16 (b) using the average Equivalent Canadian Dollar Amount for the month during which the entitlement to payment arises; and

(c) the Opportunity Transaction Rate expressed in Canadian Dollars per MWh and calculated by dividing the total net amount Hydro is entitled to be paid or obligated to pay for the Applicable Opportunity Transactions by the total energy delivered as Applicable Opportunity Transactions.

~~2.3~~ 2.15 U.S. Dollar Conversion Option.

The Limited Partnership can if it has provided written notice to Hydro on or before the last Business Day of any particular month require that a percentage not exceeding fifty percent (50%) of the amount that would otherwise be billed to Hydro in Canadian Dollars ~~in accordance with Sections 2.2 and 8.1(2)~~, for the Net Actual Generation received by Hydro during that month, be converted to U.S. Dollars, by reference to the Equivalent U.S. Dollar Amount as of the last Business Day of that month and that amount shall be paid to the Limited Partnership, in U.S. Dollars, by the dates specified in accordance with Section 8.1(3).

~~2.4~~ 2.16 Acknowledgement of Limited Partnership.

The Limited Partnership expressly acknowledges and agrees that:

(a) the compensation to be paid under this Agreement entitles Hydro to receive all the capacity and the energy from the Wuskwatim Project;

(b) the rates and compensation to be paid in this Agreement, subject to Section ~~2.5,~~2.20 is based on the Net Actual Generation actually received by Hydro at the Point of Interconnection; and

(c) the Limited Partnership is not entitled to an additional payment or separate rate for the capacity of the Wuskwatim Project which Hydro is entitled to receive pursuant to this Agreement.

~~2.5~~ 2.18 Insufficiency of Capacity ~~or~~, Disruption or Failure of the Hydro Transmission System.

Notwithstanding any other provision of this Agreement, if the Net Actual Generation cannot be generated and delivered to the Point of Interconnection primarily due to insufficient capacity of the Hydro Transmission System or the disruption to or failure of the Hydro Transmission System and as a direct consequence thereof, water is spilled at the Wuskwatim Project spillway, Hydro shall be deemed for the purposes of this Agreement to have received the energy that could have been generated from the water that was spilled at the Wuskwatim Project spillway during that time period less the applicable Hydro High Voltage Transmission System Energy Losses. This Section ~~2.5~~2.18 shall not apply and Hydro shall not be deemed for the purposes of this Agreement or otherwise to have received energy that was not generated and delivered to the Point of Interconnection if the insufficient capacity of the Hydro Transmission System, disruption to or failure of the Hydro Transmission System occurred as a result of or was primarily due to: (i) a breach by the Limited Partnership of any provision of the Limited Partnership's Contractual Obligation; or (ii) any act or omission reasonably associated with the provisions of the Construction Agreement, the System Operations and Dispatch Agreement or the Operations and Maintenance Agreement, including without limiting the generality of the foregoing in respect of services or work performed or to be performed by Hydro under the provisions of those Agreements or the breach by Hydro of any provision of those Agreements. If this Section ~~2.5~~ 2.18 is applicable, Hydro shall provide to the Limited Partnership a calculation of the amount of energy that could have been generated and delivered during the applicable time period from the water that was spilled using the best information and data available and Hydro shall be required to pay to the Limited Partnership the amount that would otherwise be determined to be owing pursuant to the provisions of this Agreement (after all set-offs, deductions and adjustments provided for in this Agreement including adjustment for the Hydro High Voltage Transmission System Energy Losses applicable for the period of time during which water was spilled) if that amount of energy had been generated and delivered to the Hydro Transmission System during that period of time from the water that was spilled. The Limited Partnership expressly acknowledges that the risk of the Limited Partnership not being able to generate and deliver energy to the Point of Interconnection from all other matters or circumstances is borne solely by the Limited Partnership.

~~**2.6 Commissioning Energy.**~~

~~(1) Subject to the terms and conditions of this Agreement the Limited Partnership shall be compensated by Hydro for the Commissioning Energy received by Hydro at the Point of Interconnection on a Canadian Dollar per MWh basis during any particular month, based on a rate that is equal to the actual weighted average price for that month that Hydro, as purchaser is obligated to pay or Hydro, as seller, is entitled to be paid, for the energy and capacity, purchased or sold by Hydro pursuant to all applicable Off-Peak Opportunity Transactions during that month (the "**Off-Peak Opportunity Transaction Rate**") determined in the following manner:~~

~~(a) the Off-Peak Opportunity Rate will be determined for each month during the Hydro Financial Year that Commissioning Energy (the "**Applicable Commissioning Time Period**") is received by Hydro;~~

~~(b) only those Off-Peak Opportunity Transactions or portions thereof applicable to the time period where the energy sold or purchased physically crossed the~~

~~Manitoba border and were delivered during the Applicable Commissioning Time Period, as determined by Hydro in accordance with Good Utility Practice, (the "**Applicable Off-Peak Opportunity Transactions**") shall be included in determining the actual weighted average price for the Applicable Commissioning Time Period;~~

~~(c) Hydro, acting reasonably, in addition to all other allocations or adjustments that may be required, shall include the portion of the price, if any, that is payable for capacity, which is attributable to that portion of the energy that physically crossed the Manitoba border and was delivered during the Applicable Commissioning Time Period for each of the Applicable Off-Peak Opportunity Transactions in determining the actual average weighted price over the Applicable Commissioning Time Period;~~

~~(d) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable Off-Peak Opportunity Transactions shall be adjusted to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable Off-Peak Opportunity Transactions. The charges or credits will include actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement;~~

~~(e) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable Off-Peak Opportunity Transactions shall be determined in Canadian Dollars per MWh and if Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid in U.S. Dollars pursuant to any of the Applicable Off-Peak Opportunity Transactions, the amounts shall be converted to Canadian Dollars (after the adjustments referred to in Section 2.6), by reference to the Equivalent Canadian Dollar Amount on the last Business Day~~

~~of the month, during which the said obligation to pay, or the entitlement to be paid the said amount arises; and~~

~~(f) the Off-Peak Opportunity Transaction Rate shall be expressed in Canadian Dollars per MWh and shall be calculated by dividing (i) the total net amount that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, pursuant to the Applicable Off-Peak Opportunity Transactions, determined in accordance with this Section 2.6; by (ii) the total energy that was imported or exported by Hydro pursuant to the Applicable Off-Peak Opportunity Transactions, determined in accordance with this Section 2.6.~~

~~(2) The monthly amount to be paid to the Limited Partnership shall be calculated as follows:~~

~~(a) Hydro shall provide the Limited Partnership within ten (10) Business Days of the last day of each month during which Commissioning Energy is generated and received by Hydro at the Point of Interconnection with the Off Peak Opportunity Transaction Rate determined for that month. The amount to be paid for the Commissioning Energy received by Hydro shall be equal to:~~

~~(i) the Off-Peak Opportunity Transaction Rate, determined for that month; multiplied by~~

~~(ii) the Commissioning Energy received by Hydro during that month, as determined pursuant to Section 4.1.~~

~~Hydro shall credit the Limited Partnership with the monthly amount that is to be paid for the Commissioning Energy pursuant to this Section 2.6, on account of the Limited Partnership's indebtedness under the terms of the Construction Agreement and the Limited Partnership shall be entitled to set-off this credit against its indebtedness under the Construction Agreement.~~

~~2.7~~ 2.19 Term.

(~~1~~a) The Term of this Agreement shall ~~become effective on the Construction Start Date and shall continue for a period of twenty-five (25) years from the Final Closing Date unless extended under Section 2.7(2)~~be from April 1, 2013 to March 31, 2038 unless extended or terminated pursuant to the provisions of this Agreement. ~~(2)~~ The Term ~~of this Agreement~~ shall automatically be extended for periods of twenty-five (25) years each~~, prior to the expiry of the Term~~ starting on April 1, 2038 subject to the ~~condition that~~ following conditions being in effect for the period of time for which the Term is to be extended:

(i) Hydro or an Affiliate of Hydro must have an agreement with the Limited Partnership to operate and dispatch the Wuskwatim Project on substantially the same terms and conditions as those contained in the System Operations and Dispatch Agreement, or the Term shall be extended, subject to such amendments to the terms and conditions of this Agreement as Hydro acting reasonably may require if Hydro or an Affiliate of Hydro is not operating and controlling the Wuskwatim Project, including matters related to the dispatch of the Wuskwatim Generating Station on substantially the same terms and conditions as those contained in the System Operations and Dispatch Agreement or if any other Person is operating and controlling the Wuskwatim Project, including matters related to the dispatch of the Wuskwatim Generating Station; and

(ii) Hydro or an Affiliate of Hydro must have an agreement with the Limited Partnership to maintain and operate the Wuskwatim Project on substantially the same terms and conditions as those contained in the Operations and Maintenance Agreement, or the Term shall be extended, subject to such amendments to the terms and conditions of this Agreement as Hydro acting reasonably may require if Hydro or an Affiliate of Hydro is not operating and maintaining on substantially the same terms and conditions in the Operations and Maintenance Agreement or if any other Person is maintaining and operating the Wuskwatim Project.

(~~3~~b) Upon expiry of ~~the~~a Term or upon the termination of this Agreement, Hydro shall have no future or further obligation to purchase the Net Actual Generation and capacity of the Wuskwatim Generating Station or to make any ~~payment whatsoever~~further payments to the Limited Partnership and except for Hydro's and the Limited Partnership's rights and obligations arising prior to the expiry of the Term, the rights and obligations of the Parties ~~hereunder~~ under this Agreement shall end and the Limited Partnership shall be entitled to sell the energy and capacity of the Wuskwatim Generating Station to another ~~party~~Person. This Agreement shall not be construed to provide a residual value to either the Limited Partnership or Hydro or to any Person, for the right to use or benefit from the Limited Partnership's or Hydro's Property or the Integrated Power System following the expiry of the Term.

ARTICLE III
AFFIRMATIVE COVENANTS

3.1 Covenants.

During the Term of this Agreement~~ and any extension thereof,~~ the Limited Partnership ~~hereby~~ agrees to be bound by and to perform each of the following affirmative obligations:

~~(1) **Design, Engineering, Construction and Commissioning of the Wuskwatim Project**. At the Limited Partnership's sole expense, the Limited Partnership shall engage Hydro under the Construction Agreement to design, engineer, construct, install and commission the Wuskwatim Project in accordance with the provisions of the Construction Agreement, the Interconnection and Operating Agreement and any additional reasonable requirements or criteria of Hydro, communicated by Hydro to the Limited Partnership.~~

(~~2~~a) **Licences**. The Limited Partnership shall seek, obtain, maintain, comply with and as necessary, review and modify from time to time, at the Limited Partnership's sole expense, the Licences.

(~~3~~b) **Maintenance and Operation of the Wuskwatim Project**. The Limited Partnership shall operate, maintain and repair at the Limited Partnership's sole expense, the Wuskwatim Project in accordance with the reasonable guidelines, procedures, decisions, practices and policies of Hydro (or any Affiliate of Hydro) as amended from time to time and communicated by Hydro to the Limited Partnership and in accordance with the provisions of the Limited Partnership Contractual Obligations.

(~~4~~c) **Applicable Reliability Organization and Governmental Authority**. The Limited Partnership shall at the Limited Partnership's sole expense:

~~(a)~~ (i) cooperate to a reasonable extent with Hydro in fulfilling Hydro's duties and obligations (or the duties and obligations of any Affiliate of Hydro) as a participant in the Applicable Reliability Organization and pursuant to the Hydro Contractual Obligations, as amended from time to time in the same manner and to the same extent as Hydro (or any Affiliate of Hydro), as Hydro may advise;

~~(b)~~ (ii) cooperate with and provide in a timely manner any and all information or data required by the Applicable Reliability Organization or by Hydro for the Applicable Reliability Organization and any other necessary approvals related to the Wuskwatim Project, as Hydro may advise;

~~(c)~~ (iii) comply with the Applicable Reliability Organization procedures, decisions and policies, as Hydro may advise;

~~(d)~~ (iv) be bound by those requirements, decisions and policies of the Applicable Reliability Organization, as Hydro may advise, and those Hydro Contractual Obligations as amended from time to time, in the same manner and to the same extent as Hydro (or any Affiliate of Hydro), as Hydro may advise; and

~~(e)~~ (v) reimburse Hydro for actual costs and expenses imposed on Hydro (or any Affiliate of Hydro) by the Applicable Reliability Organization or Government Authority or pursuant to the Hydro Contractual Obligations which are associated with this Agreement or the Wuskwatim Project and any filing fees incurred by Hydro as a result of the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement.

(~~4~~d) **Point of Interconnection**. The Limited Partnership shall at the Limited Partnership's sole expense:

~~(a)~~ (i) cooperate with Hydro in maintaining the interconnection of the Wuskwatim Project to the Integrated Power System, and comply with all provisions of the Interconnection and Operating Agreement;

~~(b)~~ (ii) subject to Articles 2.10 to 2.13 of the PDA, modify the design of the Wuskwatim Project at any time in a manner consistent with Hydro's direction to ensure the interconnection and synchronous operation of the Wuskwatim Project with the Integrated Power System will be safe and reliable and will not adversely affect the Integrated Power System or any other utility's system, or services provided to Hydro's customers; and

~~(c)~~ (iii) cause the Net Actual Generation ~~and Commissioning Energy of the Wuskwatim Generating Station~~ to be delivered to Hydro at the Point of Interconnection.

(~~5~~e) **Fines and Penalties**. If fees, levies, fines, penalties, or costs or expenses are assessed against Hydro by any Governmental Authority due to non-compliance by the Limited Partnership of any provision of this Agreement or reasonably attributed to by the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement unless same relates to an Event of Hydro Default, the Limited Partnership shall indemnify and hold Hydro harmless against any and all losses, liabilities, damages, and claims suffered or incurred by Hydro, including claims for indemnity or contribution made by third parties against Hydro.

(~~6~~f) **Taxes and Fees**. Subject to Section 3.1(~~8~~h) the Limited Partnership shall be responsible for and pay all present or future federal, provincial, municipal or other lawful taxes (for greater certainty this does not include any income taxes that may be payable by Hydro), duties, levies or fees, which without limiting the generality of the foregoing shall include any value added tax or similar taxes, imposed directly or indirectly, which are applicable to Hydro or the Limited Partnership or the Wuskwatim Project by reason of the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement without any reimbursement in whole or in part from Hydro or Hydro shall, if such amounts have been paid by it, be entitled to bill the Limited Partnership in accordance with Article VIII and receive payment.

(~~7~~g) **Additional Costs**. If the application of any Laws (including any interpretation thereof) causes Hydro to be liable for additional taxes~~,~~ (for greater certainty this does not include any income taxes that may be payable by Hydro),, fees or assessments (“**Additional Costs**”) reasonably attributable to the Parties entering into this Agreement or in respect of the sale by the Limited Partnership and/or the purchase by Hydro of energy and capacity under this Agreement, Hydro may bill the Limited Partnership monthly for such Additional Costs pursuant to Article VIII and receive payment on account of these Additional Costs . These Additional Costs will be calculated so as to place Hydro in the same economic position (considering the timing of the Additional Costs and any expected benefits resulting from said taxes, fees, assessments by third parties) in which it would have been if it had not be liable for the Additional Costs.

(~~8~~h) **Environmental Credits**. The Limited Partnership shall obtain in its own name any and all environmental credits necessary to operate the Wuskwatim Project in compliance with Laws. Hydro acknowledges that any environmental credits will be assets of or credited to the Limited Partnership as applicable, conditional on the value of such environmental credits having not already been included in the Energy ~~Charge~~Calculation.

(~~9~~i) **Dispatch**. The Limited Partnership agrees that the Wuskwatim Generating Station shall at all times be operated and dispatched by Hydro in accordance with the guidelines, procedures, decisions, practices and policies of Hydro’s (or any Affiliate of Hydro) as amended from time to time and Hydro’s Contractual Obligations as amended from time to time and communicated by Hydro to the Limited Partnership and in accordance with the provisions of the System Operations and Dispatch Agreement, the Interconnection and Operating Agreement and the Operations and Maintenance Agreement.

(~~10) **Fee**. The~~j) **Fee**. Commencing the month following the month in which both the NCN Total Outstandings and the TPC Total Outstandings have been repaid in full the Limited Partnership shall pay Hydro for each month ~~to Hydro~~ a fee equal to ~~three~~thirty-six percent (~~3~~36%) of the Energy ~~Charges to be paid~~ Calculation payable by Hydro for that month in accordance with the provisions this Agreement plus all present or future Federal, Provincial, Municipal or other lawful taxes, (for greater certainty this does not include any income taxes that may be payable by Hydro) duties, levies or fees, which without limiting the generality of the foregoing should include any value added tax or similar taxes, imposed directly or indirectly on Hydro or the Limited Partnership in respect of the fee. This fee is to compensate Hydro for:

~~(a)~~ (i) assuming the risk that the energy purchased pursuant to this Agreement cannot be sold as a Long-Term Transaction;

~~(b)~~ (ii) not requiring the Limited Partnership pursuant to this Agreement to supply a minimum amount of On-Peak Energy;

~~(c)~~ (iii) costs of lost opportunities arising from the utilization of Hydro's transmission tie-line capacity as a consequence of Hydro's purchase of energy and capacity pursuant to this Agreement at the Point of Interconnection; ~~and~~

~~(d)~~ (iv) assuming the transmission risk in Manitoba associated with Hydro's acceptance of the delivery of all of the energy pursuant to this Agreement at the Point of Interconnection for resale at a different delivery point; and

(v) the suspension of marketing and certain other fees that would have otherwise been payable under the terms of the Initial PDA, had it remained in effect, implemented during the period loans are outstanding under the NCN Financing Agreement and the TPC Financing Agreement.

Hydro may bill this fee to the Limited Partnership or set it off against the amount otherwise due to the Limited Partnership pursuant to the provisions of this Agreement.

(~~11~~k) **Records**. The Limited Partnership shall prepare and maintain or cause to be prepared and maintained complete and accurate operating and other records as Hydro may from time to time request, acting reasonably. This shall include all records required by any Applicable Reliability Organization to maintain accredited capacity for the Wuskwatim Generating Station. Without limiting the generality of the foregoing the Limited Partnership shall on written notice from Hydro provide or cause to be provided all documents and information necessary to meet the accreditation requirements for the Wuskwatim Generating Station of any Applicable Reliability Organization during the Term of this Agreement. The Limited Partnership acknowledges that Hydro may release such information and documentation to the Applicable Reliability Organization in respect of any application or maintenance of accredited capacity for the Wuskwatim Generating Station. In addition Hydro shall have access to inspect and test such metering and other recording equipment and operating records as may be required in respect of any accreditation process.

(~~12~~l) **Inspection**. The Limited Partnership shall provide Hydro and its representatives with access to the Wuskwatim Project and the records relating to the Wuskwatim Project including all records required to be prepared and maintained in accordance with Section 3.1(~~12~~k) of this Agreement and Hydro shall be entitled to make and retain copies of all such records. The inspection of the Wuskwatim Project and the review of the records shall not relieve the Limited Partnership of any of its obligations under this Agreement.

3.2 Acknowledgement and Waiver.

The Limited Partnership expressly acknowledges and agrees that the ~~aforesaid~~ covenants in section 3.1 are obligations solely of the Limited Partnership and that while Hydro may be a party to other agreements with the Limited Partnership, in respect of certain matters related to the aforesaid covenants, the Limited Partnership shall be bound by and shall be responsible for the performance of the aforesaid covenants in accordance with the provisions of this Agreement and any breach of the aforesaid covenants shall be an Event of Limited Partnership Default in accordance with the provisions of this Agreement. The Limited Partnership waives any right to:

(a) defend a claim by Hydro that an Event of Limited Partnership Default has occurred under the provisions of this Agreement; or

(b) to claim Hydro contributed to the breach of any provision of this Agreement; or

(c) refuse to make any payment that is required to be made pursuant to the provisions of this Agreement or to not comply with any other provision of this Agreement;

due to or as a result of an act or omission in any way associated with the provisions of the Construction Agreement, the System Operations and Dispatch Agreement, the Operations and Maintenance Agreement or the Interconnection and Operating Agreement, and without restricting the generality of the foregoing would include any breach by Hydro of any provision of those agreements or the supply of services by Hydro or the performance of work by Hydro under the provision of those agreements. The waiver of rights by the Limited Partnership does not extend to any act or omission by Hydro under any of the aforesaid agreements, for which Hydro is found to be liable under those agreements due to Hydro's gross negligence or willful misconduct.

ARTICLE IV
METERING

4.1 Determination of Energy Delivered.

The amount of On-Peak Energy~~,~~ and Off-Peak ~~Energy and Commissioning~~ Energy delivered by the Limited Partnership to the Point of Interconnection and received by Hydro during any particular time period in the Hydro Financial Year, shall for the purposes of this Agreement, including ~~Section 2.2,~~Sections 2.2 and 2.3, be determined to be equal to:

(a) the quantum of energy measured by metering equipment at or near the Point of Interconnection, in accordance with ~~Section 4.2~~Sections 4.3, 4.4, 4.5,4.6 and 4.7 for any particular period of time; reduced by

(b) the Hydro High Voltage Transmission System Energy Losses applicable for that period of time.

4.2 Transmission System Losses

The Hydro High Voltage Transmission System Energy Losses for any particular period in the Hydro Financial Year shall be determined by Hydro and provided to the Limited Partnership within ten (10) Business Days of the last day of the particular period and shall be expressed as a percentage equal to:

(a) the energy generated and delivered to Hydro's High Voltage Transmission System for that particular period of time during that applicable Hydro Financial Year, from all of the hydraulic and thermal electric generation facilities that form part of the Integrated Power System, (which shall be determined by Hydro measuring the generation and delivery of that energy expressed in GWh); less

(b) the energy delivered from the Hydro High Voltage Transmission System, during that particular period of time in the Hydro Financial Year, to other parts of the Integrated Power System, (which shall be determined by Hydro measuring that energy at exit points, selected by Hydro, from the Hydro High Voltage Transmission System, expressed in GWh); divided by

(c) the amount determined in ~~4.1(c).~~4.1.

~~4.2~~ 4.3 Metering ~~Requirements.~~Equipment.

~~(1)~~ Subject to Section ~~4.2(4)~~4.6 Hydro shall provide, install, operate, maintain and own and/or control metering equipment of revenue quality (the "**Hydro Metering Equipment**"), for the Wuskwatim Generating Station at or near the Point of Interconnection the exact location of which shall be determined by Hydro. The Limited Partnership shall reimburse Hydro for all actual costs and expenses incurred by Hydro under this Article IV, including those associated with the operation, maintenance and administration of the Hydro Metering Equipment and the provision of metering data to the Limited Partnership.

4.4 Operation and Maintenance of Metering Equipment

~~(2)~~ The Hydro Metering Equipment shall be installed, calibrated, repaired, replaced, maintained and tested in accordance with the provisions of the *Electricity and Gas Inspection* Act (Canada) as amended from time to time and any reasonable guidelines, procedures, decisions, practices and policies of Hydro. The Limited Partnership shall provide and maintain without charge, convenient, accessible and safe space at or near the metering point for Hydro Metering Equipment, which shall be in the care of and at the risk of the Limited Partnership. Unless Hydro shall otherwise advise the Limited Partnership, Hydro shall in accordance with any guidelines, procedures, decisions, practices and ~~polices~~policies of Hydro read the meters and supply such meter readings to the Limited Partnership no later than the end of the third Business

Day of each month. Metering records shall be available at all reasonable times to the Limited Partnership.

4.5 Hydro Access to and Testing of Metering Equipment

~~(3)~~ Authorized employees and agents of Hydro shall at reasonable times have free and uninterrupted access to the Wuskwatim Project for the purpose of reading and conducting tests on the Hydro Metering Equipment. Hydro may test, calibrate, maintain, remove and replace the Hydro Metering Equipment at any time. Hydro shall at the Limited Partnership's expense, inspect and test the Hydro Metering Equipment upon installation and at least once every two (2) years, thereafter. If requested to do so by the Limited Partnership, Hydro shall inspect or test metering equipment more frequently than every two (2) years. Hydro shall give reasonable notice of the time when any inspection or test shall take place, and the Limited Partnership may have representatives present at the test or inspection. Unless provided otherwise by the *Electricity and Gas Inspection Act* (Canada) or other Laws, if Hydro Metering Equipment is found to be inaccurate or defective, it shall be adjusted, repaired or replaced at the Limited Partnership's expense, in order to provide accurate metering. If Hydro Metering Equipment fails to register, or if the measurement made by Hydro Metering Equipment during a test varies by more than one percent (1%) from the measurement made by the standard meter used in the test, adjustment shall be made correcting all measurements made by the inaccurate meter for (i) the actual period during which inaccurate measurements were made, if the period can be determined, or if not, (ii) the period immediately preceding the test of the Hydro Metering Equipment equal to one-half the time period from the date of the last test of the Hydro Metering Equipment provided that the period covered by the correction shall not exceed six months. Hydro shall provide copies of its metering tests to the Limited Partnership, which shall provide the information to TPC at least biannually.

4.6 Alternate Metering Equipment.

~~(4)~~ Hydro may on notice to the Limited Partnership advise that it shall not install its own metering equipment in accordance with the provisions of Sections ~~4.2(1), (2)~~4.3, 4.4 and ~~(3~~4.5) and shall for the purposes of ~~Section 4.1,~~Sections 4.1 and 4.2, have the quantum of energy determined by the metering equipment installed, operated, maintained, owned and/or controlled by Hydro (Transmission and Development Business Unit) pursuant to the provisions of the

Interconnection and Operating Agreement. The Parties agree that in the event Hydro provides this notice that the metering data provided to the Limited Partnership pursuant to the provisions of the Interconnection and Operating Agreement shall be used for the purposes of determining the quantum of energy delivered to the Point of Interconnection.

4.7 IOA Inspections and Testing

The Parties also agree to be bound by the inspection and testing provisions of the Interconnection and Operating Agreement and to any adjustments or corrections that are made in accordance with the provisions of that agreement to the metering measurements and data and Hydro shall be entitled to receive all metering data and records that the Limited Partnership receives pursuant to the provisions of the Interconnection and Operating Agreement. Hydro shall also be entitled to attend with the Limited Partnership at all testing of the metering equipment under the provisions of the Interconnection and Operating Agreement. The Limited Partnership agrees to cause the metering equipment to be inspected or tested in accordance with the provisions of the Interconnection and Operating Agreement if Hydro so requests. Hydro shall retain its right on reasonable notice to the Limited Partnership to install the Hydro Metering Equipment in accordance with Sections ~~4.2(1), (2)~~4.3, 4.4 and ~~(3)~~4.5 at a subsequent date and to have those provisions apply for the determination of the quantum of energy delivered to the Point of Interconnection.

ARTICLE V
ENERGY RATE ADJUSTMENTS

5.1 Report on Long-Term Transactions and Opportunity Transactions.

Hydro shall provide the Limited Partnership within thirty (30) days of the last day of each Hydro Financial Year with a written report of the amount of energy (expressed in GWh) that was bought or sold pursuant to the Long-Term Transactions that were used to calculate the Long-Term Transaction Rate for that Hydro Financial Year and the amount of energy (expressed in GWh) that was bought or sold pursuant to the Opportunity Transactions that were used to calculate the Opportunity Transaction Rate for that Hydro Financial Year. Such report shall also include particulars of the ~~determinations, allocations or adjustments (the "~~Adjustments~~")~~ made by Hydro pursuant to ~~Sections 2.2(1)(c), (d), and (e) and 2.2(3)(c), (d) and (e) respectively.~~Section 2.4

5.2 Insufficient Transaction in Respect of Long-Term Transaction Rate.

If the report prepared by Hydro pursuant to Section 5.1 in respect of a particular Hydro Financial Year discloses there were Insufficient Transactions in respect of the Long-Term Transaction Rate for that Hydro Financial Year, then, subject to an Energy Rate Review brought pursuant to Article XVII of the PDA the compensation to be paid by Hydro for the On-Peak Energy received by Hydro at the Point of Interconnection on a Canadian Dollar per MWh basis during that Hydro Financial Year (the "**Insufficient Long-Term Transaction Year**") shall be based on a rate that is equal to the actual weighted average price over the Insufficient Long-Term Transaction Year that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid, for the energy and capacity purchased or sold by Hydro pursuant to all applicable On-Peak Opportunity Transactions during the Insufficient Long-Term Transaction Year (the "**On-Peak Opportunity Transaction Rate**") determined in the following manner:

(a) only those On-Peak Opportunity Transactions or portions thereof applicable to the time period where the energy sold or purchased physically crossed the Manitoba border and were delivered during the Insufficient Long-Term Transaction Year, as determined by Hydro in accordance with Good Utility Practice, (the "**Applicable On-Peak Opportunity Transactions**") shall be included in determining the actual weighted average price over the Insufficient Long-Term Transaction Year;

(b) Hydro, acting reasonably, in addition to all other allocations or adjustments that may be required, shall include the portion of the price, if any, that is payable for capacity, which is attributable to that portion of the energy that physically crossed the Manitoba border and was delivered during the Insufficient Long-Term Transaction Year for each of the Applicable On-Peak Opportunity Transactions in determining the actual average weighted price over the Insufficient Long-Term Transaction Year;

(c) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable On-Peak Opportunity Transactions shall be adjusted to reflect the price at the Manitoba border, net of all charges or credits applicable to or allocated by Hydro, acting reasonably to the Applicable On-Peak Opportunity Transactions. The charges or credits will include actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but shall not include Hydro's administrative and general overhead costs and expenses or any costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement;

(d) the actual price that Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid pursuant to the Applicable On-Peak Opportunity Transactions shall be determined in Canadian Dollars per MWh and if Hydro, as purchaser is obligated to pay or Hydro, as seller is entitled to be paid in U.S. Dollars pursuant to any of the Applicable On-Peak Opportunity Transactions, the amounts shall be converted to Canadian Dollars (after the ~~adjustments~~Adjustments referred to in ~~this~~ Section ~~5.2~~2.4) by reference to the average Equivalent Canadian Dollar Amount ~~on the last Business Day of~~for the month, during which the said obligation to pay, or the entitlement to be paid the said amount arises; and

(e) the On-Peak Opportunity Transaction Rate shall be expressed in Canadian dollars per MWh and shall be calculated by dividing (i) the total net amount that Hydro, as purchaser, is obligated to pay or Hydro, as seller, is entitled to be paid, pursuant to the Applicable On-Peak Opportunity Transactions, determined in accordance with this Section 5.2; by (ii) the total energy that was imported or exported by Hydro pursuant to the Applicable On-Peak Opportunity Transactions, determined in accordance with this Section 5.2.

If as a result of an Energy Rate Review ~~brought~~ pursuant to Article XVII of the PDA, the compensation to be paid by Hydro for the On-Peak Energy received by Hydro during the Insufficient Long-Term Transaction Year is greater than or less than the compensation determined in accordance with this Section 5.2, then Hydro shall prepare a reconciliation of the amount owing to the Limited Partnership by Hydro or that Hydro has overpaid. The reconciliation shall adjust for all amounts that the Limited Partnership is required to pay to

Hydro, that is based on or is otherwise determined from the Energy ~~Charge~~Calculation paid by Hydro to the Limited Partnership for the delivery of the Net Actual Generation, including the fee to be paid pursuant to Section 3.1(~~11~~j). On completion of the reconciliation any amount overpaid by Hydro, shall immediately be paid by the Limited Partnership to Hydro, without interest, unless Hydro agrees in writing to receive same as a credit on account of any amount otherwise required to be paid pursuant to the provisions of this Agreement and any additional amount owing by Hydro shall immediately be paid by Hydro to the Limited Partnership without interest.

5.3 Insufficient Transactions in Respect of the Opportunity Transaction Rate.

If the report prepared by Hydro pursuant to Section 5.1 in respect of a particular Hydro Financial Year discloses there were Insufficient Transactions in respect of the Opportunity Transaction Rate for that Hydro Financial Year, then, the compensation to be paid by Hydro for the Off-Peak Energy received by Hydro during that Hydro Financial Year and for all subsequent years shall, subject to any future Energy Rate Review, be determined pursuant to the Energy Rate Review, brought pursuant to Article XVII of the PDA.

5.4 Adjustment of Energy Rate.

The Energy Rate payable under this Agreement shall be adjusted to accord with the agreement of the Parties or the decision of an Expert made pursuant to an Energy Rate Review and Transaction Rate Review. Forthwith after any agreement or decision which has retroactive effect, Hydro shall prepare a reconciliation of the amount that is owing to the Limited Partnership by Hydro or the amount that Hydro has overpaid. The reconciliation shall adjust for all amounts that the Limited partnership is required to pay to Hydro, that is based on or is otherwise determined from the Energy ~~Charge~~Calculation paid by Hydro to the Limited Partnership adjust for all amounts that the Limited partnership is required to pay to Hydro, that is based on or is otherwise determined from the Energy Calculation paid by Hydro to the Limited Partnership for the delivery of the Net Actual Generation, including the fee required to be paid pursuant to Section 3.1(~~11~~j). On completion of the reconciliation any amount overpaid by Hydro, shall immediately be paid by the Limited Partnership to Hydro, without interest, unless Hydro agrees in writing to receive same as a credit on account of any amount otherwise required to be paid to the Limited Partnership pursuant to the provisions of this Agreement and any additional amount owing by Hydro shall immediately be paid by Hydro to the Limited Partnership without interest.

ARTICLE VI
ENERGY RATE REVIEWS AND TRANSACTION RATE REVIEWS

6.1 Energy Rate Review.

The Long-Term Transaction Rate and the Opportunity Transaction Rate used to determine the Energy Rate have been agreed to as a proxy or reasonable substitute to capture the enhanced value of the energy and capacity to Hydro in the electricity markets available to Hydro outside of Manitoba and the recovery of associated costs related to the purchase of the energy and capacity from the Limited Partnership and the resale in the electricity markets available to Hydro outside of Manitoba. The Energy Rate has been arrived at based on industry practices existing as at the date of this Agreement for the pricing of different types of transactions for different classes or categories of energy. Industry practices may change during the Term, possibly significantly. For this reason, the Pricing ~~Principle~~Principles and Pricing Criteria described in Sections 6.2 and 6.3 have been established to ~~govern~~ apply to any Energy Rate Review. Subject to Sections 6.2 and 6.3, the Energy Rate may be reviewed from time to time in the manner provided in Article XVII of the PDA.

~~6.2~~ 6.2 Pricing ~~Principle~~Principles.

~~The pricing principle set forth below (the "**Pricing Principle**") shall govern any Energy Rate Review:~~

~~(a) the~~The rate Hydro is to pay for the capacity, of and the energy generated by, the Wuskwatim Project will be based on the value of the energy and capacity to Hydro at the Manitoba border in the electricity markets available to Hydro outside of Manitoba. During the ten year period from 2014/15 to 2023/24, the Domestic Transaction Rate will form a portion of the rate Hydro will pay the Limited Partnership. In the years after the NCN Total Outstandings and TPC Total Outstandings are repaid in full, the Fee will be implemented in place of all fees that would have been payable under the terms of the Initial PPA had it remained in effect.

These principles shall be collectively known as "the **Pricing Principles**" for purposes of any Rate Review.

~~6.3~~ 6.3 Pricing Criteria.

~~In the application of the Pricing Principle, during~~During an Energy Rate Review the following pricing criteria (the "**Pricing Criteria**") shall be ~~applied~~applicable:

(a) the rate will recognize: (i) the effects of ~~the~~ applicable constraints and regulations that may limit access to the electricity markets outside of Manitoba; and (ii) any other risks or actual costs to Hydro, associated with or applicable to the purchase of the energy and capacity of the Wuskwatim Project from the Limited Partnership and the resale of that energy and capacity in ~~the~~ electricity markets outside of Manitoba (to the extent Hydro has not been compensated for these risks or costs pursuant to other provisions of this Agreement);

(b) in determining the value of the energy and capacity of the Wuskwatim Project the rate will recognize that the Wuskwatim Project is operated by Hydro as part of the Integrated Power System and although Hydro, as purchaser, accepts the energy from the Wuskwatim Project as it is produced on an hourly basis, Hydro through its operation of the Integrated Power System is able to allocate portions of the energy into other time periods;

(c) if Hydro is exporting or importing energy to or from electricity markets outside of Manitoba in reasonable quantities (the determination of which is not restricted by the quantum referenced for Insufficient Transactions), the price that Hydro obtained at the Manitoba border for the export or import of the energy that physically crossed the Manitoba border pursuant to the export or import transactions ~~(net of all charges or credits associated with or applicable to those transactions including actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but not including Hydro's administrative and general overhead costs and expenses or any costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement) will be used when determining the~~

~~value of the energy and capacity of the Wuskwatim Project to Hydro~~net of all Adjustments ; and

(d) if Hydro is not exporting or importing energy and capacity in reasonable quantities (the determination of which is not restricted by the quantum referenced for Insufficient Transactions), then, subject to Section 6.3(a)(ii), the determination of value to Hydro will be made based on the price that Hydro could have obtained at the Manitoba border if it was exporting energy and capacity to electricity markets available to Hydro outside of Manitoba ~~(net of all charges or credits associated with or applicable to those transactions including actual costs and expenses that Hydro has incurred which were reasonably necessary to provide access to the export markets or to facilitate Hydro entering into export transactions but not including Hydro's administrative and general overhead costs and expenses or any other costs or expenses that Hydro has been reimbursed for, pursuant to other provisions of this Agreement).~~net of all Adjustments.

~~6.4~~ 6.4 Transaction Rate Review.

The Adjustments made by Hydro ~~pursuant to Sections 2.2(1)(c), (d) and (e) and 2.2(3)(c), (d) and (e), as the case maybe,~~ may be reviewed in the manner provided in Article XVII of the PDA.

ARTICLE VII
REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties of the Limited Partnership.

The Limited Partnership ~~hereby~~ represents and warrants that each of the following representations and warranties is true and ~~correct~~accurate:

(a) the Limited Partnership is a limited partnership duly formed, validly existing and in good standing under the laws of the Province of Manitoba and has all requisite power and authority to own, operate or lease the properties owned or to be owned, operated or leased by the Limited Partnership and to carry on its business as contemplated by the Limited Partnership Agreement; and

(b) this Agreement has been duly authorized, executed and delivered by the General Partner by or on behalf of the Limited Partnership and is a legal, valid and binding obligation of the Limited Partnership and of the General Partner enforceable against each of them by Hydro in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction or by this Agreement, at the discretion of the Arbitrator.

7.2 Survival of Representations and Warranties of the Limited Partnership.

All the representations and warranties of the Limited Partnership ~~contained~~ in Section 7.1 shall survive the execution and delivery of this Agreement and shall continue in full force and effect notwithstanding any investigation made at any time by or on behalf of Hydro.

7.3 No Representations by the Limited Partnership.

No other representation, warranty or other statement made by the Limited Partnership in respect of this Agreement shall be binding on the Limited Partnership unless made by it in writing as a specific amendment to this Agreement.

7.4 Representations and Warranties of Hydro.

Hydro ~~hereby~~ represents and warrants that each of the following representations and warranties is true and ~~correct~~accurate:

(a) Hydro is a corporation duly incorporated and organized and validly subsisting under the laws of the Manitoba and has the corporate power and authority to own or lease its property and to enter into this Agreement and to perform its obligations hereunder, subject to the provisions of the *Hydro Act*; and

(b) this Agreement has been duly authorized, executed and delivered by Hydro and is a legal, valid and binding obligation of Hydro enforceable against Hydro by the Limited Partnership in accordance with its terms, except as enforcement may be limited by the provisions of the *Hydro Act* and by bankruptcy, insolvency and other laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction or, by this Agreement, at the discretion of the Arbitrator.

7.5 Survival Representations and Warranties of Hydro.

All the representations and warranties of Hydro contained in Section 7.4 shall survive the execution of this Agreement and shall remain in full force and effect notwithstanding any investigation made at any time by or on behalf of the Limited Partnership.

7.6 No Representations by Hydro.

No other representation, warranty or other statement made by Hydro in respect of this Agreement shall be binding on Hydro unless made by it in writing as a specific amendment to this Agreement.

ARTICLE VIII

BILLING, PAYMENTS AND ADJUSTMENTS

8.1 ~~Billing~~Billings, Payments and Adjustments~~.~~

(1) All billings shall be calculated monthly at the end of each calendar month and reconciled monthly and yearly in accordance with provisions of this Agreement.

(2) ~~All bills shall be delivered monthly by the~~ The Limited Partnership shall deliver all bills to Hydro~~. Bills shall be delivered~~ monthly within twenty-one (21) calendar days after the end of the period covered by ~~such~~ the bill. The period for billing shall be from 12:01 a.m. (Winnipeg time) of the first calendar day of the month to 12:01 a.m. (Winnipeg time) of the first calendar day of the succeeding month~~.~~ Bills shall be ~~deemed~~ considered rendered upon receipt by Hydro. If all information necessary is not accurately known in time for the preparation of the monthly bill, estimates may be used to prepare an interim bill with a final bill to be prepared when accurate information becomes known.

(3) All bills shall be due and payable in immediately available same-day funds within five (5) Business Days from the date the bill is rendered. If such due date falls on a non -Business

Day, the payment shall be due and payable on the next following Business Day. Payments received after the due date shall be considered late. Late payments shall include a fee equal to the amount determined by applying interest at the prime rate established by the Limited Partnership's bank plus two percent (2%) per annum to the overdue amount billed for the period the payment is late.

(4) If a Party disputes all or any part of a bill, that Party shall pay the amount of the bill not in dispute to the other Party and shall pay into an account specified by Hydro that portion of the bill in dispute, pending resolution of such dispute. If the resolution of a dispute regarding a bill results in a refund, interest thereon shall accrue at whatever rate of interest is applicable to the account into which the disputed amount has been deposited.

(5) Payment of all bills shall be made by interbank wire transfer to the Limited Partnership bank in accordance with the account instructions as provided by the Limited Partnership and payment shall be deemed made when received by the designated bank.

(6) Hydro shall bill the Limited Partnership for all actual costs and expenses which it incurs in connection with this Agreement. The Limited Partnership's payment to Hydro under this paragraph shall be made within five (5) Business days following receipt of the written bill from Hydro. Payments made after the due date shall be considered late and shall bear interest on the unpaid balance at an annual rate of the Limited Partnership's bank's prime interest rate plus two percent (2%) per annum.

(7) Hydro shall have the right to set-off and/or recoup against payments to be made to the Limited Partnership by the terms of this Agreement any amount reasonably believed by Hydro to be due to Hydro from the Limited Partnership under Section 3.1(~~11~~j) and under Section 9.3(b). Hydro's exercise of its right of retention under this section is without prejudice to the Limited Partnership's right to contest the set-off and the claim upon which the set-off is based. Where Hydro exercises its right of set-off or recoupment, Hydro shall notify the Limited Partnership in writing of the specific basis for the set-off or recoupment in reasonable detail, including the basis for calculation of the amount believed to be due to Hydro.

ARTICLE IX

SPILL ENERGY REVENUE ADJUSTMENT

9.1 Article IX Definitions.

For purposes of this Article IX, defined terms shall have the following meanings:

"**Average On-Peak Energy Price**" means the average Energy Rate paid by Hydro to the Limited Partnership for On-Peak Energy, calculated on an annual basis, pursuant to this Agreement for a particular Hydro Financial Year less:

(a) Transmission Costs;

(b) the Fee, if applicable; and

(c) Water Rental Charges.

"**Average Off-Peak Energy Price**" means the average Energy Rate paid by Hydro to the Limited Partnership for Off-Peak Energy, calculated on an annual basis, pursuant to this Agreement for a particular Hydro Financial Year less:

(a) Transmission Costs;

(b) the Fee, if applicable; and

(c) Water Rental Charges.

"**CRD**" means the diversion of water from the Churchill River to the Nelson River and the impoundment of water on the Rat River and Southern Indian Lake as authorized by the CRD Licence;

"**CRD Licence**" means the interim or final licence and associated approvals to operate the CRD granted from time to time by Manitoba to Hydro under *The Water Power Act* (Manitoba);

"**CRD Wuskwatim Spill Energy**" means the total energy in GWh that could have been generated at the Wuskwatim Generating Station within each Hydro Financial Year as On-Peak

Spill Energy and as Off-Peak Spill Energy, respectively, had excess water not been spilled at Missi Falls calculated in accordance with Section 9.2.

"**Fee**" means the fees payable by the Limited Partnership to Hydro under Section 3.1(j) of this Agreement.

"**Missi Falls**" means the Missi Falls Control Station operated by Hydro.

"**Missi Falls Minimum Flow**" means the minimum discharge requirement as specified in the licences issued to Hydro for Missi Falls under the CRD Licence or other licence, permit or regulatory provisions applicable to the operation of Missi Falls from time to time.

"**Notigi**" means the Notigi Control Station operated by Hydro.

"**Notigi Maximum Flow**" means the maximum discharge requirement as specified in the licences issued to Hydro for Notigi under the CRD Licence or other licence, permit or regulatory provisions applicable to the operation of Notigi from time to time.

"**Off-Peak Spill Energy**" means that portion of CRD Wuskwatim Spill Energy, measured in MWh, that would have been generated as Off-Peak Energy minus 1.73 GWh or such other amount of energy to be deducted as determined in a Rate Review.

"**On-Peak Spill Energy**" means that portion of CRD Wuskwatim Spill Energy, measured in MWh, that would have been generated as On-Peak Energy minus 0.87 GWh or such other amount of energy to be deducted as determined in a Rate Review.

"**Spill Energy Revenue Adjustment**" means the amount calculated pursuant to Section 9.3.

"**SPLASH Modelling**" means the results Hydro generated as at the Hydro Financial Year ending on March 31, 2005 under its computer model (Simulation Program for Long-term Analysis of System Hydraulics) to simulate the operation of the Integrated Power System under a series of flow conditions with the objective of meeting a forecast of load requirements and maximizing revenues while recognizing limitations imposed by licences and agreements.

"**Transmission Costs**" means costs related to the transmission of Net Actual Generation received by Hydro at the Point of Interconnection on the Hydro Transmission System.

"**Water Rental Charges**" means the Water Rental charges payable to the Province of Manitoba, under *The Water Power Act* (Manitoba), for use of water for the Wuskwatim Project.

"**Wuskwatim GS Spill**" means a spill or release of water at the Wuskwatim Project as a result of operating conditions.

9.2 CRD Wuskwatim Spill Energy Calculation.

The CRD Wuskwatim Spill Energy shall be the sum of the On-Peak Spill Energy and the Off-Peak Spill Energy and shall be determined:

(a) based on an amount of water flow equal to the lesser of:

(i) Missi Falls flow in excess of the Missi Falls Minimum Flow; if the value is less than zero, the value shall equal zero;

(ii) Notigi Maximum Flow in effect at the time minus the actual Notigi flow, if the value is less than zero, the value shall equal zero;

(iii) zero during any period during which a Wuskwatim GS Spill occurs; and

(iv) zero during any period in which Hydro is unable to accept energy generated at the Wuskwatim Generating Station due to domestic transmission constraints per Section 2.18 of this Agreement;

(b) with allowance for:

(i) Missi Falls flow in excess of the Missi Falls Minimum Flow considered necessary by Hydro, acting in accordance with Good Utility Practice, to manage wind effects, ice formation, emergency conditions, control structure manual operability constraints, or other relevant factors; and

(ii) Notigi flow below Notigi Maximum Flow considered necessary by Hydro, acting in accordance with Good Utility Practice, to manage wind effects, operation to manage ice formation, emergency conditions, control structure manual operability constraints, all other relevant factors;

(c) provided that if Wuskwatim generation units are out of service or derated, the calculation of CRD Wuskwatim Spill Energy shall be reduced by the amount of energy that potentially could have been generated if generation units were not out of service or derated.

9.3 Revenue Adjustment Calculation.

Within one hundred twenty (120) days of the end of each Hydro Financial Year, commencing in the Hydro Financial Year ending March 31, 2015, Hydro shall provide the Limited Partnership and the Limited Partners with a calculation of the CRD Wuskwatim Spill Energy and the following information:

(a) the CRD Wuskwatim Spill Energy for the immediately preceding Hydro Financial Year;

(b) the particulars of the calculation of the CRD Wuskwatim Spill Energy, the Average On-Peak Energy Price, the Average Off-Peak Energy Price, the On-Peak Spill Energy Amount, if any, and the Off-Peak Spill Energy Amount, if any, for that Hydro Fiscal Year; and

(c) the data and methodologies which formed the basis of the calculations, in reasonable detail so each Limited Partner can verify the calculations.

9.4 Payment of Revenue Adjustment.

Within thirty (30) days of providing the information in Section 9.3:

(a) if the CRD Wuskwatim Spill Energy is a number greater than zero, Hydro shall pay to the Limited Partnership an amount equal to the sum of:

(i) the product of the On-Peak Spill Energy and the Average On-Peak Energy Price; and

(ii) the product of the Off-Peak Spill Energy and the Average Off-Peak Energy Price.

(b) if the CRD Wuskwatim Spill Energy is a number less than zero, the Limited Partnership shall pay to Hydro an amount equal to the sum of:

(i) the product of the On-Peak Spill Energy Amount, negative one (-1.0), and the Average On-Peak Energy Price; and

(ii) the product of the Off-Peak Spill Energy, negative one (-1.0), and the Average Off-Peak Energy Price.

Hydro may set-off any amount payable by the Limited Partnership pursuant to Section 9.4 against any amounts Hydro is obligated to pay the Limited Partnership pursuant to this Agreement.

9.5 Spill Energy Amount and Revenue Adjustment Review.

The Parties agree that the CRD Wuskwatim Spill Energy and the data and methodologies which formed the basis of the calculations used in determining the Spill Energy Revenue Adjustment may be reviewed from time to time in the manner provided for in Article XVII of the PDA. The Parties agree that the principles to be considered in a Rate Review of the CRD Wuskwatim Spill Energy and the Spill Energy Revenue Adjustment are that:

(a) the Parties intend the Limited Partnership receives or pays an annual adjustment that would make the annual total revenue of the Limited Partnership equal to that which it would have received if the CRD Wuskwatim Spill Energy equaled the average amount of spill energy predicted by the SPLASH Modelling for Hydro's Financial Year ending March 31, 2005; and

(b) the Fee and the Water Rental Charges in effect at the date of each adjustment shall be subtracted from the amount of the adjustment.

ARTICLE X~~ARTICLE IX~~

EVENTS OF DEFAULT

10.1 ~~9.1~~ Event of Limited Partnership Default

If any of the following events, conditions or circumstances (each an "**Event of Limited Partnership Default**") shall occur and be continuing~~:~~, then Hydro by written notice to the Limited Partnership shall be entitled to terminate the obligations of Hydro under this Agreement:

(1) any representation or warranty or certification made or deemed to be made by the Limited Partnership pursuant to or in connection with this Agreement delivered to Hydro shall prove to have been incorrect in any material respect when made or deemed to have been made;

(2) an Arbitrator makes a determination that the Limited Partnership failed to perform or observe any term, covenant or agreement contained in this Agreement, on its part to be performed or observed and such failure shall remain unremedied after the end of the period within which the Arbitrator determines the Limited Partnership is required to remedy such failure;

(3) (the Limited Partnership shall:

(a) become insolvent or generally not pay its debts as such debts become due;

(b) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(c) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(d) institute or have instituted against it any proceeding seeking:

(i) to adjudicate it a bankrupt or insolvent;

(ii) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(iii) the entry of an order for relief or the appointment of a receiver, interim receiver, receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of the Limited Partnership's Property;

(iv) and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within 30 days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of the Limited Partnership's Property) shall occur; or

(v) take any action to authorize any of the foregoing actions;

(4) Notice is sent to or received by the Limited Partnership from any creditor with respect to the intention of such creditor to enforce a lien on any Property of the Limited Partnership unless such Notice is being contested in good faith by appropriate legal proceedings and such Notice has not resulted in, or does not involve, any immediate danger of the sale, forfeiture or loss of any of the Property of the Limited Partnership that is the subject of such Notice;

(5) any one or more judgments or orders in excess of $75,000 (or the equivalent in another currency) in the aggregate, or any one or more orders, directives, letters of credit or other communications from any Governmental Authority which may be reasonably likely to require the Limited Partnership to expend an amount in excess of $75,000 (or the equivalent amount in another currency) in the aggregate shall be rendered against the Limited Partnership, and either:

(a) enforcement proceedings shall have been commenced by any creditor upon any such judgment(s) or order(s); or

(b) there shall be any period of ten (10) consecutive Business Days during which a stay of enforcement of any such judgment or order, directive, letter or other communication by reason of a pending appeal or otherwise, shall not be in effect;

(6) the loss, suspension or failure to renew any Licence or any other licence or permit held by the Limited Partnership or any agreement to which the Limited Partnership is a party the effect of which would prohibit or otherwise restrict the Limited Partnership from conducting all or a material part of the Business; or

(7) the occurrence of a Material Adverse Business Effect~~;then, and in any such event, Hydro shall by written notice to the Limited Partnership be entitled to terminate the obligations of Hydro under this Agreement~~.

10.2 ~~9.2~~ Expense of Hydro

Upon the occurrence of any Event of Limited Partnership Default, which has not been waived and is continuing, Hydro may take any action Hydro considers advisable, acting reasonably, to remedy the effect of such Event of Limited Partnership Default. All reasonable expenses and costs, charges incurred by or on behalf of Hydro in connection with any remedial action taken pursuant to this Section ~~9.2~~10.2 shall be a cost to be paid to Hydro by the Limited Partnership in accordance with provisions of this Agreement.

10.3 ~~9.3~~ Event of Hydro Default

If any of the following events, conditions or circumstances (each an "**Event of Hydro Default**") shall occur and be continuing then the Limited Partnership by written notice to Hydro shall be entitled to terminate the obligations of the Limited Partnership under this Agreement:

(1) an Arbitrator makes a determination that Hydro failed to perform or observe any term, covenant or agreement contained in this Agreement on its part to

be performed or observed and such failure shall remain unremedied after the end of the period within which the Arbitrator determines Hydro is required to remedy such failure; or

(2) Hydro shall:

(a) become insolvent or generally not pay its debts as such debts become due;

(b) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(c) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(d) institute or have instituted against it any proceeding seeking:

(i) to adjudicate it a bankrupt or insolvent;

(ii) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors; or

(iii) the entry of an order for relief or the appointment of a receiver, interim receiver, receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of its Property;

(iv) and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within 30 days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property) shall occur; or

(v) take any corporate action to authorize any of the foregoing actions;

then, in any such event, the Limited Partnership shall by written notice to Hydro be entitled to terminate the obligations of the Limited Partnership under this Agreement.

10.4 ~~9.4~~ Expense of the Limited Partnership

Upon the occurrence of any Event of Hydro Default, which has not been waived and is continuing, the Limited Partnership may take any action the Limited Partnership considers advisable, acting reasonably, to remedy the effect of such Event of Hydro Default. All reasonable expenses and costs, charges incurred by or on behalf of the Limited Partnership in connection with any remedial action taken pursuant to this Section 9.4 shall be a cost to be paid to the Limited Partnership by Hydro in accordance with provisions of this Agreement.

10.5 ~~9.5~~ Remedies Cumulative

The remedies provided for in this Agreement are cumulative and do not exclude any other right or remedy provided by Law.

ARTICLE XI~~ARTICLE X~~
DISPUTE RESOLUTION

11.1 ~~10.1~~ General.

Subject to Section ~~10.2,~~11.2, all disputes, differences or claims, or apprehended disputes or claims which arise under this Agreement relating to the application, interpretation, meaning, alleged violation, performance or non-performance of this Agreement shall be settled by final and binding arbitration conducted pursuant to the provisions of this Article ~~X~~XI.

11.2 ~~10.2~~ Limitation.

The provisions of this Article ~~X~~XI do not apply to ~~an Energy~~a Rate Review ~~or Transaction Rate Review,~~ which reviews shall be conducted pursuant to the provisions of Article XVII of the PDA. Notwithstanding the provisions of this Article ~~X~~XI an Arbitrator appointed pursuant to this Article ~~X~~XI shall have no jurisdiction to consider or review any matters referred to or referable to an Expert under Article XVII of the PDA, except with respect to the enforcement of a decision of such Expert made in accordance with the provisions of Article XVII of the PDA.

11.3 ~~10.3~~ Endeavour to Resolve.

The Parties agree that prior to bringing any dispute, difference or claim to arbitration pursuant to the provisions of this Article ~~X~~XI, they shall use reasonable efforts to resolve such dispute, difference or claim amongst themselves.

11.4 ~~10.4~~ Arbitration.

A Party (an "**Applicant**") who wants to settle a dispute~~,~~ difference or claim or apprehended dispute, difference or claim referred to in Section ~~10.1~~11.1 (a "**Dispute**")) shall provide the other Party a written notice (a "**Dispute Notice**") which shall contain the following:

(a) the name of the respondent and interested parties;

(b) a detailed description of the Dispute; and

(c) the relief, remedy, redress or declaratory order sought.

A Dispute Notice shall be delivered within 180 days from when the Applicant knew or reasonably ought to have known of the existence of a Dispute, subject to the written agreement of the Parties to extend this time limit. An Applicant who fails to deliver a Dispute Notice with respect to a Dispute within the prescribed period shall be deemed to have waived and abandoned the Dispute.

11.5 ~~10.5~~ Reply.

The Party who receives a Dispute Notice (a "**Respondent**") shall, within 60 days of receiving the Dispute Notice, provide the Applicant with a written reply (a "**Reply**"), which sets out in detail the Respondent's position with respect to the Dispute.

11.6 ~~10.6~~ Referral to Arbitration.

Within 30 days of the Applicant's receipt of the Reply, if the Dispute has not been settled, the Dispute shall be referred to binding arbitration pursuant to the provisions of *The Arbitration Act*

(Manitoba) and the following sections of this Article ~~X~~XI, provided that if there is any inconsistency between the provisions of the said Act and ~~the said sections, the provisions of the said sections shall prevail.~~Section 11, this Agreement shall apply.

11.7 ~~10.7~~ Appointment of Arbitrator.

Subject to Section ~~10.8,~~11.8, an Arbitrator shall be appointed to adjudicate the dispute, using the following procedure:

(1) the Applicant shall provide to the Respondent and the Respondent shall provide to the Applicant the names, addresses and occupations of not more than three individuals, each of whom it would accept as an Arbitrator;

(2) if any one of the persons on the list of proposed arbitrators is acceptable to the Applicant and the Respondent and is willing and able to act as the Arbitrator, then that person shall be appointed as the Arbitrator forthwith; and

(3) if within 45 days of the referral of the Dispute to the binding arbitration the Applicant and the Respondent cannot agree upon a person to act as Arbitrator, either of them may request that the Arbitrator be appointed by the Chief Justice or the Associate Chief Justice of the Court of Queen's Bench (Winnipeg Division) by application to the said court served on the other Party to the arbitration.

11.8 ~~10.8~~ Qualifications of Arbitrator.

An Arbitrator appointed pursuant to Section ~~10.7~~11.7 shall:

(a) be qualified to decide the particular question in dispute;

(b) not have a pecuniary interest in the particular matter in dispute; and

(c) not have, within a period of one year prior to the date on which the matter was referred to arbitration pursuant to Section ~~10.4,~~11.4, acted, or been a member of any firm that has acted as solicitor, counsel or agent for any of the Parties.

11.9 ~~10.9~~ Length of Hearing.

The Arbitrator once appointed shall proceed expeditiously to hear and determine the question or questions in dispute as set out in the Dispute and Reply, subject to any reasonable delay due to, or resulting from, any unforeseen circumstances.

11.10 ~~10.10~~ Place of Hearing.

The arbitration shall take place at such location, place and time as the Parties may agree or as the Arbitrator shall fix. The law applicable to the arbitration shall be the Laws of Manitoba and the Laws of Canada applicable in Manitoba.

11.11 ~~10.11~~ Powers of the Arbitrator.

The Arbitrator may determine all questions of law, fact and jurisdiction and all matters of procedure relating to the arbitration. The Arbitrator shall have the right to grant all legal and equitable relief necessary to provide a final and conclusive resolution of the Dispute including, without limitation, the right to relieve, on just and equitable terms, if applicable, against breaches of time limits set out in this Agreement, the right to determine, if applicable, the monetary value of any loss or injury suffered by a Party and to make an order directing a Party to pay the monetary value of any loss or injury so determined and to award costs (including legal fees and the costs of the arbitration) and interest. Except as the Parties otherwise expressly agree, the Arbitrator shall not have the authority or jurisdiction to change, alter, or amend this Agreement or any term or provision contained therein.

11.12 ~~10.12~~ Counsel.

The Parties may be represented by counsel.

11.13 ~~10.13~~ Evidence.

Evidence submitted in arbitration may be presented in writing or orally. The Parties at a minimum shall disclose all relevant information and documents as would be compellable in a court of law. The Arbitrator may require relevant information and documents to be disclosed by either Party, either prior to or during a hearing, except such documents as would not be compellable if the action were brought in a court of law.

11.14 ~~10.14~~ Arbitration Award.

The Arbitrator shall deliver the award within 90 days following the completion of the hearing.

11.15 ~~10.15~~ Award Final.

The decision of the Arbitrator shall be final and binding on the Parties. The right of any affected Party to appeal an award will be limited to a question of law, provided that leave is first obtained from the Court of Queen's Bench based on the criteria listed in Section 44 of *The Arbitration Act* (Manitoba).

11.16 ~~10.16~~ Costs of Arbitration.

Each Party shall bear its own costs and an equal share of the costs of the Arbitrator, subject to a different award as to costs by the Arbitrator made following the completion of the Arbitration.

11.17 ~~10.17~~ Performance of Obligations.

Each Party agrees to continue performing its obligations under this Agreement while any Dispute is being resolved or arbitrated, subject to any interim order to the contrary issued by the Arbitrator.

11.18 ~~10.18~~ Confidentiality.

All hearings before the Arbitrator shall be closed to the public. All statements and evidence submitted for the arbitration, the decision of the Arbitrator, the fact of the arbitration itself and all other aspects regarding the arbitration shall be kept strictly confidential except as otherwise required by applicable Law or agreed to by the Parties.

11.19 ~~10.19~~ Arbitrator's Undertaking.

Upon appointment, every Arbitrator shall swear or affirm an undertaking in the form set forth in Schedule A.

11.20 ~~10.20~~ Vacancy.

Where a vacancy occurs in the office of the Arbitrator after the commencement of proceedings, the proceedings need not recommence but may, with the unanimous consent of the Parties continue before a replacement Arbitrator. In the absence of such unanimous consent, the arbitration must recommence as if it were a new matter before a new Arbitrator.

11.21 **~~10.21~~** **Days.**

The word "days" wherever used in this Article ~~X~~XI shall mean calendar days.

ARTICLE XII~~ARTICLE XI~~

GENERAL PROVISIONS

12.1 **~~11.1~~** **Notices.**

All Notices provided for in this Agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set opposite the party's name in Schedule B hereto or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

12.2 **~~11.2~~** **Indemnification.**

The Limited Partnership agrees to indemnify and save harmless Hydro and its officers, directors, representatives and employees and agents from any and all claims, demands, proceedings, law suits, damages, liabilities, deficiencies, costs and expenses (including, without limitation all legal fees on a solicitor and client basis) and other professional fees and disbursements, interests, penalties and amounts paid in settlement suffered or incurred by Hydro as a result of or arising directly or indirectly out of or in contravention of any breach by the Limited Partnership of or in any inaccuracy of any representation or warranty of the Limited Partnership contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto and any breach or non-performance by the Limited Partnership of any covenant to be performed by or pursuant to this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

12.3 ~~11.3~~ Further Assurances.

Each Party ~~hereto,~~ without further consideration, shall promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party ~~hereto~~ may reasonably require from time to time for the purpose of giving effect to this Agreement or more effectively completing any matter provided for in this Agreement and shall take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

12.4 ~~11.4~~ Time of the Essence.

Time shall be of the essence of this Agreement.

12.5 ~~11.5~~ Enurement.

This Agreement shall enure to the benefit of and be binding upon the Parties and their permitted assigns.

12.6 ~~11.6~~ Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

12.7 ~~11.7~~ Waivers and Amendments.

Any term, covenant or condition of this Agreement may be amended only with the written consent of the Parties.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed ~~on~~as of the date first above written.

WUSKWATIM POWER LIMITED PARTNERSHIP, by its General Partner 5022649 Manitoba Ltd.

Per:________________________________

Name: ~~Ken R. F. Adams~~
Title: ~~Chairman~~

THE MANITOBA HYDRO-ELECTRIC BOARD

Per:________________________________

Name: ~~Robert B. Brennan~~
Title: ~~President and Chief Executive Officer~~

Per:________________________________

Name: ~~Robert D. Bettner~~
Title: ~~Assistant Corporate Secretary~~

SCHEDULE A

ARBITRATOR'S UNDERTAKING

FORM OF OATH OR UNDERTAKING OF THE ARBITRATOR

I, , do swear and affirm that I will hear the matters referred to me as provided for by the Power Purchase Agreement and The Arbitration Act (Manitoba) in the matter of:

(State particulars of the matter)

and make a true and impartial award, according to the evidence, arguments of the parties, using my skill and knowledge.

DATED this day of , 20 .

Sworn or Affirmed before

A Commission, Notary, etc.

at ______________________

this ___ day of ______, 20__.

SCHEDULE B

NOTICES

Wuskwatim Power Limited Partnership
c/o 5022649 Manitoba Ltd.
~~Attention: Chairman~~
~~3rd Floor, 820 Taylor~~360 Portage Avenue
P.O. 815, Station Main
Winnipeg, MB R3C 2P4
Attention: Chairman

Fax: (204) ~~474-4947~~360-6138

Manitoba Hydro
~~Attention: General Counsel~~
~~3rd Floor, 820 Taylor~~360 Portage Avenue
P.O. 815, Station Main
Winnipeg, MB R3C 2P4
Attention: Ken Tennenhouse, General Counsel

Fax: (204) ~~474-4947~~360-6147

Document comparison by Workshare Compare on May-12-15 12:56:15 PM

Input:	
Document 1 ID	PowerDocs://TDSLAW/325143/29
Description	TDSLAW-#325143-v29-0050406_Power_Purchase_Agreement-draft_#1-090803
Document 2 ID	file://C:/Users/nicolel/AppData/Roaming/OpenText/DM/Temp/TDSLAW-#1805069-v35-Restated_Power_Purchase_Agreement_2014.doc
Description	TDSLAW-#1805069-v35-Restated_Power_Purchase_Agreement_2014
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	580
Deletions	546
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	1128

AMENDED AND RESTATED NCN FINANCING AGREEMENT

between

NISICHAWAYASIHK CREE NATION

– and –

TASKINIGAHP POWER CORPORATION

– and –

THE MANITOBA HYDRO-ELECTRIC BOARD

~~DATED June 28, 2006~~Effective April 1, 2014

TABLE OF CONTENTS

NCN FINANCING AGREEMENT

~~**DATED** the 28th day of June, 2006~~

Effective April 1, 2014

B E T W E E N:

NISICHAWAYASIHK CREE NATION,
(hereinafter referred to as "NCN")

- and –

TASKINIGAHP POWER CORPORATION,
(hereinafter referred to as "TPC")

- and –

THE MANITOBA HYDRO-ELECTRIC BOARD,
(hereinafter referred to as "Hydro")

The parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Defined Terms.

In this Agreement, defined terms used herein shall have the following meanings:

~~"**Additional Borrowing Authorizations**" has the meaning specified in Section 4.1(4).~~

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under direct or indirect common Control with, such Person.

"**Aggregate Capital Contributions**" means for any particular day, the sum of: (i) the subscription price paid for the purchase of the Units by the Limited Partners; and (ii) all other capital amounts contributed by the Limited Partners to the Limited Partnership pursuant to the provisions of the Limited Partnership Agreement.

"**Agreement**" means this financing agreement and all schedules and instruments in amendment or confirmation of it; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement.

"**Anniversary Date**" means each anniversary of the Final Closing Date.

"**Approved Funds**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Auditors**" means such firm of chartered accountants as may be selected by the directors of TPC and approved by NCN from time to time to audit TPC, provided that such firm of chartered accountants is qualified to perform audits in Manitoba.

"**Authorization**" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person, whether or not having the force of Law.

"**Borrowing**" means a borrowing consisting of one or more Dividend Credit Advances.

"**Borrowing Notice**" has the meaning specified in Section 3.2.

"**Business**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Business Day**" means any day on which Hydro's head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba.

"**Canada**" means the Government of Canada.

"**Canadian Dollar Guarantee Rate**" means for any particular day, the closing rate of interest (expressed as a percentage rate per annum) charged on such day by Manitoba to Hydro, as a fee for Manitoba's guarantee of Hydro's Canadian Dollar borrowings.

"**Canadian Dollars**" and "**$**" each mean lawful money of Canada.

"**Canadian Ten Year Rate**" means for any particular day, the rate of interest per annum equal to:

(i) the Ten Year Canada Bond Rate, as at 10:00 a.m. (Winnipeg time), for such day; plus

(ii) the Canadian Dollar Guarantee Rate, as at 10:00 a.m. (Winnipeg time), for such day and either:

(A) plus the Canadian Ten Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Ten Year Canada Bond Rate used in the calculation of the said Canadian Ten Year Spread is less than the rate of interest for the Ten Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Ten Year Spread; or

(B) less the Canadian Ten Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Ten Year Canada Bond Rate used in the calculation of the said Canadian Ten Year Spread is greater than the rate of interest for the Ten Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Ten Year Spread.

"**Canadian Ten Year Spread**" means at any particular date, the difference between the Ten Year Canada Bond Rate in effect on that date and the rate of interest (expressed as a percentage rate per annum) for Ten Year Manitoba Canadian Dollar Bonds had Ten Year Manitoba Canadian Dollar Bonds been issued by Manitoba on that day at 10:00 a.m. (Winnipeg time) including commission costs, (with the rate of interest determined by Hydro obtaining three rate quotes for Ten Year Manitoba Canadian Dollar Bonds and using the median of the three rate quotes obtained).

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participation or equivalent interest in (however designated) the equity (including, without limitation, common shares, preferred shares, trust units and partnership interests) of such Person and any rights, warrants or options to subscribe for or acquire an equity interest in such Person.

"**Change of Control**" means any change which results in NCN no longer directly owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of the bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC, as bare trustee for NCN, commits to vote such Capital Stock in accordance with the direction of Chief and Council of NCN), and for greater certainty the NCN Deed of Assignment does not effect a Change of Control.

"**Chief**" has the meaning ascribed thereto in the PDA.

"Chief and Council" has the meaning ascribed thereto in the PDA.

"**Claim**" means any claim of any nature whatsoever, including any demand, dispute, liability, obligation, debt, action, cause of action, suit, proceeding, litigation, arbitration, judgment, order, award, assessment and reassessment.

"**Collateral**" means TPC's Units and the Distributions thereon in respect of which Hydro has or will have or is intended to have a Lien pursuant to the Security Documents.

"**Corporate Distributions**" means, in respect of any Person, whether or not a corporation, any form of distribution of its profits, including in each case any:

(i) declaration or payment of any dividend on its Capital Stock; and

(ii) payment to purchase, redeem, retire or acquire or reduce the stated capital of any of its Capital Stock, or any option, warrant or other right to acquire any such Capital Stock, or apply or set apart any of its Property therefore.

"**Councillor**" has the meaning ascribed thereto in the PDA.

"**Council Resolution**" has the meaning ascribed thereto in the PDA.

"**Credit Facility Repayment Certification**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Cure Period**" has the meaning specified in Section 8.1(c).

"**Debt**" of any Person means, without duplication:

(i) all obligations of such Person for borrowed money or advances and all obligations of such Person evidenced by bonds, debentures, notes or similar instruments;

(ii) all obligations of such Person, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the account of such Person; and

(iii) all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of such Person as of the date at which Debt is to be determined (excluding trade payables incurred in the ordinary course of business).

"**Distributions**" means distributions of cash of the Limited Partnership to TPC and the return of any part of the Aggregate Capital Contributions by the Limited Partnership to TPC.

"**Dividends**" has the meaning ascribed thereto in the NCN Deed of Assignment.

"Dividend Credit Advances" means advances made by Hydro to NCN in Canadian Dollars under this Agreement and "**Dividend Credit Advance**" means any one of such Dividend Credit Advances.

"**Dividend Credit Facility**" means the non-revolving credit facility to be made available to NCN by Hydro in the maximum amount of the Dividend Credit Facility Commitment and in accordance with the terms hereof.

"**Dividend Credit Facility Commitment**" means,

(a) for the calendar year 2015 eighteen million ($18,000,000) dollars, less the sum of NCN Cash Flows From All Sources for the calendar years 2014 and 2015;

(b) ~~"**Dividend Credit Facility Commitment**" means~~in all other years, the aggregate of the amount calculated on each Anniversary Date prior to, but not including, the Maturity Date derived from the formula "(A x B) – C", where A is the Canadian Ten Year Rate on that Anniversary Date less 2.5%; B is TPC's Own Invested Cash on that Anniversary Date; and C is the aggregate amount of all Distributions from the Limited Partnership on TPC's Dividend Cash Units actually paid out to TPC (and not paid to Hydro pursuant to the irrevocable assignment and direction under the Loan Documents) in the 12-month period ending on such Anniversary Date. (For greater certainty, any Distributions on TPC's Dividend Cash Units which TPC was entitled to receive from the Limited Partnership pursuant to the provisions of the Limited Partnership Agreement but which were paid to Hydro pursuant to the provisions of the Loan Documents or pursuant to the provisions of the TPC Financing Agreement are not, for the purposes of the determination of the Dividend Credit Facility Commitment and any availability thereunder only, included as Distributions on TPC's Dividend Cash Units received by TPC.)

"**Dividend Credit Facility Commitment Cap**" means the amount calculated as at the first Anniversary Date ~~(but after any mandatory payments required by Section 2.6(4) of the TPC Financing Agreement have been made)~~ equal to four times (A) where, (A) is ~~(i)~~ TPC's Own Invested Cash on the first Anniversary Date~~; less (ii) any monies used to repay a Cash Call Credit Advance (as that term is defined in the TPC Financing Agreement); and less (iii) any monies provided to the Limited Partnership pursuant to the Limited Partnership Payment Certification to fund TPC's Operating Cash Call Requirements (as that term is defined in the TPC Financing Agreement). The amounts referred to in (ii) and (iii) hereof will only be required to be deducted from (i) if they would otherwise form part of the amount referred to in (i) hereof~~.

"**Event of Default**" has the meaning specified in Section 8.1.

"**Equity Credit Advances**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Equity Credit Facility**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Final Closing**" and "**Final Closing Date**" shall have the respective meanings ascribed thereto in the PDA.~~ "**Financial Quarter**" means, in relation to TPC, each successive period of three consecutive months, the first such period beginning on the first day of the first month of TPC's Financial Year.~~"**Final Investment Closing**" and "**Final Investment Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

"**Financial Year**" means, in relation to TPC, the financial year of TPC determined by the board of directors of TPC.

"**Future Material Agreements**" has the meaning specified in Section 6.1(12).

"**GAAP**" means, at any time, generally accepted accounting principles in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, or any successor Person at such time.

"**General Partner**" means 5022649 Manitoba Ltd., in its capacity as general partner of the Limited Partnership pursuant to the terms of the Limited Partnership Agreement.

"Government Funds" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Governmental Entity**" means any:

(i) federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign;

(ii) any agent, commission, board, or authority of any of the foregoing; or

(iii) any body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing.

"Guarantee" means an unconditional, irrevocable, continuing guarantee executed by TPC in favour of Hydro of the payment and performance by NCN of all of the Obligations on terms and conditions acceptable to Hydro, acting reasonably, and consistent with the terms of this Agreement, which Guarantee shall be delivered by TPC to Hydro at Initial Closing.

"**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by the Hydro Act.

"**Hydro Account**" means such account or accounts maintained by Hydro at the Royal Bank of Canada, as Hydro from time to time notifies NCN for the purposes of this Agreement.

"**Hydro Act**" means *The Manitoba Hydro Act*, R.S.M. 1987, c. H190, as amended from time to time.

"**Hydro Liens**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Initial Closing**" and "**Initial Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

"**Initial Limited Partnership Agreement**" means the limited partnership agreement entered into between the General Partner, in its capacity as general partner, and Hydro, as limited partner, dated the 9th day of December, 2004.

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of such Laws.

"**Lien**" means, with respect to any Property, any charge, mortgage, pledge, hypothecation, security interest, lien, conditional sale (or other title retention agreement or lease in the nature thereof), lease, servitude, assignment, adverse claim, defect of title, restriction, trust, or other encumbrance of any kind in respect of such Property, whether or not filed, recorded or otherwise perfected under applicable Laws.

"**Limited Partner**" means one of Hydro or TPC, as the context requires, in its capacity as a limited partner of the Limited Partnership, and "**Limited Partners**" means both of Hydro and TPC, in their respective capacities as limited partners of the Limited Partnership.

"**Limited Partnership**" means the Wuskwatim Power Limited Partnership created pursuant to the Initial Limited Partnership Agreement, ~~as amended and restated by~~and continued pursuant to the Limited Partnership Agreement, for the purposes of owning and, directly or indirectly, planning, designing, constructing, operating and maintaining the Wuskwatim Project.

"**Limited Partnership Agreement**" means the ~~limited partnership agreement~~third Amended and Restated Limited Partnership Agreement amending and restating the ~~Initial~~ second Limited Partnership Agreement, dated ~~even date herewith~~April 16, 2015 between the general partner in its capacity as General Partner and Hydro and TPC, in their respective capacities as limited partners.

"**Limited Partnership Payment Certification**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Loan Documents**" means this Agreement, the Guarantee, the Security Documents, and all other agreements, certificates and instruments delivered or given pursuant to or in connection with the Dividend Credit Facility established under this Agreement; and "**Loan Document**" means any one of such Loan Documents.

"**Loss**" means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities, debts, interest and any and all legal fees and disbursements, on a solicitor and his own client basis.

"**Manitoba**" means the Government of Manitoba.

"**Material Adverse Business Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in or of itself, but which cumulatively results in a material adverse effect) on:

(i) the ability of NCN or TPC to perform any of their material obligations under the Loan Documents; or

(ii) the ability of Hydro to enforce any of the material obligations of NCN or TPC under the Loan Documents, where Hydro, acting reasonably, has determined that its ability to enforce the said material obligations cannot be cured by Hydro within a reasonable period of time or without Hydro being materially adversely affected, notwithstanding that NCN and TPC have provided their written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said material obligations of NCN or TPC under the Loan Documents.

"**Material Agreements**" has the meaning specified in Section 5.1(~~11~~k)(~~e~~iii).

"**Maturity Date**" means the fiftieth Anniversary Date.

"**Member**" means a person who at the relevant time is, or has applied and is entitled to be, a member of NCN pursuant to the membership code established by and for NCN pursuant to Section 10 of the *Indian Act* (Canada), which membership code has been in force and of effect since May 24, 1988 or pursuant to a successor membership code established pursuant to legislation or lawfully adopted by NCN, and "**Members**" means the group of persons each of whom is a Member.

"**NCN**" means the Nisichawayasihk Cree Nation, formerly known as the Nelson House First Nation.

"**NCN Cash Flow From All Sources**" means, for the calendar years 2014 and 2015, the total amount of:

(a) the water rental rebate which NCN received or is entitled to receive from Manitoba for the calendar year pursuant to its water rental rebate agreement with Manitoba;

(b) the interest income on the Hydro Bonds paid or payable to in that calendar year by Hydro in accordance with the One Year Agreement or PDA Supplement No. 2;

(c) three hundred eight thousand twenty-five ($308,025) dollars paid by Hydro to NCN on March 3, 2014 as the remaining NCN Dividend Credit advance for the year 2013; and

(d) the annuity payable by Hydro to NCN for the calendar year pursuant to Article 11 of the PDA Supplement No. 2.

"**NCN Deed of Assignment**" has the meaning ascribed thereto in the PDA.

"**Notice**" means any notice, citation, directive, request for information, writ, summons, statement of claim or other communication from any Person.

"**Obligations**" has the meaning specified in Section 7.1.

"**One Year Agreement**" means the agreement dated November 28, 2013 between NCN and Hydro.

"**Over-Drawn Amount**" has the meaning specified in Section 2.5 (1).

"PDA" means the Project Development Agreement dated June 26, 2006 made between NCN, Hydro, TPC, the General Partner and the Limited Partnership~~.~~ as supplemented and amended by the PDA Supplement No. 1 dated March 15, 2011 and the PDA Supplement No. 2.

"**PDA Supplement No. 2**" means the second supplementary agreement dated April 16, 2015 between NCN, Hydro, Taskinigahp Power Corporation, 5022649 Manitoba Ltd. and Wuskwatim Power Limited Partnership.

"**Permitted Liens**" means, with respect to any Person, any one or more the following:

(i) Liens for Taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such taxes, assessments and charges;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(ii) Liens resulting from any judgment rendered or Claim filed against such Person which such Person shall be contesting in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such judgment or Claim;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(iii) undetermined Liens arising in the ordinary course of business which have not at such time been filed pursuant to Law against such Person or which relate to obligations not due or delinquent;

(iv) Liens arising in the ordinary course of business which are not registered against title to the Collateral and are not overdue for a period of more than thirty (30) days or which are being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion, (i) adequate security has been provided to ensure payment of such Liens; (ii) adequate reserves with respect thereto are maintained on the consolidated books of such Person in accordance with GAAP; and (iii) in each case, such Liens will not materially interfere with use of such Property by the Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(v) any Lien, payment of which has been provided for by the depositing with Hydro of an amount in cash, or the obtaining of a surety bond satisfactory to Hydro, in its absolute discretion, sufficient in either case to pay or discharge such Lien and which deposit or bond Hydro is authorized to use or draw upon for that purpose;

(vi) Liens securing Purchase Money Debt; provided that: (i) such Liens shall extend only to the specific Property of TPC acquired with the proceeds of such Purchase Money Debt (and not any other portion of the Collateral); and (ii) recourse in respect of such Liens shall be limited to such specific Property;

(vii) the Hydro Liens; or

(viii) any other Lien approved in writing in advance by Hydro in its unfettered discretion.

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture, band within the meaning of the *Indian Act* (Canada) or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Property**" means, with respect to any Person, any interest of such Person in any land or property or asset of every kind, wherever situate, whether now owned or hereafter acquired, whether real or immovable, personal, movable or mixed, tangible or corporeal, intangible or incorporeal, including capital stock in any other Person.

"**Purchase Money Debt**" means, with respect to any Person, all obligations of such Person incurred to finance the acquisition of Property.

"**Receiver**" means a receiver, receiver and manager or other Person having similar powers or authority appointed by Hydro or by a court at the instance of Hydro in respect of the Collateral or any part thereof.

"**Repayment Notice**" has the meaning specified in Section 2.6(1).

"**Reserve**" shall have the meaning ascribed thereto in the *Indian Act* (Canada).

"Revenue Advance Consolidation Agreement" has the meaning ascribed thereto in the PDA.

"**Sale**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**Security Documents**" means those agreements and other documents in favour of Hydro described in Schedule G in form and substance satisfactory to Hydro, acting reasonably, as such documents may be amended or restated from time to time, as security for all or any portion of the Obligations.

"**Subsidiary**" means, at any time, as to any Person, any corporation or other Person, if at such time the first-mentioned Person owns, directly or indirectly, securities or other ownership interests in such corporation or other Person, having ordinary voting power sufficient to elect a majority of the board of directors or persons performing similar functions for such corporation or other Person or has the power to determine the policies and conduct of the management of such corporation or other Person and for greater certainty includes a Subsidiary of a Subsidiary.

"TPC" means Taskinigahp Power Corporation, a corporation that is wholly owned by NCN beneficially, and by the Chief or a Councillor of NCN as registered owner and bare trustee for NCN.

"**TPC Financing Agreement**" means ~~a financing agreement dated even date herewith~~the Amended and Restated TPC Financing Agreement dated April 16, 2015 between TPC and Hydro.

"**TPC's Cash Units**" has the meaning ascribed thereto in the TPC Financing Agreement.

"TPC's Dividend Cash Units" means:

(i) on the Final ~~Closing Date, (but after any mandatory payments required by Section 2.6(3) of the TPC Financing Agreement have been made and after any sale of TPC's Units pursuant to Article V or Article VI of the TPC Financing Agreement has closed in accordance with Article VII of the TPC Financing Agreement)~~Investment Date, that the number of TPC's Units equal to (A) divided by (B) where (A) equals the number of TPC's Units on the Final ~~Closing~~Investment Date multiplied by TPC's Own Invested Cash as of that date; and (B) equals the sum of: (i) the aggregate amount of Equity Credit Advances which remain outstanding on that date; and (ii) TPC's Invested Cash as of that date;

(ii) on any particular day after the Final ~~Closing~~Investment Date (the "**Measurement Date**") until the date that the Equity Credit Facility (as defined in the TPC Financing Agreement) has been paid out in full, that number of TPC's Units equal to (A) divided by (B) where (A) is a product of: (i) the number of TPC's Dividend Cash Units on the Final ~~Closing~~Investment Date; multiplied by (ii) the number of TPC's Units on the Measurement Date; and (B) equals the number of TPC's Units on the Final ~~Closing~~Investment Date; and

(iii) on the date when the Equity Credit Facility has been paid out in full, all of TPC's Units shall be deemed to be TPC's Dividend Cash Units.

"**TPC's Invested Cash"** has the meaning ascribed thereto in the TPC Financing Agreement.

"**TPC's Own Funds**" has the meaning ascribed thereto in the TPC Financing Agreement.

"**TPC's Own Invested Cash**" means on any day, the amount of TPC's Invested Cash on that day, excluding any portion which is not TPC's Own Funds.

"**TPC's Units**" means, at any time, all of the Units owned by TPC.

"Taskinigahp Trust" has the meaning ascribed thereto in the PDA.

"**Taxes**" means all taxes imposed by any Governmental Entity, including, real property, personal property, goods and services, sales, transfer, purchase, stumpage, registration, capital, excise, import duties, payroll, unemployment, disability, employee's income withholding, social security or withholding.

"**Ten Year Canada Bond Rate**" means, at any particular date, that rate of interest (expressed as a percentage rate per annum) which a non-callable Government of Canada bond denominated in Canadian Dollars would carry if issued on such date at 10:00 a.m. (Winnipeg time) by Canada at 100% of its principal amount for a term of ten years (with the rate of interest being determined by Hydro obtaining three rate quotes for the yield on that date of publicly traded Canadian dollar non callable Government of Canada reference bonds with a ten year term, as adjusted by the financial institutions that have provided the three rate quotes to reflect the assumed issue date and the ten year term, and using the median rate of the three rate quotes obtained).

"**Ten Year Manitoba Canadian Dollar Bonds**" means a non-callable Province of Manitoba bond denominated in Canadian Dollars issued by Manitoba at 100% of the principal amount for a term of ten years.

~~"**Time of Final Closing**" means 10:00 o'clock in the forenoon, Winnipeg time, on the Final Closing Date.~~

"**Total Outstandings**" means, at any time, with respect to the Dividend Credit Facility, the aggregate amount in Canadian Dollars of all outstanding Dividend Credit Advances.

"**Unit**" means one of the units in the Limited Partnership issued to and subscribed for by a Limited Partner pursuant to the Limited Partnership Agreement, and "**Units**" means all of the issued Units in the Limited Partnership.

"Wuskwatim Project" has the meaning ascribed thereto in the PDA.

1.2 Interpretation.

This Agreement shall be interpreted in accordance with the following:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) headings are inserted for convenience only and shall not affect the interpretation of this Agreement, any other Loan Document or any provisions hereof or thereof;

(c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;

(d) the word “including” shall mean “including without limitation” and “includes” shall mean “includes without limitation”;

(e) the expressions “the aggregate”, “the total”, “the sum” and expressions of similar meaning shall mean “the aggregate (or total or sum) without duplication”;

(f) in the computation of periods of time, unless otherwise expressly provided, the word “from” means “from and including” and the words “to” and “until” mean “to but excluding”;

(g) accounting terms not specifically defined shall be construed in accordance with GAAP. Except as otherwise mandated by changes in GAAP from time to time, the financial statements required to be delivered pursuant to this Agreement shall be prepared, and all calculations made for the purposes of this Agreement shall be made, unless otherwise provided for herein, by the application of GAAP applied on a basis consistent with the most recent audited financial statements of TPC, previously delivered to Hydro; and

(h) for the purposes of this Agreement, a Person (the “**first Person**”) shall be deemed to be “**Controlled**” by another Person or Persons if the Capital Stock of the first Person directly or indirectly held by or for the benefit of the other Person or Persons, acting in concert, other than by way of security only, is either:

    (i) more than 50% of the Capital Stock of the first Person outstanding at the time of such determination; or

    (ii) sufficient to permit the other Person or Persons to replace or elect the majority of the board of directors of the first Person,

and “**Controlled**” and “**Controlling**” shall have the corresponding meaning.

1.3 Interpretation of other Loan Documents.

The provisions of Article 1.2 shall apply to the interpretation of all of the other Loan Documents unless specifically otherwise indicated therein.

1.4 Severability.

If any provision of this Agreement or any other Loan Document is, or becomes, illegal, invalid or unenforceable, such provision shall be severed from this Agreement or such Loan Documents and be ineffective to the extent of such illegality, invalidity or unenforceability. The remaining provisions hereof or thereof shall be unaffected by such provision and shall continue to be valid and enforceable.

1.5 Entire Agreement.

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties relating to the subject matter hereof and entered into prior to the date of this Agreement.

1.6 Waiver.

No failure on the part of Hydro to exercise, and no delay in exercising, any right under this Agreement or any other Loan Document shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No notice to or demand on NCN or TPC (as applicable) in any case shall entitle it to any notice or demand in similar or other circumstances, unless such notice or demand is required under the terms of this Agreement or the applicable Loan Document. No waiver of any of the provision of this Agreement or any other Loan Document shall be effective unless it is in writing duly executed by the waiving party.

1.7 Governing Law.

This Agreement and each other Loan Document, shall be governed by, and interpreted in accordance with, the Laws of Manitoba and the Laws of Canada applicable therein.

1.8 Incorporation of Schedules.

The following schedules attached shall, for all purposes hereof, be incorporated in and form an integral part of this Agreement:

Schedule A	Repayment Notice
Schedule B	Borrowing Notice
Schedule C	Material Agreements
Schedule D	Issued and Outstanding Capital Stock and Debt
Schedule E	Liabilities
Schedule F	Address for Notice
Schedule G	List of Security Documents
Schedule H	Authorizations

It is acknowledged by Hydro that Schedules C to E (both inclusive) ~~shall be~~were delivered by NCN to Hydro on or before the Initial Closing Date for attachment ~~hereto, and upon the delivery and attachment, the said~~to the Initial NCN Financing Agreement, which Schedules shall be deemed to form part of this Agreement.

1.9 Conflicts.

If a conflict or inconsistency exists between a provision of this Agreement and a provision of any of the other Loan Documents or any part thereof, then the provisions of this Agreement shall prevail. Notwithstanding the foregoing, if there is any right or remedy of Hydro set out in any of the other Loan Documents or any part thereof which is not set out or provided for in this Agreement, such additional right or remedy shall not constitute a conflict or inconsistency.

ARTICLE II
DIVIDEND CREDIT FACILITY

2.1 Dividend Credit Facility.

Hydro agrees, on the terms and conditions of this Agreement, to make available to NCN the Dividend Credit Facility by making such Dividend Credit Advances to NCN as may be requested by NCN hereunder at any time and from time to time in accordance with this Agreement.

2.2 Commitment and Dividend Credit Facility Limit.

(1) Hydro shall not be obliged to make any Dividend Credit Advance or Dividend Credit Advances which would cause the Total Outstandings to be greater than the Dividend Credit Facility Commitment, and commencing on the day after the twenty-fifth Anniversary Date, Hydro shall in addition not be obliged to make any Dividend Credit Advance or Dividend Credit Advances which would cause the Total Outstandings, including accrued and unpaid interest and all other amounts owing under the Dividend Credit Facility, to be greater than the Dividend Credit Facility Commitment Cap, provided that where each of NCN and TPC is otherwise in good standing under the Loan Documents, Hydro shall advance in accordance with the provisions of this Agreement, as a Dividend Credit Advance to NCN, upon request, the lesser of: (i) the amount requested by NCN; (ii) the amount hereunder which would, when advanced, cause the Total Outstandings to equal, but not exceed, the Dividend Credit Facility Commitment; and (iii) if the Advance is requested after the twenty-fifth Anniversary Date, the amount hereunder which would, when advanced, cause the Total Outstandings, including accrued and unpaid interest and all other amounts owing under the Dividend Credit Facility, to equal, but not exceed, the Dividend Credit Facility Commitment Cap.

(2) The Dividend Credit Facility may be utilized by NCN commencing as of the first Anniversary Date subject to the terms and conditions of this Agreement. The Dividend Credit Advance, if any, available at the end of each Anniversary Date, in accordance with the provisions of this Agreement, must be requested within ~~a time period not greater than 220 days after the applicable Anniversary Date but not less than 130 days after the applicable Anniversary Date~~the time period between November 1 and February 1 in any year.

(3) The Dividend Credit Facility is a non-revolving credit and the principal amount of any Dividend Credit Advance that is repaid may not be re-borrowed and shall be a permanent reduction of the Dividend Credit Facility Commitment.

(4) Any available amount under the Dividend Credit Facility that NCN does not request a Dividend Credit Advance for by the date set out in Section 2.2(2) shall be a permanent reduction of the Dividend Credit Facility Commitment.

2.3 Available Dividend Credit Advances.

(1) Hydro shall, on the terms and conditions of this Agreement, make the Dividend Credit Advances available to NCN under the Dividend Credit Facility in accordance with Section 3.2.

(2) All Dividend Credit Advances requested hereunder shall be made available to NCN in accordance with Article III.

2.4 Repayment on the Maturity Date.

The Total Outstandings, if any, and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility shall become due and payable on the Maturity Date and subject to Hydro making an early demand for payment pursuant to Section 8.1 following an Event of Default, NCN shall repay on the Maturity Date, the Total

Outstandings, if any, all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility. Notwithstanding the foregoing, if on the Maturity Date, NCN and TPC are not in default in respect of any material provision of the Loan Documents, the amount of the Total Outstandings and all accrued and unpaid interest thereon on the Maturity Date and all other amounts owing to Hydro under the Dividend Credit Facility will, subject to the right to prepay in accordance with the provisions of this Agreement, be repaid to Hydro solely through Hydro receiving all Distributions from time to time on TPC's Units. The Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Dividend Credit Facility; second, in payment of all accrued and unpaid interest under the Dividend Credit Facility; and third, in repayment of all principal amounts under the Dividend Credit Facility. Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro, as provided for under the Security Documents, until the Total Outstandings and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility have been repaid in full out of the said Distributions; provided however, that the payments to be made to Hydro pursuant to this Section 2.4 out of the Distributions on TPC's Units, shall be paid in the order of priority as set out in Section 3.7 of the TPC Financing Agreement, and for so long as Distributions are paid to Hydro pursuant to the TPC Financing Agreement or the Revenue Advance Consolidation Agreement, the non-payment of such Distributions to Hydro pursuant to the provisions of this Agreement shall not be deemed to be a default by TPC under this Agreement.

It is acknowledged that Hydro shall have no right to sue NCN on the personal covenant to pay the said amounts, nor to sue TPC on any personal covenant to pay the said amounts under the Guarantee; it being acknowledged that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Security Documents.

2.5 Mandatory Repayments during the Term of this Agreement.

(1) If, on any day, Hydro notifies NCN that the Total Outstandings exceeds the Dividend Credit Facility Commitment, (and commencing on the day after the twenty-fifth Anniversary Date, the Total Outstandings exceeds the lesser of the Dividend Credit Facility Commitment or the Dividend Credit Facility Commitment Cap) (such excess being referred to herein as the "**Over-Drawn Amount**"), NCN shall repay to Hydro, an amount sufficient to reduce the Total Outstandings by at least the Over-Drawn Amount. Notwithstanding the foregoing, provided that NCN and TPC are not in default in respect of any material provision of the Loan Documents, and subject always to the right to prepay as set out herein, the Over-Drawn Amount and all accrued and unpaid interest thereon and applicable costs and expenses, if any, will be repaid solely through the Distributions from time to time on TPC's Units pursuant to the provisions of the Security Documents. The Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Dividend Credit Facility; second, in payment of all accrued and unpaid interest under the Dividend Credit Facility; and third, in repayment of all principal amounts under the Dividend Credit Facility. Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for in the Security Documents until the Over-Drawn Amount and all costs and expenses and accrued and unpaid interest thereon has been repaid in full. The payments made to Hydro pursuant to this Section 2.5(1) out of the Distributions on TPC's Units shall be paid in the order of priority as set out in Section 3.7 of the TPC Financing Agreement and for so long as Distributions are paid to Hydro pursuant to the TPC Financing Agreement in compliance with such priority provisions, the non-payment of such Distributions

to Hydro pursuant to the provisions of this Agreement shall not be deemed to be a default by TPC under this Agreement.

(2) In addition to all other mandatory repayment obligations provided for in this Agreement and subject always to the right to prepay in accordance with the provisions of this Agreement, NCN shall throughout the term of this Agreement repay to Hydro the Total Outstandings plus all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Dividend Credit Facility solely through Hydro receiving all Distributions on TPC's Units. Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Dividend Credit Facility (except to the extent that they are dealt with under subsection (1) above); second, in payment of all accrued and unpaid interest under the Dividend Credit Facility (except to the extent that they are dealt with under subsection (1) above); and third, in repayment of all principal amounts under the Dividend Credit Facility (except to the extent that they are dealt with under subsection (1) above). Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents until all such amounts have been repaid in full. The amount of any repayment shall be a permanent reduction of the Dividend Credit Facility Commitment. The payments to be made to Hydro pursuant to this Section 2.5(2) out of Distributions on TPC's Units shall be paid in the order of priority as set out in Section 3.7 of the TPC Financing Agreement and for so long as Distributions are paid to Hydro pursuant to the TPC Financing Agreement or the Revenue Advance Consolidation Agreement in compliance with such priority provisions, the non-payment of such Distributions to Hydro pursuant to the provisions of this Agreement shall not be deemed to be a default by TPC under this Agreement.

(3) It is acknowledged that Hydro shall have no right to sue NCN on the personal covenant to pay the said amounts, nor to sue TPC on any personal covenant to pay the said amounts under the Guarantee, it being acknowledged that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Security Documents.

2.6 Optional Reductions.

(1) Subject to Section 2.6(2), NCN may prepay, in whole or in part, the Total Outstandings, at any time, upon at least two (2) Business Days notice to Hydro (the "**Repayment Notice**"). Each Repayment Notice shall be in substantially the form of Schedule "A" and shall specify:

(a) the proposed date of such prepayment or reduction; and

(b) the aggregate principal amount of the prepayment or reduction, and, if such Repayment Notice is given, NCN shall:

(c) pay Hydro in accordance with such Repayment Notice the amount of prepayment; and

(d) pay Hydro all interest on the amount of such prepayment or excess amount accrued to the date of such prepayment.

(2) Each partial prepayment of Total Outstandings shall be in a minimum aggregate principal amount of $200,000 and in an integral multiple of $100,000.

2.7 Evidence of Debt and Determination of Interest Rates and Fees.

(1) The indebtedness of NCN in respect of all Dividend Credit Advances hereunder shall be evidenced by the account records maintained by Hydro, which shall be *prima facie* evidence of such indebtedness for all purposes, absent error. Hydro

shall indemnify and save harmless NCN for losses suffered or costs incurred by NCN due to Hydro's failure to correctly record or calculate any amount, rate, date or other data (including calculations by Hydro to determine any amount) in the account records or in statements or notices issued to NCN, where such failure was due to the gross negligence or willful misconduct of Hydro or any person for whom Hydro is responsible at law. Notwithstanding the foregoing, the failure of Hydro to correctly record or calculate any amount, rate, date or other data (including calculations to determine any amount) in the account records, or in statements or notices issued to the Limited Partnership hereunder shall not affect the obligation of NCN and TPC to pay amounts due hereunder to Hydro in the manner contemplated herein, and in accordance with the other Loan Documents.

(2) For purposes of the *Interest Act* (Canada):

(a) whenever any interest under this Agreement is calculated using a rate based on a period of time other than a calendar year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on such period of time multiplied by (y) the actual number of days in the calendar year in which the period for which such interest or fee is calculated ends, and divided by (z) the number of days in such period of time;

(b) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; and

(c) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

(3) Within ten (10) Business Days of the last day of each month during this Agreement Hydro shall provide to NCN a written statement setting out the following information as at the last day of each month:

(a) the Total Outstandings under the Dividend Credit Facility, together with the following information:

(i) opening balances;

(ii) closing balances;

(iii) Dividend Credit Advances provided during the month;

(iv) principal repaid during the month, if applicable;

(v) interest paid by or on behalf of NCN, and applicable interest rate(s) charged to NCN during the month; and

(vi) any costs charged by Hydro to NCN during the month, and any reimbursements made by or on behalf of NCN to Hydro during the month for costs charged by Hydro to NCN.

ARTICLE III
DIVIDEND CREDIT ADVANCES

3.1 **Dividend Credit Advances.**

Hydro agrees, on the terms and conditions of this Agreement, to make Dividend Credit Advances to NCN under the Dividend Credit Facility, from time to time, on any Business Day.

3.2 **Procedure for Borrowing.**

Where NCN wishes to receive a Dividend Credit Advance under the Dividend Credit Facility, a notice (a "**Borrowing Notice**") shall be given by NCN to Hydro not later than 10:00 a.m. (Winnipeg time), at least two (2) Business Days but not more than five (5) Business Days prior to the date of the proposed Dividend Credit Advance, which Borrowing Notice shall be irrevocable and binding on NCN. Each Borrowing Notice shall be in substantially the form of Schedule B and shall specify:

(a) the requested date of the Dividend Credit Advance; and

(b) the aggregate amount of the Dividend Credit Advance.

Subject to the terms and conditions of this Agreement, Hydro shall forward the funds for the Dividend Credit Advance on the specified date for such Dividend Credit Advance in accordance with the Borrowing Notice forwarded to Hydro.

3.3 Interest on Dividend Credit Advances.

Each Dividend Credit Advance, or the amount thereof remaining outstanding ~~form~~ from time to time, shall bear interest at the rate applicable to the Dividend Credit Advance determined in accordance with this Section 3.3 from the date ~~such~~ the Dividend Credit Advance is first received in the account specified by NCN in the applicable Borrowing Notice to the date on which ~~such~~ the Dividend Credit Advance is repaid in full or dealt with as otherwise specified in this Agreement. Each Dividend Credit Advance shall bear interest at a rate per annum equal at all times for that Dividend Credit Advance to the Canadian Ten Year Rate in effect on the date the said Dividend Credit Advance is first received in the account specified by NCN in the applicable Borrowing Notice~~, plus three (3%) percent per annum~~. Interest on each of the Dividend Credit Advances made March 3, 2014, January 5, 2015 and on any date prior to November 1, 2015 shall be calculated monthly and compounded semi-annually from the date of advance to October 31, 2015. After November 1, 2015, if a Dividend Credit Advance is received in the account specified by NCN on a date other than November 1 of the year, interest on that Dividend Credit Advance shall accrue in the current month and be added to the Total Outstandings. Commencing November 1, 2015 and in each month thereafter Hydro shall calculate a blended interest rate based on the interest rates applicable to each Dividend Credit Advance, in proportion to the amount of each Dividend Credit Advance and the accrued interest thereon to that date, which rate shall be applied to all Dividend Credit Advances and all other amounts owing to Hydro under the Dividend Credit Facility on that date to October 31 of the following year. If there is no Dividend Credit Advance during a month, the blended rate for the month shall continue to apply. Such interest shall be calculated and compounded semi-annually and shall only become due and payable on the Maturity Date subject to the provisions of this Agreement (including payments made through Distributions under Article II~~ and subject to~~, NCN's optional right of prepayment ~~hereunder and except as otherwise stipulated in this Agreement~~ and action taken if an Event of Default occurs). Hydro shall provide NCN with notice of the Canadian Ten Year Rate applicable to each such Dividend Credit Advance and notice of the blended interest rate, together with its supporting calculation of the Canadian Ten Year Rate and the blended interest rate which will constitute, in the absence of error, *prima facie* evidence of the Canadian Ten Year Rate and the blended interest rate applicable to each such Dividend Credit Advance and all other amounts owing to Hydro under the Dividend Credit Facility.

3.4 TPC Financing Agreement.

Notwithstanding any other provision of this Agreement, it is acknowledged and agreed by the parties hereto that in the event that TPC sells all of TPC's Units to Hydro, whether pursuant to any Sale (as that term is defined in the TPC Financing Agreement), or otherwise, the Total Outstandings under the Dividend Credit Facility, all costs hereunder and all other amounts whatsoever owed by NCN to Hydro under this Agreement or any Loan Documents pursuant hereto (including the Guarantee) shall be deemed to have been paid in full and satisfied by the sale of TPC's Units to Hydro. NCN's right to receive Dividend Credit Advances will be suspended when Hydro receives notice that TPC is exercising its right to sell all of TPC's Units pursuant to the provisions of the TPC Financing Agreement or upon Hydro providing notice to TPC that it is exercising its right to purchase all of TPC's Units pursuant to the provisions of the TPC Financing Agreement. The Dividend Credit Facility will terminate on the date that the sale of TPC's Units is completed in accordance with the provisions of the TPC Financing Agreement.

ARTICLE IV

CONDITIONS OF LENDING

~~**4.1 Conditions Precedent to Initial Dividend Credit Advance.**~~

~~The obligation of Hydro to make Dividend Credit Advances under the Dividend Credit Facility commencing as of the first Anniversary Date is subject to the following conditions to be fulfilled or performed at or prior to Initial Closing Date, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro:~~

~~(1) **Deliveries**. Hydro shall have received, at or prior to the Initial Closing Date, the following, each dated such day as is satisfactory to Hydro:~~

~~(a) certified copies of:~~

~~(i) Council Resolution of NCN approving the entering into of this Agreement and the other Loan Documents to which it is a party and the completion of all transactions contemplated hereunder and thereunder;~~

~~(ii) the constating documents and by-laws of TPC; and~~

~~(iii) resolutions of the board of directors of TPC approving the entering into this Agreement and the other Loan Documents to which it is a party and the completion of all transactions contemplated hereunder and thereunder;~~

~~(b) certificate of the Chief of NCN setting forth the name and title of the Chief of NCN and each Councillor of NCN and certifying the names and true signatures of the persons authorized to sign this Agreement and the other Loan Documents to which NCN is a party on behalf of NCN;~~

~~(c) certificate of an officer of TPC certifying the names and true signatures of the persons authorized to sign this Agreement and the other Loan Documents to which TPC is a party on behalf of TPC;~~

~~(d) certificate of status with respect to TPC;~~

~~(e) the Guarantee, in form and substance satisfactory to Hydro, acting reasonably, duly executed and delivered by TPC;~~

~~(f) the Security Documents creating a first charge security interest in TPC's Units and the Distributions on TPC's Units and all rights related to TPC's Units and the said Distributions, in form and substance satisfactory to Hydro, acting reasonably;~~

~~(g) original certificate(s) for TPC's Units, together with duly executed power of attorney in respect of TPC's Units (to be held by Hydro pursuant to the terms of the Security Documents), together with an irrevocable direction from TPC, directing and authorizing the General Partner that all certificates for any TPC's Units issued subsequent to Initial Closing, shall not be forwarded to TPC but shall immediately be forwarded directly to Hydro (to be held by Hydro pursuant to the terms of the Security Documents). All original certificates shall be returned to TPC after the Dividend Credit Facilities under this Agreement have been terminated and the Credit Facilities (as that term is defined in the TPC Financing Agreement) have been terminated and there are no outstanding Obligations under this Agreement or under the TPC Financing Agreement (as defined in that Agreement);~~

~~(h) evidence of the registration of the Security Documents in all offices where such registration, filing or recording is necessary or desirable to protect any rights or remedies of Hydro thereunder and receipt of legal opinions of registration counsel in form and substance acceptable to Hydro, provided however that Hydro shall~~

~~use its commercially reasonable efforts to complete all such registrations and to obtain the required evidence and opinions from its legal counsel in advance of the Initial Closing Date;~~

~~(i) legal opinions of counsel to NCN confirming the due authorization, execution, and delivery of this Agreement and the other Loan Documents to which NCN is a party only, subject to customary qualifications and assumptions for such opinions given in respect of a First Nation (but, for greater certainty, no opinions as to enforceability will be required from legal counsel to NCN);~~

~~(j) legal opinions of counsel to TPC confirming the due authorization, execution and delivery of this Agreement and the other Loan Documents to which TPC is a party only, subject to customary qualifications and assumptions for such opinions (but, for greater certainty, no opinions as to enforceability will be required from legal counsel to TPC);~~

~~(k) a copy of each Material Agreement, which shall be in form and substance acceptable to Hydro, in its discretion acting reasonably;~~

~~(l) duly completed Schedules C, D and E to this Agreement in form and substance satisfactory to Hydro, acting reasonably; and~~

~~(m) such other certificates and documentation as Hydro may reasonably request to give effect to this Agreement.~~

~~(2) **No Material Adverse Business Effect**. No event, condition or circumstance has arisen which would have a Material Adverse Business Effect.~~

~~(3) **Due Diligence.** Hydro shall have completed its due diligence in respect of NCN, TPC and the Material Agreements and shall be satisfied with the results of such due diligence, in its sole discretion.~~

~~(4) **Authorizations.** Hydro has received all Authorizations that it requires for the due performance of the Loan Documents (which Authorizations are specified in Schedule H) with the sole exception that Hydro will require additional borrowing authority from Manitoba under applicable legislation for amounts to be borrowed by Hydro after August 31, 2006, to fund Advances requisitioned by NCN by Borrowing Notices thereafter (the "**Additional Borrowing Authorizations**"). Hydro covenants and agrees to use its best efforts to obtain such Additional Borrowing Authorizations as may be required by it from time to time for the due and timely performance of its covenants under the Loan Documents.~~

~~(5) **PDA**. All of the conditions set forth in Article XIII of the PDA have been fulfilled or performed.~~

~~(6) **Other Conditions**. The conditions set forth in Section 4.2 shall have been fulfilled or performed.~~

~~**4.2 Additional Conditions Precedent to Initial Dividend Credit Advance.**~~

~~The obligation of Hydro to make Dividend Credit Advances under the Dividend Credit Facility commencing on the first Anniversary Date is subject to the following conditions to be fulfilled or performed at or prior to the Final Closing Date, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro:~~

~~(1) **PDA.** All of NCN's and TPC's obligations to be performed or fulfilled on or before the Final Closing Date pursuant to the provisions of the PDA have been fulfilled or performed and NCN and TPC are in compliance with all of the provisions of the PDA.~~

~~(2) **TPC Financing Agreement.** All of TPC's obligations to be performed or fulfilled on or before the Final Closing Date pursuant to the provisions of the TPC~~

~~Financing Agreement have been fulfilled or performed and TPC is in compliance with all provisions of the TPC Financing Agreement.~~

~~(3) **Limited Partnership.** TPC is a limited partner of the Limited Partnership.~~

4.1 ~~4.3~~ Conditions of All Dividend Credit Advances.

At any time, the obligation of Hydro to make a Dividend Credit Advance shall be subject to the following conditions being satisfied on the date of such Dividend Credit Advance, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro, in its sole discretion:

~~(1)~~ (a) **Facility Limits**. The Total Outstandings shall not:

~~(a)~~ (i) prior to or after giving effect to the Dividend Credit Advance, exceed the Dividend Credit Facility Commitment; provided however that where a Dividend Credit Advance requested by NCN would cause the Total Outstandings to exceed the Dividend Credit Facility Commitment, Hydro shall make a Dividend Credit Advance equal to the amount that shall cause the Total Outstandings to equal, but not exceed, the Dividend Credit Facility Commitment; and

~~(b)~~ (ii) commencing on the day after the twenty-fifth Anniversary Date, the Total Outstandings and all accrued and unpaid interest, costs and expenses and all other amounts owing under the Dividend Credit Facility shall not, after giving effect to the Dividend Credit Facility Advance, exceed the Dividend Credit Facility Commitment Cap; provided however, that where a Dividend Credit Advance requested by NCN would cause the Total Outstandings and all accrued and unpaid interest, costs and expenses and all other amounts owing under the Dividend Credit Facility to exceed the Dividend Credit Facility Commitment Cap, Hydro shall make a Dividend Credit Advance equal to the amount that shall cause the Total Outstandings and all accrued and unpaid interest, costs and expenses and all other amounts owing under the Dividend Credit Facility, to equal, but not exceed, the Dividend Credit Facility Commitment Cap.

~~(2)~~ (b) **Truth of Representations and Warranties**. The representations and warranties of NCN and TPC contained in this Agreement and in any other Loan Documents to which each is a party, shall be true and correct as of the date on which any Dividend Credit Advance is made with the same force and effect as if such representations and warranties had been made on and as of such date; provided that, to the extent the disclosure in the representations and warranties is no longer true and correct, NCN and TPC shall be entitled to update such disclosure to Hydro, and if such disclosure is not materially adverse it must be approved by Hydro.

~~(3)~~ (c) **Performance of Covenants**. NCN and TPC shall have fulfilled or complied with all covenants herein contained (or contained in any other Loan Documents to which each is a party) to be performed by it at or prior to the date of such Dividend Credit Advance.

~~(4)~~ (d) **No Event of Default**. No Event of Default shall have occurred and be continuing.

~~(5)~~ (e) **Authorizations**. Hydro has obtained such borrowing authority (including the Additional Borrowing Authorizations) as may be required by it from time to time for the due and timely performance of its covenants under the Loan Documents, including in order to enable it to make the Advances requisitioned from time to time by NCN by Borrowing Notices.

~~(6)~~ (f) **No Change in Laws**. No Law or change in any Law shall have been enacted, the effect of which will be to prohibit Hydro from making any Dividend Credit Advance.

~~(7)~~ (g) **Borrowing Notice**. Hydro shall have received a Borrowing Notice in compliance with this Agreement.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

5.1 **Representations and Warranties.**

To induce Hydro to make Dividend Credit Advances available hereunder, NCN and TPC represent and warrant to Hydro that each of the following representations and warranties is true and correct:

~~(1)~~ **(a) Status and Power.**

~~(a)~~ (i) NCN is a "band" within the meaning of the Indian Act (Canada) and has the power to own or lease its personal property and its real property, other than the Reserve;

~~(b)~~ (ii) TPC is a corporation duly incorporated and organized and validly subsisting under the laws of Manitoba and has full corporate power and capacity to own its property and carry on its Business. TPC is duly qualified, licenced or registered to carry on business in Manitoba.

~~(2)~~ **(b) Authorization.**

~~(a)~~ (i) NCN has full power and capacity and full legal right to enter into and perform its obligation under this Agreement and the other Loan Documents to which it is or will be a party and has, or will have by the Initial Closing Date, taken all action necessary to be taken by it to authorize such acts;

~~(b)~~ (ii) TPC has full power and capacity and full legal right to enter into and perform its obligations under this Agreement and the other Loan Documents to which it is or will be a party and has or will have by the Initial Closing Date taken all action necessary to be taken by it to authorize such acts.

~~(3)~~ **(c) Enforceability of Agreement.**

~~(a)~~ (i) This Agreement and each other Loan Document to which NCN is a party constitutes legal, valid and binding obligations of NCN enforceable against it in accordance with their respective terms except as enforcement may be limited by the provisions of the Indian Act (Canada) and subject only to any limitation under applicable Laws relating to~~:~~ bankruptcy, insolvency, reorganization, moratorium or creditor's rights generally and the discretion that a court may exercise in the granting of equitable remedies;

~~(i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; and~~

~~(ii) the discretion that a court may exercise in the granting of equitable remedies;~~

~~(b)~~ (ii) this Agreement and each other Loan Document to which TPC is a party constitutes legal, valid and binding obligations of TPC enforceable against it in accordance with their respective terms, subject only to any limitation or applicable laws relating to~~:~~ bankruptcy, insolvency, reorganization, moratorium or creditor's rights generally and the discretion that a court may exercise in the granting of equitable remedies;

~~(i) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; and~~

~~(ii) the discretion that a court may exercise in the granting of equitable remedies.~~

~~(4)~~ **(d)** **Government Approval and Regulation.** No authorization or approval or other action by, and no notice to or filing with, any Governmental Entity or other Person (other than those that have been, or by the Initial Closing Date will be, duly obtained or made) is required for the due execution, delivery or performance by NCN or TPC of any Loan Document to which NCN or TPC is a party.

~~(5)~~ **(e)** **Litigation.** There is no material action, suit or proceeding which has been commenced (Notice of which has been served on NCN or TPC), or to the best of the knowledge of NCN or TPC, is pending or threatened against NCN or TPC before or by any Governmental Entity, or before any arbitrator or board, which would prevent NCN or TPC from performing its obligations under any of the Loan Documents to which it is a party. NCN and TPC are not in default with respect to any judgment, order, writ, injunction, decree or award of any court, arbitrator, board or other Governmental Entity, nor is there any judgment, order, writ, injunction, decree or award which would prevent NCN or TPC from performing its obligations under any of the Loan Documents to which either is a party.

~~(6)~~ **(f)** **Imposition of Lien.** The consummation of the transactions hereby contemplated and the compliance with the terms, conditions and provisions of this Agreement and each of the other Loan Documents to which it is a party by NCN will not result in or require the creation or imposition of any Lien on any Property of NCN except as otherwise permitted by this Agreement or the Loan Documents. The consummation of the transactions hereby contemplated and the compliance with the terms, conditions and provisions of this Agreement and each of the other Loan Documents to which it is a party by TPC will not result in or require the creation or imposition of any Lien on the Property of TPC except as otherwise permitted by this Agreement or the Loan Documents.

~~(7)~~ **(g) No Other Material Facts.** None of:

~~(a)~~ (i) this Agreement;

~~(b)~~ (ii) any of the other Loan Documents; or

~~(c)~~ (iii) any certificate or statement in writing which has been supplied by or on behalf of NCN or TPC and is a document that is required to be delivered to Hydro pursuant to the provisions of this Agreement or any of the other Loan Documents;

contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

~~(8)~~ **(h) Restrictive Documents.**

~~(a)~~ (i) NCN is not subject to, nor a party to any by-laws or resolutions of Chief and Council or of Members (or of any committees thereof, respectively), of NCN any Notice, any Law, any Claim, any contract or instrument, any Lien, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement and each of the other Loan Documents to which it is a party or compliance by NCN with the terms, conditions and provisions hereof or thereof;

~~(b)~~ (ii) TPC is not subject to or a party to, any restriction in its constating documents or by-laws, any Notice, any Law, any Claim, any contract or instrument, any Lien, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement and each of the other Loan Documents to which it is a party or compliance by TPC with the terms, conditions and provisions hereof or thereof or the continuing operation of the Business.

~~(9)~~ **(i) Title to Collateral.** TPC is the registered owner and sole beneficial owner of and has good and marketable beneficial title to and is lawfully possessed of its Property free and clear of all Liens, except Permitted Liens. A complete and accurate listing of its Property has been provided to Hydro, including the Collateral, and TPC has full right to mortgage, pledge, charge and assign to Hydro the Collateral. No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding or commitment, for the purchase from NCN or TPC of the Collateral other than Hydro.

~~(10)~~ **(j) Compliance with Laws.** Each of NCN and TPC is in material compliance with all applicable Laws.

~~(11)~~ **(k) No Breach of Contracts.** Schedule C, which will be completed and provided by NCN to Hydro on or before the Initial Closing Date, will contain a complete and accurate list of all agreements to which:

~~(a)~~ (i) NCN and/or TPC is a party in connection with the Corporate Distributions of TPC, the Capital Stock of TPC, the equity interest that NCN has in TPC, TPC's Units and Distributions on TPC's Units;

~~(b)~~ (ii) NCN is a party in connection with or arising out of the Wuskwatim Project creating liabilities or obligations upon any Person over the term of the agreement in excess of $75,000; and

~~(c)~~ (iii) TPC is a party creating liabilities or obligations upon any Person over the term of the agreements in excess of $75,000 or is otherwise material to TPC (collectively, the "**Material Agreements**"). NCN and TPC have provided~~, or will, on or before the Initial Closing Date provide,~~ copies of all Material Agreements, including amendments or additions thereto, to Hydro. On the date of the execution of each Future Material Agreement (as defined below in Section 6.1(11)), Schedule C shall be deemed to be amended to include such Future Material Agreements and such Future Material Agreements shall be deemed to be Material Agreements for the purposes of this Agreement from and after the date of execution without the necessity of any further action by any of the parties hereto. Each Material Agreement is~~, or will on or before the Initial Closing Date be,~~ in full force and effect, unamended (except as disclosed to Hydro), and there exists no default or event, occurrence, condition or act (including the completion of the transactions contemplated under this Agreement and any other Loan Document) which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become a default thereunder. Neither NCN nor TPC have violated or breached, in any respect, any of the terms or conditions of any Material Agreement and, to the best of the knowledge of NCN and TPC, all the material covenants to be performed by any other party thereto have been fully performed in all material respects.

~~(12)~~ **(l) Books and Records.** All books and records of TPC have been fully, properly and accurately kept and completed in accordance with GAAP and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

~~(13)~~ **(m) Tax Liability.** Except for any Taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books:

~~(a)~~ (i) TPC has in a timely manner filed all tax returns, elections, filings and reports with respect to Taxes required by Law to be filed by it and such returns, elections, filings and reports are true, complete and correct;

~~(b)~~ (ii) TPC has paid, or reserved in its financial statements, all Taxes which are due and payable, and has paid all assessments and reassessments and all other Taxes, governmental charges penalties, interest and fines due and payable by it;

~~(c)~~ (iii) TPC has no liability, contingent or otherwise, for Taxes, except Taxes not now due and payable with respect to ordinary operations during the current fiscal period adequate provision for the payment of which has been made; and

~~(d)~~ (iv) TPC has paid as and when due all applicable Taxes and remitted as required by Law all applicable Taxes and deductions and any interest or penalties related thereto.

~~(14)~~ **(n) Shareholder.** NCN is the beneficial owner of all of the Capital Stock of TPC free and clear of all Liens except Permitted Liens. The Capital Stock of TPC is owned by the Chief or a Councillor of NCN, as bare trustee for NCN. No Person has any written or oral agreement, option, understanding or commitment, or any right capable of becoming an agreement, option, understanding, commitment, or right for purchase of any of the Capital Stock of TPC or to receive payment based on the value of any such Capital Stock. The issued and outstanding Capital Stock and Debt (excluding Debt under this Agreement) of TPC and the registered beneficial holders of such Capital Stock and Debt (excluding Debt under this Agreement) will be as described in Schedule D, which will be completed and provided by NCN to Hydro on or before the Initial Closing Date. Hydro acknowledges that the NCN Deed of Assignment shall not be deemed to be a breach of this representation.

~~(15)~~ **(o) Liabilities.** TPC does not have any liabilities, whether accrued, absolute, contingent or otherwise, of any kind or nature whatsoever, except as otherwise disclosed in Schedule E, which will be completed and provided by NCN to Hydro on or before the Initial Closing Date or pursuant to the Loan Documents, and except as incurred after the date hereof in compliance with this Agreement and the Loan Documents.

~~(16)~~ **(p)** **No Event of Default.** No Event of Default has occurred, nor has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute and Event of Default under the Loan Documents. No default has occurred nor has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute a default under any one or more of the Material Agreements which could result in the acceleration of amounts owing by NCN or TPC under any such Material Agreements.

~~(17)~~ **(q)** **Financial Information.** The financial statements of TPC furnished to Hydro pursuant to this Agreement have been prepared in accordance with GAAP, consistently applied, and present fairly the financial position of TPC as at the dates thereof and the results of their operations for the periods then ended. All balance sheets, all statements of operations, shareholders' equity and cash flow and all other financial information of TPC furnished pursuant to Section 6.1(a)(1) have been and will for periods following the Initial Closing be prepared in accordance with GAAP consistently applied, and do or will present fairly the consolidated financial position of TPC thereby as at the dates thereof and the results of their operations for the periods then ended.

Each of the representations and warranties contained in this Section 5.1 shall be deemed to be continually repeated by NCN and TPC at the time of each Dividend Credit Advance.

5.2 Survival of Representations and Warranties.

All the representations and warranties of NCN and TPC contained in Section 5.1 shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Dividend Credit Facility has been terminated notwithstanding any investigation made at any time by or on behalf of Hydro.

5.3 Representations by Hydro.

To induce NCN and TPC to enter into this Agreement, Hydro represents and warrants to NCN and TPC that each of the following representations and warrants is true and correct:

~~(1)~~ (a) Hydro is a corporation duly incorporated and organized and validly subsisting under the Laws of Manitoba and has the corporate power and authority to own or lease its property and to enter into this Agreement and each of the other Loan Documents to which it is a party and to perform its obligations ~~hereunder and thereunder.~~this Agreement and the Loan Documents.

~~(2)~~ (b) This Agreement and the Loan Documents to which Hydro is a party have been duly authorized, executed and delivered by Hydro and are legal, valid and binding obligations of Hydro enforceable, against Hydro by NCN and TPC to the extent that NCN or TPC is a party thereto, in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction or, by this Agreement, at the discretion of the Arbitrator.

~~(3)~~ (c) Subject only to obtaining the Authorizations described in Schedule H, the execution and delivery of this Agreement and each of the Loan Documents to which Hydro is a party and the consummation the transactions herein provided for by Hydro will not result in:

~~(a)~~ (i) the breach or violation of any other provisions of or constitute a default under or conflict with or cause the acceleration of any obligation of Hydro under:

~~(i)~~ (A) any contract to which Hydro is a party or by which it, or any of its property, is bound;

~~(ii)~~ (B) any provision of the constating documents, by-laws or resolutions of the board of directors (or any committee thereof) of Hydro;

~~(iii)~~ (D) any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over Hydro; or

~~(iv)~~ (E) any applicable law, statue, ordinance, regulation or rule, including, without limitation, the *Hydro Act*; or

~~(b)~~ (ii) the creation or imposition of any Lien on any investment transaction or any of the property or assets of Hydro.

~~(4)~~ (d) Hydro is a resident of Canada for the purposes of the Income Tax Act (Canada).

~~(5) None of:~~

~~(a) this Agreement;~~

~~(b) any of the other Loan Documents; or~~

~~(c)~~ (e) None of (i) this Agreement; (ii) any of the other Loan Documents; or (iii) any certificate or statement in writing which has been supplied by or on behalf of Hydro and is a document that is required to be delivered to Hydro pursuant to this Agreement or any of the other Loan Documents, contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

~~contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.~~

~~(6)~~ (f) There is no requirement for Hydro to make any filing with, give any notice to or obtain any license, permit, certificate, registration, authorization, consent or approval of any government regulatory authority as a condition to the lawful consummation by Hydro of the transaction contemplated by this Agreement and each other Loan Document to which it is a party, except as described in Schedule H.

Each of the representations and warranties contained in this Section 5.3 shall be deemed to be continually repeated by Hydro at the time of each Dividend Credit Advance.

5.4 Survival of Representations and Warranties.

All the representations and warranties of Hydro contained in Section 5.3 shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Dividend Credit Facility has been terminated, notwithstanding any investigation made at any time by or on behalf of NCN or TPC.

ARTICLE VI
COVENANTS OF NCN AND TPC

6.1 Affirmative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Dividend Credit Facility Commitment under this Agreement, and unless Hydro shall otherwise consent, NCN and TPC shall:

~~(1) **Financial Reporting and Deliveries.** Cause to be delivered to Hydro the following documents:~~

~~Annual Financial Statements~~

~~(a)~~ **(a)** **Financial Reporting and Deliveries.** Cause to be delivered to Hydro as soon as available, and in any event within one hundred and twenty (120) days after the end of each Financial Year, the audited financial statements (including, at a minimum, a balance sheet, income statement and statement of changes in financial position) of TPC for such Financial Year, prepared in accordance with GAAP and subject to an unqualified opinion of the Auditors;

~~Quarterly Financial Statements~~

~~(b) as soon as available, and in any event within sixty (60) days after the end of each Financial Quarter (excluding the last Financial Quarter of a Financial Year), the unaudited financial statements (including, at a minimum, a balance sheet, income statement and statement of changes in financial position) of TPC, prepared in accordance with GAAP;~~

~~(2)~~ **(b)** **Additional Reporting and Deliveries**. Cause to be delivered to Hydro, the following documents, in form and substance satisfactory to Hydro acting reasonably:

~~(a)~~ (i) a copy of each management letter or report submitted to the board of directors (or any committee thereof) or senior management of TPC by the Auditors in connection with any annual, interim or special audit made by them of the books of TPC, together with the related response of TPC to be delivered promptly upon the issuance of the response by TPC;

~~(b)~~ (ii) promptly after the occurrence of any Event of Default, a statement of NCN setting forth the details of such Event of Default and the action which NCN and/or TPC propose to take or have taken with respect thereto;

~~(c)~~ (iii) promptly after the commencement thereof, Notice of Claims which have been commenced against NCN or TPC (notice of which has been served on NCN or TPC), or to the best of the knowledge of NCN or TPC, are pending or threatened against NCN or TPC for amounts which exceed $75,000 in the aggregate at any time or affect any of the Collateral;

~~(d)~~ (iv) promptly after the occurrence of any material development with respect to any Claims referred to in Section 6.1(2)(c), and in any event within three (3) Business Days after NCN or TPC obtains knowledge of the occurrence thereof, Notice thereof to Hydro, and, to the extent Hydro requests them, copies of all documentation relating thereto; and

~~(e)~~ (v) such other information and reports relating to TPC, the Collateral or the Business or NCN's interest in TPC, as Hydro may from time to time reasonably request.

~~(3)~~ **(c) Existence**. Preserve and maintain TPC's corporate existence.

~~(4)~~ **(d) Compliance with Laws**. Comply, in all material respects with the requirements of all applicable Laws.

~~(5)~~ **(e) Payment of Taxes, Claims and Governmental Licence Fees**. Pay and discharge in respect of TPC, before the same shall become delinquent:

~~(a)~~ (i) all Taxes, governmental assessments, charges or levies and Claims imposed upon it or upon any of its Property;

~~(b)~~ (ii) all lawful Claims which, if unpaid, might by Law become a Lien upon its Property, in each case except for any such Tax, assessment, charge, levy or Claim which would result in a Lien which is a Permitted Lien; and

~~(c)~~ (iii) all fees payable to Governmental Entities or other authorities in connection with all governmental licences issued to and held by TPC (if any).

~~(6)~~ **(f) Keeping of Books**. Keep or cause to be kept, proper books, records and accounts, in which full and correct entries shall be made of all of TPC's financial transactions in accordance with GAAP.

~~(7)~~ **(g) Visitation and Inspection**. If, in the reasonable opinion of Hydro, an Event of Default has or may have occurred, at any reasonable time or times and upon reasonable prior notice given to NCN and TPC by Hydro, permit Hydro or any of its authorized representatives, full and reasonable access to the premises of NCN and TPC and obtain any consents and waivers from any Person necessary, in the reasonable opinion of Hydro to ensure such access, for the purposes of inspecting (and, where required, taking copies of) the respective business, financial and computer records of NCN (but relating to the Wuskwatim Project only) and TPC and to discuss the respective business, financial and computer records of NCN (but relating to the Wuskwatim Project only) and TPC, and compliance by NCN and TPC with the terms of this Agreement and the other Loan Documents (to the extent that each is a party thereto), with the management and Auditors thereof.

~~(8)~~ **(h) Protect Hydro Liens**. At all times take all action and supply Hydro with all such information necessary to allow Hydro to create, maintain, perfect, protect and preserve the Liens provided for under the Security Documents and confer upon Hydro the security interest intended to be created thereby.

~~(9)~~ (i) **Payments**. Pay all amounts of principal, interest, costs and expenses in the manner, on the dates, at the times and at the places specified in this Agreement or under any other Loan Document, but subject to the provisions of Section 8.2 in respect of costs and expenses.

~~(10)~~ (j) **Payment of Preferred Claims**. Pay, as and when due, any and all amounts which may result in a Lien on the Collateral under applicable Law (other than a Permitted Lien) whether or not such Lien is entitled to priority over the Liens in favour of Hydro under the Security Documents.

~~(11)~~ (k) **Loan Documents.** Execute and deliver to Hydro the Loan Documents.

~~(12)~~ (l) **Material Agreements**. Comply with the provisions of all of the Materials Agreements. In respect of each Material Agreement executed by NCN and/or TPC after the date hereof (each a "**Future Material Agreement**"), provide to Hydro, a certified copy of each Future Material Agreement.

~~(13)~~ (m) **Notice of Defaults.** Immediately notify Hydro:

~~(a)~~ (i) of any Event of Default or of any event, occurrence, condition or act which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become an Event of Default, or of any material default (either by NCN or TPC) under any Material Agreement or of any event which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become a material default under or would otherwise allow the termination of any Material Agreement, and thereafter provide Hydro with all information reasonably requested by Hydro from time to time concerning the status thereof;

~~(b)~~ (ii) on becoming aware of the occurrence of any litigation, dispute, arbitration, proceeding, labour or industrial dispute the result of which if determined adversely would have a Material Adverse Business Effect on the ability of NCN and/or TPC to perform their respective obligations under this Agreement and the other Loan Documents and thereafter provide Hydro with all information reasonably requested by Hydro concerning the status thereof.

~~(14)~~ **(n)** **Further Assurances**. Upon request of Hydro, duly execute and deliver or cause to be duly executed and delivered to Hydro such further instruments and other documents, and do and cause to be done such further acts as may be necessary or desirable in the opinion of Hydro, acting reasonably, to carry out more effectively the provisions and purposes of the Loan Documents.

6.2 **Negative Covenants.**

So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Dividend Credit Facility Commitment under this Agreement and unless Hydro, as the case may be, shall otherwise consent, NCN and TPC agree that:

~~(1)~~ **(a)** **Business Activity.** TPC shall not engage in any business activity except the Business.

~~(2)~~ **(b)** **Liens**. No Liens shall be created, incurred, assumed or suffered to exist, on any of TPC's Property including the Collateral and the Capital Stock of TPC other than Permitted Liens. For greater certainty this does not prohibit the NCN Deed of Assignment.

~~(3)~~ **(c)** **Disposal of Property.** None of the Collateral shall be disposed of by TPC.

~~(4)~~ **(d)** **Debt**. Except with the prior consent of Hydro, TPC shall not allow any Debt of TPC to be created, incurred, assumed or suffered to exist, directly, or contingently or otherwise, other than:

~~(a)~~ (i) Debt to Hydro;

~~(b)~~ (ii) unsecured current liabilities incurred and payable in the ordinary course of the Business and not represented by any note, bond or debenture; or

~~(c)~~ (iii) Purchase Money Debt, provided that the payments under such Purchase Money Debt does not exceed an aggregate amount in any one year period of $15,000.

~~(5)~~ **(e) Mergers**. TPC shall not reorganize, amalgamate, merge, consolidate or otherwise enter into any form of business combination with any other Person.

~~(6)~~ **(f) Guarantees and Indemnities**. TPC shall not guarantee or indemnify or give financial assistance or incur any contingent liability in respect of any Debt or any other obligations or liabilities of any other Person at any time other than pursuant to the Guarantee.

~~(7)~~ **(g) Dividends.** TPC shall not:

~~(a)~~ (i) declare or pay any dividends or any distributions after Hydro has provided notice to TPC that an Event of Default has occurred; nor

~~(b)~~ (ii) declare or pay any dividends or other distributions, in any other circumstances if, after declaring or paying such dividend or other distribution, TPC would not be able to meet its obligations under the Loan Documents.

~~(8)~~ **(h) Financial Year and Auditors**. TPC shall not change its Financial Year end or its Auditors.

~~(9)~~ ~~**Change in Constating Documents or Capital Stock.**~~

~~(a) There shall be no change in the constating documents or by-laws of TPC as delivered to Hydro which would:~~

~~(i) amend the authorized shares or other equity securities of TPC; or~~

~~(ii) otherwise be detrimental to the rights or interests of Hydro under any of the Loan Documents;~~

~~(b) Issue~~**(i) Change in Constating Documents or Capital Stock**. There shall be no change in the constating documents or by-laws of TPC as delivered to Hydro which would amend the authorized shares or other equity securities of TPC or otherwise be detrimental to the rights or interests of Hydro under any of the Loan Documents or issue any Capital Stock in TPC that would cause an Event of Default to occur or would cause a Change of Control of TPC.

~~(10)~~ **(j) Material Agreements**. There shall be no amendment, supplement, termination or waiver, or entering into of any forbearance from exercising any rights with respect to, any of the terms of any Material Agreement in a manner which would cause a Material Adverse Business Effect or an Event of Default hereunder.

~~(11)~~ **(k) Change of Control**. There shall be no Change of Control.

~~(12) **Change of Registered Owner.**~~

(l) Change of Registered Owner. Change the registered owner of the Capital Stock of TPC to any person other than the Chief or a Councillor of NCN, as bare trustee for NCN, or change the form of bare trustee declaration prior to obtaining the written consent of Hydro to the change.

6.3 Cross-Default.

Any Event of Default (as defined in the TPC Financing Agreement) by TPC shall be deemed to be an Event of Default hereunder.

ARTICLE VII
SECURITY

7.1 Security.

Each of NCN and TPC shall execute and deliver, the Security Documents to which it is a party with each of the Security Documents to be in form and substance satisfactory to Hydro, acting reasonably, as and when required hereunder or under the Loan Documents as continuing collateral security in the Collateral for the due, prompt and complete payment, performance and satisfaction by TPC of all of NCN's indebtedness, liabilities and obligations of every nature whatsoever (whether present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time due or accruing due, whatsoever and howsoever incurred, including any ultimate unpaid balance thereof, in any currency, and whether incurred prior to, at the time or subsequent to the execution of this Agreement) to Hydro, in connection with this Agreement and the other Loan Documents (collectively the "**Obligations**").

Notwithstanding anything to the contrary herein, this Agreement shall be interpreted in all respects having regard for the fact that, and the Security Documents shall provide that, (a) Hydro has a first charge security interest on TPC's Units and the Distributions on TPC's Units and any interest related to TPC's Units and the said Distributions, and (b) Hydro's sole recourse for payment of the Obligations shall be to the Collateral in accordance with the provisions of this Agreement, and for greater certainty, it shall have no right to sue TPC or NCN on any personal covenant to pay all or any of the Obligations, including without limitation, under the Guarantee.

7.2 Registrations.

~~(1)~~ Hydro, in its sole discretion, may register, file or record the Liens constituted by the Security Documents in all jurisdictions where such registration, filing, or recording is necessary or of advantage to the creation, perfection, preservation or protection of such Liens.

7.3 Renewals.

~~(2)~~ Hydro may renew such registrations, filings and recordings from time to time as and when required or of advantage, in the sole discretion of Hydro, to keep them in full force and effect. NCN and TPC acknowledge that the forms of the Security Documents have been prepared based upon the laws of the jurisdictions indicated therein as being applicable thereto in effect at the date hereof and that such Laws may change. NCN and TPC agree that, following prior notice to and consultation with NCN and TPC, upon direction from Hydro, Hydro shall have the right to require that the forms of the Security Documents be amended, restated or supplemented, to reflect any changes in such Laws, whether arising as a result of statutory amendments, court decisions or other similar changes, in order to confer upon Hydro the Liens in the Collateral intended to be created by the Security Documents, in the sole discretion of Hydro. For greater certainty, nothing in this Agreement can be used by Hydro, TPC or NCN or by any other Person to expand or reduce or otherwise change the scope of the Property comprising the Collateral herein defined or to confer upon Hydro a right to sue TPC or NCN on a personal covenant to pay all or any of the Obligations, or to require any guarantees (except the Guarantee), indemnities or covenants from NCN or any other Person in respect of the Obligations or otherwise.

ARTICLE VIII
EVENTS OF DEFAULT

8.1 Events of Default.

If any of the following events, conditions or circumstances (each an "**Event of Default**") shall occur and be continuing:

(a) NCN shall fail to pay any portion of the principal or interest or any fees or other amounts due hereunder or under any of the other Loan Documents on the date when due hereunder or thereunder and such amount remains unpaid for a period of six (6) Business Days after Hydro notifies NCN that the amount is overdue; provided however, that this provision shall be read in conjunction with the provisions in this Agreement, the TPC Financing Agreement and the other Loan Documents hereunder and thereunder which provide that, for so long as TPC and NCN are otherwise in good standing under the provisions of this Agreement, the TPC Financing Agreement and the other Loan Documents hereunder and thereunder, all such payments to Hydro are to made solely through the irrevocable assignment and direction to Hydro of the Distributions on TPC's Units (or a portion thereof, as applicable under the priority provisions of the TPC Financing Agreement) prior to the Maturity Date (and, in certain circumstances, after the Maturity Date), and from no other source, such that for so long as the Distributions are so assigned by TPC (as collateral security for the Guarantee) and are paid over to Hydro as and when declared by the General Partner of the Limited Partnership pursuant to the irrevocable assignment and direction in favour of Hydro, NCN shall be deemed to be in compliance with its covenants to pay for all purposes hereunder and under the other Loan Documents. The parties hereto acknowledge that neither TPC nor NCN control the timing or amount of such Distributions, and as such, there may be periods of time during which there are no or few Distributions to be paid over to Hydro in accordance with the irrevocable assignment and direction to Hydro, and this shall not be construed to be an Event of Default hereunder;

(b) any representation or warranty or certification made or deemed to be made by any NCN or TPC or pursuant to or in connection with any of the Loan Documents delivered to Hydro shall prove to have been incorrect in any material respect when made or deemed to have been made;

(c) NCN or TPC shall fail to perform or observe any other term, covenant or agreement contained in any of the Loan Documents on its part to be performed or observed and such failure shall remain unremedied for fifteen (15) Business Days (the "**Cure Period**") after written notice thereof shall have been given to NCN and TPC by Hydro; provided that the length of the Cure Period shall be extended by Hydro in its unfettered discretion where NCN and TPC demonstrate to Hydro that the breach is not capable of being cured within fifteen (15) Business Days but provides Hydro, within fifteen (15) Business Days, with a plan for curing the breach within sixty (60) calendar days and in good faith implements such plan;

(d) any of the Loan Documents, at any time, is not or ceases to be valid or enforceable in whole or in part, or if any Lien intended to be created by any of the Security Documents is not or ceases to be a valid and perfected Lien having the ranking or priority contemplated thereby, or if the validity or enforceability of any of the Loan Documents or the validity or perfection of any such Lien shall be contested by any party thereto or any other Person (unless such contestation by such party or other Person is being opposed diligently, in good faith and by proper legal proceedings by Hydro with the assistance of NCN and TPC and Hydro covenants to oppose such contestation in good faith, where in its discretion, there is a reasonable prospect of success), or if any Person (other than Hydro or the Limited Partnership) obtains any interest in the Collateral or any part thereof (except Permitted Liens); provided however, that this provision shall only be invoked where Hydro, acting reasonably, has determined that its inability to enforce the said Lien with its intended ranking or priority cannot be cured by Hydro within a reasonable period of time or without Hydro being materially adversely affected notwithstanding that NCN and TPC have provided a written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said Lien with its intended ranking or priority;

(e) with respect to Debt of TPC under any one or more agreements other than the Debt under the Loan Documents,

(i) TPC shall fail to pay any principal, interest or other amount pursuant to the agreements governing such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) when such amount becomes due and payable (whether by scheduled maturity, required repayment, acceleration, demand or otherwise) and such failure shall continue after any applicable grace period specified in such agreement or agreements; or

(ii) any other event, condition or circumstance shall occur and shall continue after any applicable grace period specified in such agreement or agreements, if the effect of such event, condition or circumstance is to accelerate the maturity of such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency); or

(iii) other Debt of TPC in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) shall be declared to be due and payable prior to the stated maturity thereof under any such agreement or agreements;

(f) the occurrence of any default, or any event or condition which, with the giving of notice or passage of time, or both would constitute a default under any Material Agreement and such default shall continue unremedied after any applicable grace period specified in such Material Agreement;

(g) NCN or TPC shall:

(i) become insolvent;

(ii) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(iii) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(iv) institute or have instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (z) the entry of an order for relief or the appointment of a receiver, interim receiver, receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of its Property, and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within forty five (45) days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property) shall occur; provided however, that in the event that a third party manager or co-manager is appointed for NCN, this shall not constitute an Event of Default hereunder provided that the third party manager or co-manager abides by the terms and conditions of this Agreement; or

(v) take any corporate action to authorize any of the foregoing actions;

(h) a Notice is sent to NCN or TPC from any creditor with respect to the intention of such creditor to enforce a Lien on:

(i) any of the Collateral; or

(ii) any Property of TPC (other than the Collateral) unless such Notice is being contested in good faith by appropriate legal proceedings and such Notice has not resulted in, or does not involve, any immediate danger of the sale, forfeiture or loss of any of the Property of TPC that is the subject of such Notice; or

(iii) the Capital Stock of TPC;

(i) any one or more judgments or orders in excess of $75,000 (or the equivalent in another currency) in the aggregate, or any one or more orders, directives, letters of credit or other communications from any Governmental Entity which may be reasonably likely to require TPC to expend an amount in excess of $75,000 (or the equivalent amount in another currency) in the aggregate shall be rendered against TPC, and either:

(i) enforcement proceedings shall have been commenced by any creditor upon any such judgment(s) or order(s); or

(ii) there shall be any period of ten (10) consecutive Business Days during which a stay of enforcement of any such judgment or order, directive, letter or other communication by reason of a pending appeal or otherwise, shall not be in effect;

(j) the audited financial statements of TPC in respect of any Financial Year are qualified in any material adverse respect by the Auditors;

(k) the occurrence of a Change of Control;

(l) the loss, suspension or failure to renew any licence or permit held by TPC or any agreement to which TPC is a party the effect of which would prohibit or otherwise restrict TPC from conducting the Business;

(m) TPC is enjoined or restrained in any material way by an order of any Governmental Entity, arbitrator or board in Canada or elsewhere from conducting the Business;

(n) the occurrence of a Material Adverse Business Effect;

(o) the occurrence an Event of Default committed by TPC (as such term is defined in the TPC Financing Agreement); or

(p) the occurrence of any event, condition or circumstance which, with the giving of notice or passage of time or both, would constitute an Event of Default, after the expiration of, in the case of a Loan Document, the applicable Cure Period or in the case of any other agreement, the applicable cure period (if any) thereunder;

then, and in any such event, Hydro shall be entitled by written notice to NCN and TPC to:

~~(a)~~ (i)terminate the obligation of Hydro to make further Dividend Credit Advances under the Dividend Credit Facility; and/or

~~(b)~~ (ii) demand repayment of the Total Outstandings owed by NCN to Hydro under the Dividend Credit Facility, whereupon the Total Outstandings and other amounts payable thereunder shall become forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by NCN and TPC except such notices as may be required under applicable Laws. Provided, however that Hydro shall only have recourse to the Collateral for repayment of the Obligations and further provided, however, that upon any Event of Default specified in Section 8.1(g), the obligation of Hydro to make Dividend Credit Advances hereunder shall automatically terminate.

8.2 Expenses of Hydro.

Upon the occurrence of any Event of Default which has not been waived and is continuing, Hydro may take any action Hydro considers advisable, acting reasonably, to remedy the effect of such Event of Default. All reasonable expenses, costs and charges incurred by or on behalf of Hydro in connection with:

(a) any remedial action taken pursuant to this Section; or

(b) the realization of the Collateral, including all reasonable fees, court costs, receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral, in all cases shall be added to and form a part of the Obligations, but subject always to the provisions that Hydro's sole recourse for payment of the Obligations shall be to the Collateral, as set out herein. For greater certainty, for so long as there is no Event of Default hereunder, Section 5.14 of the PDA shall govern the payment of Hydro's costs and expenses properly recoverable hereunder.

8.3 Remedies Cumulative.

The remedies provided for in this Agreement and each of the Loan Documents are cumulative and do not exclude any other right or remedy provided by Law (except that there shall be no right of Hydro to sue TPC or NCN on any personal covenant to pay, it being acknowledged that Hydro's sole recourse is to the Collateral).

8.4 Allocations.

For greater certainty, the parties agree that any expenses or costs that are, by the terms of this Agreement or under the other Loan Documents, reimbursable to Hydro shall be allocated to the Dividend Credit Facility.

ARTICLE IX
PAYMENTS, COMPUTATIONS AND INDEMNITIES

9.1 Timing of Payments under this Agreement.

~~(1)~~ Unless otherwise expressly provided in this Agreement~~,~~:

(a) NCN shall make any payment required to be made by it to Hydro by depositing the amount of such payment in Hydro's Account not later than 11:00 a.m. (Winnipeg time) on the date such payment is due~~.~~; and

~~(2) Unless otherwise expressly provided in this Agreement,~~ (b) Hydro shall make any Dividend Credit Advance or other payment to NCN ~~hereunder~~ under this Agreement by crediting or causing the crediting of the account of NCN directed by NCN in the applicable Borrowing Notice with the amount of such Dividend Credit Advance on the date such Dividend Credit Advance is to be made.

9.2 Payments on Non-Business Days.

Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall not be included in the computation of interest unless an Event of Default has occurred and is continuing, in which event such extension of time shall be included in the computation of interest.

9.3 Overdue Amounts.

All amounts owed by NCN which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times, to the applicable rate specified in Section 3.3.

9.4 Application of Payments, Repayments and Prepayments.

All amounts received by Hydro from or on behalf of NCN, including a realization of the Collateral, and not previously applied pursuant to this Agreement shall be applied:

(a) first, in reduction of NCN's obligation to pay any costs or expenses which are due and owing to Hydro, and reimbursable or indemnity amounts or Losses which have been determined by a court of competent jurisdiction or by arbitration to be due and owing to Hydro;

(b) second, in reduction of NCN's obligation to pay any unpaid interest accrued on the principal amount of Dividend Credit Advances;

(c) third, in reduction of such NCN's obligation to pay any amounts due and owing on account of the principal amount of all Dividend Credit Advances;

(d) fourth, to be held in escrow by Hydro in an interest-bearing account on account, and up to the amount, of any written claim by Hydro then issued and outstanding seeking reimbursement or indemnity hereunder for Losses, pending determination by a court of competent jurisdiction or by arbitration as to the amount (if any) which is due and owing to Hydro hereunder (in which event, such funds and any interest earned thereon shall be dealt with in accordance with the order of the court of competent jurisdiction or arbitrator, as the case may be); and

(e) fifth, to NCN or such other Persons as may lawfully be entitled to the remainder, or as any court of competent jurisdiction may otherwise direct.

9.5 Computations of Interest and Fees.

~~(1)~~ (a) All computations of interest shall be made by Hydro, based on the semi-annual interest computation (and not the number of days in the six (6) month period) and on the basis of a year of 365 days.

~~(2)~~ (b) Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the aggregate "interest" (as defined in Section 347 of the *Criminal Code* (Canada), as the same may be amended, replaced or re-enacted from time to time) payable under this Agreement exceed the maximum amount of interest on the "credit advanced" (as defined in that Section) under this Agreement lawfully permitted under that Section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that Section) is determined to be contrary to the provisions of that Section, such payment, collection or demand shall be refunded to NCN. For purposes of this Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term that the relevant Dividend Credit Advance is outstanding on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of any dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Hydro will be conclusive for the purposes of such determination.

~~(3)~~ (c) Each determination by Hydro of any amount payable hereunder by NCN shall be *prima facie* evidence of the amount payable for all purposes absent error.

9.6 Indemnity for Change in Circumstances.

~~(1) If with respect to Hydro:~~

~~(a)~~ (a) If any change in Law, or any change in the interpretation or application by any Governmental Entity of any Law occurring or becoming effective after the date ~~hereof; or~~of this Agreement or any compliance by Hydro with any direction or requirement having the force of Law) of any Governmental Entity made or becoming effective after the date of this Agreement, causes Loss to Hydro by:

~~(b) any compliance by Hydro with any direction or requirement having the force of Law) of any Governmental Entity made or becoming effective after the date hereof,~~

~~in either case shall have the effect of causing Loss to Hydro by:~~

(i) increasing the actual cost to Hydro of performing its obligations under this Agreement or in respect of any Dividend Advance;

(ii) reducing any amount otherwise properly payable to Hydro under this Agreement or in respect of any Dividend Advance by any amount that Hydro deems material acting reasonably (other than pursuant to Section 9.5(2));

then Hydro may give notice to NCN specifying the nature of the event giving rise to such Loss and NCN shall, within twenty (20) Business Days of demand, pay such amounts as Hydro may specify is necessary to compensate Hydro for such Loss. A certificate as to the amount of any such Loss, submitted in good faith by Hydro to NCN shall be *prima facie* evidence of the amount of such Loss for all purposes, absent error.

~~(2)~~ (b) Except as required by applicable Law, NCN and TPC shall make all payments under this Agreement to Hydro without deducting or withholding of any Taxes. To the extent that deduction or withholding of Taxes is required by applicable Law, NCN and TPC will:

~~(a)~~ (i) immediately notify Hydro of such requirement;

~~(b)~~ (ii) pay to the appropriate authority the full amount required to be so withheld or deducted before penalties attach thereto or interest accrues thereon;

~~(c)~~ (iii) promptly forward to Hydro an official receipt or other documentation reasonably satisfactory to Hydro evidencing such payment to such authority; and

~~(d)~~ (iv) pay to Hydro an additional amount so that Hydro receives the full amount it would have received had no such deduction or withholding been required.

If any Taxes are directly asserted against Hydro with respect to any payment under this Agreement, Hydro may pay such Taxes and NCN shall promptly pay such additional amount (including any penalties, interest and expenses) necessary so that the net amount received by Hydro after the payment of such Taxes, including any Taxes on such additional amounts, shall equal the amount Hydro would have received had Hydro not paid such Taxes.

NCN will indemnify Hydro for all incremental Taxes, interest or penalties that Hydro must pay if NCN fail to deduct or withhold any Taxes when due or to send Hydro the required receipts or other documentation.

Hydro acknowledges that in respect of this Section 9.6(~~2~~b), Taxes shall not include any income taxes that may be payable by Hydro. Hydro shall remain solely obligated to pay and shall save TPC and NCN harmless from any income taxes that may be asserted against Hydro or payable by Hydro, including with respect to any payments or amounts received or made under this Agreement.

9.7 **Indemnity.**

~~(1)~~ (a) NCN hereby agrees to indemnify, exonerate and hold Hydro and its officers, directors, employees, agents and other representatives (in this Section 9.7(1), the "**Indemnified Parties**") free and harmless from and against any and all Claims, demands, actions, causes of action, suits, losses, costs (including all documentary, recording, filing, mortgage duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which such indemnification hereunder is sought), and including reasonable legal fees and disbursements (collectively, in this Section 9.7(1), the "**Indemnified Liabilities**") paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them or, with respect to, or as a direct or indirect result of:

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Dividend Credit Advances obtained hereunder; or

(ii) the execution, delivery, performance or enforcement of this Agreement or any Loan Documents, except for such Indemnified Liabilities that a court of competent jurisdiction determines or rules to be on account of the relevant gross negligence or willful misconduct of the Indemnified Party or any Person for whom such Indemnified Party is responsible at law [in which event, such Party shall indemnify TPC and its officers and directors and NCN and its Chief and Councillors (to the extent that each of NCN's Chiefs and Councillors is liable at law in his or her respective capacity as part of Chief and Council) for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct].

~~(2)~~ (b) All obligations provided for in this Section 9.7 shall not be reduced or impaired by any investigation made by or on behalf of Hydro.

~~(3)~~ (c) If, for any reason, the obligations of NCN pursuant to this Section 9.7 shall be unenforceable, NCN agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the gross negligence or willful misconduct or any Person for whom such Indemnified Party is responsible at law [in such event such Party shall indemnify TPC and its officers and directors and NCN and its Chief and Councillors (to the extent that each of NCN's Chiefs and Councillors is liable at law in his or her respective capacity as part of Chief and Council), for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct].

9.8 Contribution.

If any provision in any of the Loan Documents providing for indemnification by NCN (the "**Indemnitor**") in favour of Hydro or any of the Indemnified Parties (as defined in Section 9.7) (the "**Indemnitee**") is found by reason of the occurrence of an event, other than the gross negligence or wilful misconduct of the Indemnitee, to be unenforceable by a court of competent jurisdiction in a final judgment that has become non-appealable, then the Indemnitor shall contribute to the amount paid or payable by the Indemnitee which is subject to the indemnification provision in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnitee on the other hand but also the relative fault of the Indemnitor and the Indemnitee but only to the extent that such contribution is consistent with the terms of the final judgment. The rights of contribution herein provided shall be in addition to and not in derogation of any other right to contribution which the Indemnitee may have under this Agreement or applicable Laws.

9.9 Confirmation of Limited Recourse.

For greater certainty, Hydro acknowledges that nothing in this Article IX shall in any way detract from the limited recourse of Hydro's security and remedies hereunder, as set out in Section 7.1.

ARTICLE X
DISPUTE RESOLUTION

10.1 Dispute Resolution.

Each of the parties to the Agreement agrees that any disputes or claims arising out of this Agreement shall be determined solely in accordance with the dispute resolution process set out in Article XXI of the PDA and it shall not bring any action in respect of any matter arising hereunder, other than pursuant to Article XXI of the PDA, against any other party.

ARTICLE XI
GENERAL PROVISIONS

11.1 Notices.

~~(1)~~ All notices provided for in this Agreement or in the other Loan Documents shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set opposite the party's name in Schedule F hereto or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

~~(2)~~ Each Borrowing Notice and Repayment Notice shall be irrevocable and binding on NCN.

11.2 Time of the Essence.

Time shall be of the essence of this Agreement.

11.3 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the parties hereto and the Persons contemplated in Section 9.7 or Section 11.7, and no Person, other than the parties hereto and the Persons contemplated in Section 9.7 or Section 11.7, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum. For greater certainty, nothing in this Section 11.3 is intended to prevent or restrict the Taskinigahp Trust from receiving Dividends declared by the Board of Directors of TPC pursuant to the NCN Deed of Assignment subject always to TPC's compliance with the covenants, representations and warranties of this Agreement.

11.4 Enurement.

This Agreement shall enure to the benefit of and be binding upon the parties hereto. This Agreement shall be binding upon any assigns and enure to the benefit of any permitted assigns.

11.5 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

11.6 Knowledge.

Where any representation or warranty contained in this Agreement or any other Loan Document is expressly qualified by reference to the "best of the knowledge" of NCN or TPC, or where any other reference is made herein or in any Loan Document to "the knowledge" of NCN or TPC, it shall be deemed to refer to the best of the knowledge of the Chief and Council of NCN and the members of the board of directors of TPC, respectively.

11.7 Assignment.

Neither this Agreement nor the rights and obligations hereunder shall be assignable or transferable by NCN or TPC or Hydro, except that Hydro may assign this Agreement to any Affiliate, on the condition that notwithstanding the Assignment, Hydro will remain jointly and severally liable with the said Affiliate, for compliance with the covenants of Hydro under this Agreement.

11.8 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the parties contained in this Agreement and the other Loan Documents shall not merge on and shall survive the Initial Closing and Final Investment Closing and the making of any Dividend Credit Advance, and notwithstanding such Initial Closing and Final Investment Closing or Dividend Credit Advance, or any investigation made by or on behalf of any party, shall continue in full force and effect. Neither the Initial Closing and Final Investment Closing nor the making of any Dividend Credit Advance shall prejudice any right of one party against any other party in respect of anything done or omitted hereunder or under any of the other Loan Documents or in respect of any right to damages or other remedies.

[Execution pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first above written.

NISICHAWAYASIHK CREE NATION

~~Jerry Primrose~~Marcel Moody, Chief

~~Jimmy Hunter~~ Ron Spence, ~~Councillor~~ Deputy Chief

~~D'Arcy~~Patrick Linklater, Councillor

Shirley L. Linklater, Councillor

~~Agnes M. Spence~~Bonnie Linklater, Councillor

~~William Elvis Thomas~~Willie Moore, Councillor

Joe Moose, Councillor

TASKINIGAHP POWER CORPORATION

Per:

Name: ~~Jerry Primrose~~
Title: President

Per:

Name: ~~William Elvis Thomas~~
Title: Vice-President

Per:

Name: Shirley L. Linklater
Title: Secretary-Treasurer

THE MANITOBA HYDRO-ELECTRIC BOARD

Per:

Name: ~~Robert B. Brennan~~
Title: President and Chief Executive Officer

Per:

Name: ~~Robert D. Bettner~~
Title: Assistant Corporate Secretary

SCHEDULE A

REPAYMENT NOTICE

TO: THE MANITOBA HYDRO-ELECTRIC BOARD ("Hydro")

FROM: NISICHAWAYASIHK CREE NATION ("NCN")

This Repayment Notice is delivered to you pursuant to Section 2.6 of the financing agreement (the "Amended and Restated NCN Financing Agreement") dated ~~●, 2006~~Effective April 1, 2015 between NCN, as borrower, Taskinigahp Power Corporation and Hydro, as lender. All capitalized terms used in this Repayment Notice and defined in the NCN Financing Agreement shall have the meanings defined in the NCN Financing Agreement.

1. NCN hereby gives notice of repayment as follows:

   (a) Date of repayment:

   (b) Type of Advance:

   (c) Amount of principal being repaid:

NISICHAWAYASIHK CREE NATION

Chief

Councillor

Councillor

Councillor

Councillor

Councillor

SCHEDULE B

BORROWING NOTICE

To: THE MANITOBA HYDRO-ELECTRIC BOARD ("Hydro")

From: NISICHAWAYASIHK CREE NATION ("NCN")
TASKINIGAHP POWER CORPORATION ("TPC")

This Borrowing Notice is delivered to you pursuant to Section 3.2 of the amended and restated financing agreement (the "NCN Financing Agreement") dated ~~•, 2006~~as of April 1, 2015 between NCN, as borrower, TPC and Hydro, as lender. All capitalized terms used in this Borrowing Notice and defined in the NCN Financing Agreement shall have the meaning defined in the NCN Financing Agreement.

1. NCN hereby requests an Dividend Credit Advance as follows:

   (a) Date of Dividend Credit Advance:

   (b) Amount of Dividend Credit Advance:

   (c) Payment Instructions:

2. NCN and TPC hereby certify that:

   (a) All of the representations and warranties of NCN and TPC contained in Section 5.1 of the NCN Financing Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than those representations and warranties in Section 5.1 which are specifically limited to a particular date) and except as disclosed in writing to, and accepted in writing by Hydro.

   (b) All of the covenants of NCN and TPC contained in Article VI of the NCN Financing Agreement together with all of the conditions precedent to an Advance in Article IV of the NCN Financing Agreement (to the extent they are within NCN's and/or TPC's control) have been complied with or met in all material respects, except as disclosed in writing to, and accepted in writing by Hydro.

(c) No Event of Default has occurred and is continuing on the date hereof nor will any Event of Default occur as a result of the aforementioned Dividend Credit Advance, except as disclosed in writing to, and accepted in writing by Hydro.

DATED:

NISICHAWAYASIHK CREE NATION

Chief

Councillor

Councillor

Councillor

Councillor

Councillor

TASKINIGAHP POWER CORPORATION

Per:
Name:
Title:

Per:
Name:
Title:

SCHEDULE C

MATERIAL AGREEMENTS

~~To be provided~~Provided on Initial Closing

SCHEDULE D

ISSUED AND OUTSTANDING CAPITAL STOCK AND DEBT

~~To be provided~~Provided on Initial Closing

SCHEDULE E

LIABILITIES

~~To be provided~~Provided on Initial Closing

SCHEDULE F

ADDRESS FOR NOTICE

Nisichawayasihk Cree Nation
Attention: Chief and Council
General Delivery
Nelson House, MB
R0B 1A0

Fax Number: (204) 484-2392

Taskinigahp Power Corporation
Attention: President
General Delivery
Nelson House, MB
R0B 1A0

Fax Number: (204) 484-2392

Manitoba Hydro
Attention: General Counsel
~~3rd Floor – 820 Taylor Avenue~~
~~Winnipeg, MB R3C 2P4~~360 Portage AvenueWinnipeg, MB

Fax Number: (204) ~~474~~360-4947

SCHEDULE G

LIST OF SECURITY DOCUMENTS

1. TPC Limited Recourse Guarantee
2. TPC Security Agreement
3. Pledge of TPC's Units
4. Limited Power of Attorney granted by TPC respecting TPC's Units

SCHEDULE H

AUTHORIZATIONS - HYDRO

1. Order in Council as required pursuant to the provisions of the Hydro Act.

~~2.~~
Such Additional Borrowing Authorizations required from time to time.

Document comparison by Workshare Compare on May-12-15 1:19:12 PM

Input:	
Document 1 ID	PowerDocs://TDSLAW/325023/20
Description	TDSLAW-#325023-v20-0050406_NCN_Financing_Agreement(withHydro)-Draft#3-062603
Document 2 ID	file://C:/Users/nicolel/AppData/Roaming/OpenText/DM/Temp/TDSLAW-#1787204-v17-2014_Restated_NCN_Financing_Agreement.doc
Description	TDSLAW-#1787204-v17-2014_Restated_NCN_Financing_Agreement
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	243
Deletions	296
Moved from	14
Moved to	14
Style change	0
Format changed	0
Total changes	567

AMENDED AND RESTATED TPC FINANCING AGREEMENT

between

TASKINIGAHP POWER CORPORATION

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD

~~**DATED June 28, 2006**~~

Effective March 31, 2015

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AMENDED AND RESTATED TPC FINANCING AGREEMENT

~~DATED~~Effective the ~~28th~~31st day of ~~June 2006~~March 2015

B E T W E E N:

TASKINIGAHP POWER CORPORATION,

(hereinafter referred to as "TPC")

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter referred to as "Hydro")

The parties agree as follows:

ARTICLE I
INTERPRETATION

1.1 Defined Terms.

In this Agreement, defined terms used herein shall have the following meanings:

~~"**Additional Borrowing Authorizations**" has the meaning specified in Section 8.1(4).~~

~~"**Adjustment Purchase Option Event**" has the meaning specified in Section 6.1(b).~~

~~"**Adjustment Purchase Right**" has the meaning specified in Section 6.1(b).~~

~~"**Adjustment Purchased Units**" has the meaning specified in Section 6.1(b).~~

"**Advances**" means advances made by Hydro under the Equity Credit Facility in this Agreement in Canadian Dollars and **"Advance**" means any one of such Advances. ~~Advances may be designated as an **"Equity Credit Advance"** or a **"Cash Call Credit Advance"**. Each of an Equity Credit Advance and a Cash Call Credit Advance is a **"Type"** of Advance.~~

"**Affiliate**" means with respect to any Person, any other Person directly or indirectly Controlling, Controlled by or under direct or indirect common Control with, such Person.

~~"**Aggregate Capital Contributions**" means for any particular day, the sum of:~~

~~(i) the subscription price paid for the purchase of the Units by the Limited Partners; and~~

~~(ii)~~ "**Aggregate Capital Contributions**" means for any particular day, the sum of: (i) the subscription price paid for the purchase of the Units by the Limited Partners; and (ii) all other capital amounts contributed by the Limited Partners to the Limited Partnership pursuant to the provisions of the Limited Partnership Agreement.

"**Agreement**" means this financing agreement and all schedules and instruments in amendment or confirmation of it; "**hereof**", "**hereto**" and "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article, Section or other subdivision; "**Article**", "**Section**" or other subdivision of this Agreement followed by a number refers to the specified Article, Section or other subdivision of this Agreement.

"**Anniversary Date**" means each anniversary of the Final Closing Date.

~~"**Approved Funds**" means either:~~

~~(i)~~ "**Approved Funds**" means either: (i) funds that TPC will use to repay any principal amount under ~~a~~the Equity Credit Facility, that Hydro has approved pursuant to the Credit Facility Repayment Certification provided by TPC in accordance with Section ~~4.6; or~~4.5; or (ii) funds that TPC will use to make a payment to the Limited Partnership, that Hydro has approved pursuant to the Limited Partnership Payment Certification.

~~(ii) funds that TPC will use to make a payment to the Limited Partnership, that Hydro has approved pursuant to the Limited Partnership Payment Certification provided by TPC in accordance with Section 10.2(11).~~

"**Auditors**" means such firm of chartered accountants as may be selected by the directors of TPC and approved by NCN from time to time to audit TPC, provided that such firm of chartered accountants is qualified to perform audits in Manitoba.

"**Authorization**" means, with respect to any Person, any authorization, order, permit, approval, grant, licence, consent, right, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decree, by-law, rule or regulation of any Governmental Entity having jurisdiction over such Person, whether or not having the force of Law.

"**Banker's Acceptance Rate**" means the closing rate on any particular day for a one month Canadian Dollar banker's acceptance, as traced in Bloomberg using the CDORO1 index. Where any Banker's Acceptance Rate or average of a number of Banker's Acceptance Rates is used in the calculation of any interest rate or amount due by TPC hereunder (including in the determination of the Canadian Dollar Floating Rate), Hydro shall provide TPC with a print-out of the CDOR01 index screen used to derive such rate or rates.

"**Borrowing**" means a borrowing consisting of one or more Advances.

~~“**Borrowing Notice**” has the meaning specified in Section 4.2(1).~~

“**Business**” means the business of TPC which consists of owning TPC’s Units**,** being a limited partner in the Limited Partnership and making such other investment, administrative and business decisions as may be ancillary thereto and carrying out such functions and fulfilling such obligations as are required or permitted pursuant to the provisions of the PDA.

“**Business Day**” means any day on which Hydro’s head office is open for business at Winnipeg, Manitoba but in any event shall not include a Saturday, Sunday or statutory or civic holiday in Manitoba.

“**Canada**” means the Government of Canada.

“**Canada Yield Price**” means with respect to the repayment of Equity ~~Credit Advances or Cash Call~~ Credit Advances the principal amount that is being repaid plus or minus an amount calculated at 10:00 a.m. (Winnipeg time) on the Business Day preceding the day on which the principal amount is to be repaid which in total if invested on that day would provide a yield to maturity equal to the Government of Canada Yield, plus the Canadian Yield Spread, excluding commissions plus the Canadian Dollar Guarantee Rate ~~and plus the applicable fixed rate adder per annum. The fixed rate adder is one (1%) percent per annum for Equity Credit Facility Advances up to the tenth Anniversary Date and is three (3%) percent per annum thereafter. The fixed rate adder is three (3%) percent for all Cash Call Advances~~. The Canada Yield Price will be determined based on the median of the three investment dealer quotes obtained by Hydro.

“**Canadian Dollar Floating Rate**” means, for any particular day(s) within a given month, the variable rate of interest (expressed as a percentage rate per annum) equal to the Short-Term Canadian Borrowing Cost incurred by Hydro for the month in which such day(s) fall. Provided that if there has been no Short-Term Canadian Borrowing Cost for that month, the variable interest rate (expressed as a percentage rate per annum) shall be based on the average of the daily Banker’s Acceptance Rates for that month plus the average of the daily Canadian Dollar Guarantee Rates for that month plus one (1%) percent per annum.

"**Canadian Dollar Guarantee Rate**" means for any particular day, the closing rate of interest (expressed as a percentage rate per annum) charged on such day by Manitoba to Hydro, as a fee for Manitoba's guarantee of Hydro's Canadian Dollar borrowings.

"**Canadian Dollars**" and "**$**" each mean lawful money of Canada.

~~"**Canadian Ten Year Rate**" means for any particular day, the rate of interest per annum equal to:~~

~~(i) the Ten Year Canada Bond Rate, as at 10:00 a.m. (Winnipeg time), for such day; plus~~

~~(ii) the Canadian Dollar Guarantee Rate, as at 10:00 a.m. (Winnipeg time), for such day and either:~~

~~(A) plus the Canadian Ten Year Spread as at 10:00 a.m. (Winnipeg time) for such day, if the Ten Year Canada Bond Rate used in the calculation of the said Canadian Ten Year Spread is less than the rate of interest for the Ten Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Ten Year Spread; or~~

~~(B) less the Canadian Ten Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Ten Year Canada Bond Rate used in the calculation of the said Canadian Ten Year Spread was greater than the rate of interest for the Ten Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Ten Year Spread.~~

~~"**Canadian Ten Year Spread**" means at any particular date the difference between the Ten Year Canada Bond Rate in effect on that date and the rate of interest (expressed~~

~~as a percentage rate per annum) for Ten Year Manitoba Canadian Dollar Bonds had Ten Year Manitoba Canadian Dollar Bonds been issued by Manitoba on that day, at 10:00 a.m. (Winnipeg time), including commission costs (with the rate of interest determined by Hydro obtaining three rate quotes for Ten Year Manitoba Canadian Dollar Bonds and using the median of the three rate quotes obtained).~~

~~"**Canadian Thirty Year Rate**" means for any particular day, the rate of interest per annum equal to:~~

~~(i) the Thirty Year Canada Bond Rate, as at 10:00 a.m. (Winnipeg time), for such day; plus~~

~~(ii) the Canadian Dollar Guarantee Rate, as at 10:00 a.m. (Winnipeg time), for such day and either:~~

~~(A) plus the Canadian Thirty Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Thirty Year Canada Bond Rate used in the calculation of the said Canadian Thirty Year Spread is less than the rate of interest for the Thirty Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Thirty Year Spread; or~~

~~(B) less the Canadian Thirty Year Spread, as at 10:00 a.m. (Winnipeg time), for such day, if the Thirty Year Canadian Bond Rate used in the calculation of the said Canadian Thirty Year Spread is greater than the rate of interest for the Thirty Year Manitoba Canadian Dollar Bond used in the calculation of the said Canadian Thirty Year Spread.~~

~~“**Canadian Thirty Year Spread**” means at any particular date the difference between the Thirty Year Canada Bond Rate in effect on that date and the rate of interest (expressed as a percentage rate per annum) for Thirty Year Manitoba Canadian Dollar Bonds had Thirty Year Manitoba Canadian Dollar Bonds been issued by Manitoba on that day, at 10:00 a.m. (Winnipeg time), including commission costs (with the rate of interest being determined by Hydro obtaining three rate quotes for Thirty Year Manitoba Canadian Dollar Bonds and using the median of the three rate quotes obtained).~~

“**Canadian Yield Spread**” means for any particular date, the difference between the Government of Canada Yield determined for that date and the yield to maturity on such day compounded semi-annually which a non-callable Manitoba bond would carry if issued in Canadian Dollars on that day at 10:00 a.m. (Winnipeg time), including commission costs, at 100% of its principal amount on such day with the term to maturity equal to the remaining term to Maturity for the Equity Credit Advances ~~or Cash Call Credit Advances, as applicable,~~ that are being repaid. The Canadian Yield Spread will be determined by Hydro obtaining three rate quotes from investment dealers and using the median of the three rate quotes obtained.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participation or equivalent interest in (however designated) the equity (including, without limitation, common shares, preferred shares, trust units and partnership interests) of such Person and any rights, warrants or options to subscribe for or acquire an equity interest in such Person.

~~“**Cash Call Credit Advance**” means an Advance denominated in Canadian Dollars under the Cash Call Credit Facility which bears interest based on the Canadian Ten Year Rate, as determined in accordance with this Agreement.~~

~~“**Cash Call Credit Facility**” means the non-revolving credit facility to be made available to TPC by Hydro in the maximum amount of the Cash Call Credit Facility Commitment and in accordance with the terms hereof.~~

~~“**Cash Call Credit Facility Commitment**” means the aggregate principal amount of TPC’s Operating Cash Call Requirements.~~

~~“**Cash Call Over-Drawn Amount**” has the meaning specified in Section 3.6(1).~~

~~“**Cash Unit Portion**” has the meaning specified in Section 3.5(2).~~

“**Change of Control**” means any change which results in NCN no longer directly owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of the bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC, as bare trustee for NCN, commits to vote such Capital Stock in accordance with the direction of Chief and Council of NCN), and for greater certainty the NCN Deed of Assignment does not effect a Change of Control.

“**Chief**” has the meaning ascribed thereto in the PDA.

“**Chief and Council**” has the meaning ascribed thereto in the PDA.

“**Claim**” means any claim of any nature whatsoever, including any demand, dispute, liability, obligation, debt, action, cause of action, suit, proceeding, litigation, arbitration, judgment, order, award, assessment and reassessment.

“**Collateral**” means TPC’s Units and the Distributions thereon, in respect of which Hydro has or will have or is intended to have a Lien pursuant to the Security Documents.

~~“**Construction Period**” means the approximately six (6) year period during which the Wuskwatim Project is being constructed, which for the purposes of this Agreement will be the period commencing on the Initial Closing Date and ending on the Final Closing Date.~~

“**Corporate Distributions**” means, in respect of any Person, whether or not a corporation, any form of distribution of its profits, including in each case any:

(i) declaration or payment of any dividend on its Capital Stock; and

(ii) payment to purchase, redeem, retire or acquire or reduce the stated capital of any of its Capital Stock, or any option, warrant or other right to acquire any such Capital Stock, or apply or set apart any of its Property therefore.

"**Councillor**" has the meaning ascribed thereto in the PDA.

~~"**Credit Facilities**" means the Equity Credit Facility and the Cash Call Credit Facility, and a "**Credit Facility**" means any one of the Equity Credit Facility or the Cash Call Credit Facility, as the context requires.~~

~~"**Credit Facility Commitment**" means one of the Equity Credit Facility Commitment, or the Cash Call Credit Facility Commitment, as the context requires and "**Credit Facility Commitments**" means both of them.~~

"**Credit Facility Repayment Certification**" has the meaning specified in Section ~~4.6.~~4.5.

"**Cure Period**" has the meaning specified in Section 12.1(c).

"**Date of the PDA**" has the meaning ascribed thereto in the PDA.

"**Debt**" of any Person means, without duplication:

~~(a)~~ (i) all obligations of such Person for borrowed money or Advances and all obligations of such Person evidenced by bonds, debentures, notes or similar instruments;

~~(b)~~ (ii) all obligations of such Person, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the account of such Person; and

~~(c)~~ (iii) all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of such Person as of the date at which Debt is to be determined (excluding trade payables incurred in the ordinary course of business).

"**Distributions**" means distributions of cash of the Limited Partnership to TPC and the return of any part of the Aggregate Capital Contributions by the Limited Partnership to TPC.

"**Dividends**" has the meaning ascribed thereto in the NCN Deed of Assignment.

"**Dividend Credit Facility**" has the meaning ascribed thereto in the NCN Financing Agreement.

"**Equity Credit Advance**" means an Advance denominated in Canadian Dollars under the Equity Credit Facility ~~which bears interest based on the Canadian Dollar Floating Rate or the Canadian Thirty Year Rate, as determined in accordance with this Agreement~~.

"**Equity Credit Facility**" means the non-revolving credit facility to be made available to TPC by Hydro in the maximum amount of the Equity Credit Facility Commitment and in accordance with the terms ~~hereof.~~ of this Agreement.

~~"**Equity Credit Facility Adjustment Conditions**" has the meaning specified in Section 2.6(4).~~

"**Equity Credit Facility Commitment**" means the aggregate principal amount of ~~TPC's Construction Cash Call Requirements.~~

~~"**Equity Credit Facility Final Closing Conditions**" has the meaning specified in Section 2.6(3).~~ ~~"**Equity Credit Over-Drawn Amount**" has the meaning specified in Section 2.6(1).~~ninety-two million three hundred sixty-two thousand ($92,362,000) dollars.

"**Event of Default**" has the meaning specified in Section 12.1.

"**Final Closing**" and "**Final Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

~~**Final Closing Date Interest Obligations**" means all accrued and unpaid interest under this Agreement in respect of the Equity Credit Facility, as at the Final Closing Date.~~

~~"**Final Closing Date Principal Obligations**" means the Total Outstandings under this Agreement and Loan Documents in respect of the Equity Credit Facility, and all unpaid costs and other amounts due and owing to Hydro under or in respect of the Equity Credit Facility, as at the Final Closing Date, but not including accrued and unpaid interest.~~

~~"**Final Closing Purchase Option Event**" has the meaning specified in Section 6.1(a).~~

~~"**Final Closing Purchase Right**" has the meaning specified in Section 6.1(a).~~

~~"**Final Closing Purchased Units**" has the meaning specified in Section 6.1(a).~~

~~"**Final Closing Sale Right**" has the meaning specified in Section 5.1(a).~~

~~"**Final Closing Sale Units**" has the meaning specified in Section 5.1(a).~~

~~"**Final Closing Sale Conditions**" means:~~

~~(i) NCN owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC free and clear of all Liens except Permitted Liens (and the~~

~~unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of a bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC as bare trustee for NCN, commits to vote such Capital Stock in accordance with the directions of Chief and Council of NCN);~~

~~(ii) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Final Closing Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing, and TPC has the full right to sell and transfer the Final Closing Sale Units to Hydro;~~

~~(iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Final Closing Sale Units other than Hydro;~~

~~(iv) no Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment or right for the purchase of any of the Capital Stock of TPC; and~~

"**Final Investment Closing**" means 10:00 a.m. on the Final Investment Date.

~~(v) the consummation of the transactions contemplated by the exercise of the Final Closing Sale Right will not result in the creation or imposition of any Lien on the Final Closing Sale Units (other than such Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing).~~

"Final Investment Date" means January 1, 2015.

~~"**Financial Quarter**" means, in relation to TPC, each successive period of three consecutive months, the first such period beginning on the first day of the first month of TPC's Financial Year.~~

"**Financial Year**" means, in relation to TPC, the financial year of TPC as determined by the board of directors of TPC.

"**Future Material Agreement**" has the meaning specified in Section 10.1(13).

"**GAAP**" means, at any time, generally accepted accounting principles in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants, or any successor Person at such time.

"**General Partner**" means 5022649 Manitoba Ltd., in its capacity as the general partner of the Limited Partnership, pursuant to the terms of the Limited Partnership Agreement.

"**Government Funds**" means any funds provided or advanced to NCN or TPC by Canada or Manitoba, or by any crown corporation, agency, department or instrumentality of Canada or Manitoba on the condition or requirement that such funds are to be used for investment through or by TPC in the Limited Partnership, and which TPC:

(i) uses to repay any principal amount outstanding under ~~a~~the Equity Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification (which, for greater certainty, does not include any other amount paid to Hydro under the Equity Credit ~~Facilities~~Facility); or

(ii) uses to make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification;

and, for greater certainty, does not include any grants, loans or funds provided or advanced by any of the said parties to NCN or TPC without any condition or requirement that such grants, loans or funds are to be used for investment through or by TPC in the Limited Partnership, in which event the said grants, loans or funds will, after TPC's repayment of an Advance or payment to the Limited Partnership, as applicable, form part of TPC's Own Funds hereunder, without further qualification as "Government Funds".

"**Government of Canada Yield**" means for any particular date, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian Dollars, at 100% of its principal amount on such day at 10:00 a.m. (Winnipeg time) with a term to maturity equal to the remaining term to Maturity for the Equity Credit Advance~~ or Cash Call Credit Advance, as applicable,~~ that is being repaid. The Government of Canada Yield will be the yield determined by Hydro obtaining three rate quotes from investment dealers and using the median of the three rate quotes obtained.

"**Governmental Entity**" means any:

(i) federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign;

(ii) any agent, commission, board, or authority of any of the foregoing; or

(iii) any body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing except not including Hydro for the purposes of this Agreement.

"**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by the Hydro Act.

"**Hydro Act**" means *The Manitoba Hydro Act*, R.S.M. 1987, c. H190, as amended from time to time.

"**Hydro's Account**" means such account or accounts maintained by Hydro at the Royal Bank of Canada, as Hydro from time to time notifies TPC for the purposes of this Agreement.

"**Hydro Liens**" means:

(i) Liens in favour of Hydro created by the Security Documents hereunder or by the Security Documents (as defined in the NCN Financing Agreement); and

(ii) Liens in favour of Hydro created by the Revenue Advance Consolidation Agreement and the security agreements provided by TPC to Hydro pursuant to that agreement.

"**Initial Closing**" **and "Initial Closing Date**" shall have the respective meanings ascribed thereto in the PDA.

~~"**Initial Closing Conditions**" has the meaning ascribed thereto in the PDA.~~

"**Initial Limited Partnership Agreement**" means the limited partnership agreement entered into between the General Partner, in its capacity as general partner, and Hydro, as limited partner, dated the 9th day of December, 2004.

"Initial TPC Financing Agreement" means the TPC Financing Agreement entered into between TPC and Hydro dated June 28, 2006 which agreement remained in effect to and including March 31, 2015.

"**Laws**" means all statutes, codes, ordinances, decrees, rules, regulations, municipal by-laws, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, decisions, rulings or awards, or any provisions of the foregoing, including general principles of common and civil law and equity, binding on or affecting the Person referred to in the context in which such word is used; and "**Law**" means any one of such Laws.

"**Lien**" means, with respect to any Property, any charge, mortgage, pledge, hypothecation, security interest, lien, conditional sale (or other title retention agreement or lease in the nature thereof), lease, servitude, assignment, adverse claim, defect of title, restriction, trust, or other encumbrance of any kind in respect of such Property, whether or not filed, recorded or otherwise perfected under applicable Laws.

"**Limited Partner**" means one of Hydro or TPC, as the context requires, in its capacity as a limited partner of the Limited Partnership, and "**Limited Partners**" means both of Hydro and TPC, in their respective capacities as limited partners of the Limited Partnership.

"**Limited Partnership**" means the Wuskwatim Power Limited Partnership created pursuant to the Initial Limited Partnership Agreement~~, as amended~~ and ~~restated by~~continued pursuant to the Limited Partnership Agreement, for the purposes of owning and directly or indirectly planning, designing, constructing, operating and maintaining the Wuskwatim Project.

"**Limited Partnership Account**" means the Canadian Dollar account maintained by the Limited Partnership at Royal Bank of Canada, the particulars of which shall have been notified by the Limited Partnership to Hydro.

"**Limited Partnership Agreement**" means the ~~limited partnership agreement~~Third Amended and Restated Limited Partnership Agreement amending and restating the ~~Initial~~second Limited Partnership Agreement, dated even date herewith between the General Partner, in its capacity as general partner, and Hydro and TPC, in their respective capacities as limited partners.

"**Limited Partnership Payment Certification**" has the meaning specified in Section 10.2(11).

"**Loan Documents**" means this Agreement, the Security Documents, and all other agreements, certificates and instruments delivered or given pursuant to or in connection with this Agreement; and "**Loan Document**" means any one of such Loan Documents.

"**Loss**" means any loss whatsoever, whether direct or indirect, including expenses, costs, damages, judgments, penalties, fines, charges, claims, demands, liabilities, debts, interest, any and all legal fees and disbursements on a solicitor and his own client basis.

"**Manitoba**" means the Government of Manitoba.

"**Market Make-whole Payment**" has the meaning specified in Section ~~13.9.~~13.11.

"**Material Adverse Business Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in or of itself but which cumulatively results in a material adverse effect) on:

(i) the ability of TPC to perform any of its material obligations under the Loan Documents; or

(ii) the ability of Hydro to enforce any of the material obligations of TPC under the Loan Documents, where Hydro, acting reasonably, has determined that its ability to enforce the said material obligations cannot be cured by Hydro within a reasonable period of time or without Hydro being materially adversely affected, notwithstanding that TPC has provided its written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said material obligations of TPC under the Loan Documents.

"**Material Agreements**" has the meaning specified in Section 9.1(11).

"**Maturity Date**" means the fiftieth Anniversary Date.

"**Maturity Sale Conditions**" means:

(i) NCN owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC free and clear of all Liens except Permitted Liens (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of a bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC as bare trustee for NCN, commits to vote such Capital Stock in accordance with the directions of Chief and Council of NCN);

(ii) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Maturity Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing, and TPC has the full right to sell and transfer the Maturity Sale Units to Hydro;

(iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Maturity Sale Units other than Hydro;

(iv) no Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment or right for the purchase of any of the Capital Stock of TPC; and

(v) the consummation of the transactions contemplated by the exercise of the Maturity Sale Right will not result in the creation or imposition of any Lien on the Maturity Sale Units (other than such other Liens as Hydro, on the Maturity Date, may in its unfettered discretion accept in writing).

"**Maturity Sale Right**" has the meaning specified in Section 5.1(~~d~~b).

"**Maturity Sale Units**" has the meaning specified in Section 5.1(~~d~~b).

"**NCN**" means the Nisichawayasihk Cree Nation, formerly known as the Nelson House First Nation.

"**NCN Business**" has the meaning ascribed thereto in the PDA.

"**NCN Deed of Assignment**" has the meaning ascribed thereto in the PDA.

"**NCN Financing Agreement**" means ~~a~~ the amended and restated financing agreement dated ~~even date herewith~~April 16, 2015 between NCN, TPC, and Hydro.

~~"**Non-Completion Date**" has the meaning specified in Section 5.1(b).~~

~~"**Non-Completion Purchase Option Event**" shall have the meaning specified in Section 6.1(c).~~

~~“**Non-Completion Purchase Right**” shall have the meaning specified in Section 6.1(c).~~

~~“**Non-Completion Purchased Units**” shall have the meaning specified in Section 6.1(c).~~

~~“**Non-Completion Sale Conditions**” means:~~

~~(i) NCN owing beneficially on a fully diluted basis 100% of the Capital Stock of TPC free and clear of all Liens except Permitted Liens (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of a bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC, as bare trustee for NCN, commits to vote such Capital Stock in accordance with the directions of Chief and Council of NCN);~~

~~(ii) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Non-Completion Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion, accept in writing, and TPC has the full right to sell and transfer the Non-Completion Sale Units to Hydro;~~

~~(iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC the Non-Completion Sale Units other than Hydro;~~

~~(iv) no Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option,~~

~~understanding, commitment or right for the purchase of any of the Capital Stock of TPC; and~~

~~(v) the consummation of the transactions contemplated by the exercise of the Non-Completion Sale Right will not result in the creation or imposition of any Lien on the Non-Completion Sale Units (other than such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion, accept in writing).~~

~~"**Non-Completion Sale Right**" shall have the meaning specified in Section 5.1(b).~~

~~"**Non-Completion Sale Units**" shall have the meaning specified in Section 5.1(b).~~

"**Notice**" means any notice, citation, directive, request for information, writ, summons, and statement of claim or other communication from any Person.

~~"**Notice of Purchase**" has the meaning specified in Section 6.3.~~

"**Notice of Sale**" has the meaning specified in Section ~~5.3.~~5.5.

"**Obligations**" has the meaning specified in Section 11.1.

"**PDA**" means the Project Development Agreement dated June 26, 2006 made between NCN, Hydro, TPC, the General Partner and the Limited Partnership~~.~~ as supplemented and amended by PDA Supplement No. 1 dated March 15, 2011 and PDA Supplement No. 2 dated April 16, 2015.

"**Permitted Liens**" means, with respect to any Person, any one or more of the following:

(i) Liens for Taxes, assessments or governmental charges or levies not at the time due and delinquent or the validity of which is being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such taxes, assessments and charges;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(ii) Liens resulting from any judgment rendered or Claim filed against such Person which such Person shall be contesting in good faith by proper legal proceedings if, in Hydro's opinion:

(A) adequate security has been provided to ensure the payment of such judgment or Claim;

(B) adequate reserves with respect thereto are maintained on the books of such Person, in accordance with GAAP; and

(C) in each case, such Liens will not materially interfere with use of such Property by such Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(iii) undetermined Liens arising in the ordinary course of business which have not at such time been filed pursuant to Law against such Person or which relate to obligations not due or delinquent;

(iv) Liens arising in the ordinary course of business which are not registered against title to the Collateral and are not overdue for a period of more than thirty (30) days or which are being contested at the time by the Person in good faith by proper legal proceedings if, in Hydro's opinion, (i) adequate security has been provided to ensure payment of such Liens; (ii) adequate reserves with respect thereto are maintained on the consolidated books of such Person in accordance with GAAP; and (iii) in each case, such Liens will not materially interfere with use of such Property by the Person or involve any immediate danger of the sale, forfeiture or loss of such Property;

(v) any Lien, payment of which has been provided for by the depositing with Hydro of an amount in cash, or the obtaining of a surety bond satisfactory to Hydro, in its absolute discretion, sufficient in either case to pay or discharge such Lien and which deposit or bond Hydro is authorized to use or draw upon for that purpose;

(vi) Liens securing Purchase Money Debt provided that: (i) such Liens shall extend only to the specific Property of the Person acquired with the proceeds of such Purchase Money Debt (and not any portion of the Collateral) and (ii) recourse in respect of such Liens shall be limited to such specific Property;

(vii) the Hydro Liens; or

(viii) any other Lien approved in writing in advance by Hydro, in its unfettered discretion.

"**Person**" means an individual, partnership, corporation, trust, unincorporated association, syndicate, joint venture, Band within the meaning of the *Indian Act* (Canada) or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

"**Property**" means, with respect to any Person, any interest of such Person in any land or property or asset of every kind, wherever situate, whether now owned or hereafter acquired, whether real or immovable, personal, movable or mixed, tangible or corporeal, intangible or incorporeal, including capital stock in any other Person.

"**Purchase Money Debt**" means, with respect to any Person, all obligations of such Person incurred to finance the acquisition of Property.

~~"**Purchased Units**" means the Final Closing Purchased Units, the Adjustment Purchased Units or the Non-Completion Purchased Units, as the context requires.~~

"**Receiver**" means a receiver, receiver and manager or other person having similar powers or authority appointed by Hydro or by a court at the instance of Hydro in respect of the Collateral or any part thereof.

"**Repayment Notice**" has the meaning specified in Section ~~4.6.~~4.5.

"**Revenue Advance Consolidation Agreement**" has the meaning ascribed thereto in the PDA.

"**Sale**" means a transaction of purchase and sale of all or a portion of TPC's Units pursuant to Article V~~ or Article VI~~.

"**Sale Certificates**" has the meaning specified in Section 7.1(2)(a).

"**Sale Closing Date**" has the meaning specified in Section 7.1(1)(a).

"**Sale Units**" means the ~~Final Closing Sale Units, the Non-Completion Sale Units~~, the Twenty-Fifth Anniversary Sale Units, the Maturity Sale Units or the Term Sale Units, as the context requires.

"**Security Documents**" means those agreements and other documents in favour of Hydro described in Schedule G, in form and substance satisfactory to Hydro, acting reasonably, as such documents may be amended or restated from time to time, as security for all or any portion of the Obligations.

"**Short-Term Canadian Borrowing Cost**" means, for any month, Hydro's actual weighted average borrowing cost (which, it is acknowledged, includes the Canadian Dollar Guarantee Rate) expressed as a percentage rate per annum for all of Hydro's Canadian Dollar borrowings outstanding during that month which have a term expiring, or are due to be paid, within three hundred and sixty-four (364) days in length of the date that each such borrowing was first incurred by Hydro. Hydro's "actual weighted average borrowing cost" shall be calculated on the basis of the actual amount of interest that has accrued during that month divided by the "weighted principal amount" of all borrowing(s) which accrued interest during that month. The "weighted principal amount" for each borrowing is equal to the principal amount of each borrowing multiplied by the number of days the borrowing was outstanding during the month divided by 365.

~~"**Substantial Construction Start**" has the meaning ascribed thereto in the PDA.~~

"**TPC**" means Taskinigahp Power Corporation, a corporation that is wholly owned by NCN beneficially, and by the Chief or a Councillor of NCN, as registered owner as bare trustee for NCN.

~~"**TPC's Cash Subscription Payment**" means the actual cash amount using Approved Funds paid by TPC on the Initial Closing Date to subscribe for Units in the Limited Partnership.~~

"**TPC's Cash Units**" means:

(i) on the Final ~~Closing Date, [but shall be determined for all provisions of this Agreement after any mandatory payments required by Section 2.6(3) have been made and, except for the purposes of Sections 5.1(a), 5.2(1), 6.1(a), 6.2(1) and 6.2(2) only, after any Sale of TPC's Units pursuant to Article V or Article VI has closed in accordance with Article VII (for such of Sections 5.1(a), 5.2(1), 6.1(a), 6.2(1), and 6.2(2), as may become applicable, shall be determined before any Sale of TPC's Units pursuant to Article V or Article VI has closed in accordance with Article VII)]~~Investment Date that number of TPC's Units equal to (A) divided by (B) where (A) equals the number of TPC's Units on the Final ~~Closing~~ Investment Date multiplied by TPC's Invested Cash as of that date; and (B) equals the sum of: (i) the aggregate of the amount of Equity Credit Advances which remain outstanding on that date; and (ii) TPC's Invested Cash as of that date; and

~~(ii)~~ (ii) on any particular day after the Final ~~Closing~~ Investment Date (the "**Measurement Date**") until the date that the Equity Credit Facility has been paid ~~out~~ in full, that number of TPC's Units equal to (A) divided by (B) where (A) is the product of: (i) the number of TPC's Cash Units on the Final ~~Closing~~ Investment Date, multiplied by (ii) the number of TPC's Units on the Measurement Date; and (B) equals the number of TPC's Units on the Final ~~Closing~~ Investment Date; and

~~(iii) for~~For greater certainty, on the date when the Equity Credit

Facility has been paid out in full, all of TPC's Units shall be deemed to be TPC's Cash Units.

~~**"TPC's Construction Cash Call Requirements"** and **"TPC's Construction Cash Call Requirement"** shall have their respective meanings ascribed thereto in Section 2.4.~~

"TPC's Invested Cash" means on any particular day, the sum of all amounts invested by TPC in the Limited Partnership using Approved Funds. For greater certainty:

(i) this does not include the proceeds of Equity Credit Advances ~~or Cash Call Credit Advances~~;

(ii) this does not include any amount for interest, costs, expenses or indemnity reimbursed or paid to Hydro hereunder; and

(iii) this does include all of TPC's Own Funds (which includes Government Funds) and all of TPC's Third Party Funds used by TPC either:

(A) to repay any principal amount outstanding under a Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification; or

(B) to make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification (including, without limitation, TPC's Cash Subscription Payment);

all of which amounts shall, after approval has been granted by Hydro, constitute Approved Funds.

"**TPC's Loan Units"** means, on any particular day, all of TPC's Units on that day that are not TPC's Cash Units.

~~"**TPC's Operating Cash Call Requirements**" and "**TPC's Operating Cash Call Requirement**" shall have their respective meanings ascribed thereto in Section 3.4.~~

"**TPC's Own Funds**" means any funds that TPC will use to:

(i) repay any principal amount outstanding under ~~a~~the Equity Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification (which, for greater certainty, does not include any other amount paid to Hydro under the Equity Credit ~~Facilities~~Facility);

(ii) make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification; or

(iii) make TPC's Cash Subscription Payment;

provided that the said funds have not been obtained by TPC (whether directly or indirectly through NCN, an NCN Business or the Taskinigahp Trust) from any arm's length Person, in any material way due to or as a result of:

(A) TPC being the owner of one or more Units; or

(B) TPC, NCN or Taskinigahp Trust providing or agreeing to provide, directly or indirectly, a Lien in favour of any other Person on, or by TPC, NCN or the Taskinigahp Trust conferring an ownership or proprietary interest or any kind upon any other Person, in any

Property of TPC or the Property of Taskinigahp Trust (provided that this is not intended to prohibit or restrict the beneficial interest of the beneficiaries of the Taskinigahp Trust under the Trust Indenture constituting the Taskinigahp Trust), the Capital Stock of TPC, TPC's Units or any Distributions on the TPC's Units, or on any Corporate Distributions of TPC, including assignments or orders to pay.

For greater certainty, the mere investment of funds by NCN, an NCN Business or the Taskinigahp Trust in TPC for use by TPC in either repaying any principal amount under ~~a~~the Equity Credit Facility or making a payment to the Limited Partnership in the manner referenced above shall not preclude such funds from constituting TPC's Own Funds, and any funds so invested by NCN, an NCN Business or the Taskinigahp Trust in TPC shall be considered in all respects to be TPC's Own Funds for the purposes of this Agreement if Hydro determines that the funds otherwise fall within the definition of TPC's Own Funds in accordance with the provisions of this Agreement (and, for this purpose, Hydro shall be entitled to look to the source of the funds to NCN, the NCN Business or the Taskinigahp Trust). Government Funds (once approved as such by Hydro pursuant to the approval processed hereunder) and funds obtained by TPC from Distributions on TPC's Units or from earnings on the investment of Distributions on TPC's Units which are voluntarily used to repay any principal amount (but no other amount) under ~~a~~the Equity Credit Facility or which are invested in the Limited Partnership pursuant to a Credit Facility Repayment Certification or a Limited Partnership Payment Certification respectively shall be deemed for the purposes of this Agreement to be TPC's Own Funds (but, for greater certainty, amounts paid to Hydro pursuant to the irrevocable assignment and direction of Distributions on TPC's Units under the Security Documents shall not count or be included as part of TPC's Own Funds).

"**TPC's Third Party Funds**" means any funds that TPC will use to either:

(i) repay any principal amount under ~~a~~the Equity Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification (which for greater certainty does not include any other amount paid to Hydro under the Equity Credit ~~Facilities~~Facility); or

(ii) make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification;

which are not TPC's Own Funds. For greater certainty:

(A) the mere assignment of Dividends by NCN to the Taskinigahp Trust pursuant to the NCN Deed of Assignment shall not be deemed to constitute any of TPC's funds as being TPC's Third Party Funds hereunder;

(B) merely because funds have been obtained by NCN from a third party, whether by loan, grant, subsidy or otherwise shall not be sufficient for such funds to be deemed to be TPC's Third Party Funds; and

(C) none of NCN, any NCN Business or the Taskinigahp Trust shall be deemed to be a third party for the purposes of determining what funds are TPC's Own Funds and what funds are TPC's Third Party Funds, provided however, that where the source of any funds is any of NCN, an NCN Business or the Taskinigahp Trust, Hydro is entitled to look beyond such party to determine the ultimate source of such funds in applying the provisions hereof.

"**TPC's Units**" means, at any time, the Units owned by TPC.

"Taskinigahp Trust" has the meaning ascribed thereto in the PDA.

"**Taxes**" means all taxes imposed by any Governmental Entity, including real property, personal property, goods and services, sales, transfer, purchase, stumpage, registration, capital, excise, import duties, payroll, unemployment, disability, employee's income withholding, social security or withholding.

"**Ten Year Canada Bond Rate**" means, at any particular date, that rate of interest (expressed as a percentage rate per annum) which a non-callable Government of Canada bond denominated in Canadian Dollars would carry if issued on such date at 10:00 a.m. (Winnipeg time) by Canada at 100% of its principal amount for a term of ten years (with the rate of interest being determined by Hydro obtaining three rate quotes for the yield on that date of publicly traded Canadian Dollar non-callable Government of Canada reference bonds with a ten year term, as adjusted by the financial institutions that have provided the three rate quotes to reflect the assumed issue date and the ten year term, and using the median rate of the three rate quotes obtained).

"**Ten Year Manitoba Canadian Dollar Bonds**" means a non-callable Province of Manitoba bond denominated in Canadian Dollars issued by Manitoba, at 100% of the principal amount for a term of ten years.

"**Term Sale Conditions**" means:

~~(i)~~ (i) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Term Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing;

~~(ii)~~ (ii) TPC has the full right to sell and transfer the Term Sale Units to Hydro;

~~(iii)~~ (iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Term Sale Units other than Hydro; and

~~(iv)~~ (iv) the consummation of the transactions contemplated by the exercise of the Term Sale Right will not result in the creation or imposition of any Lien on the Term Sale Units (other than such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing).

"Term Sale Right" has the meaning specified in Section 5.1(~~e~~c).

"**Term Sale Units**" has the meaning specified in Section 5.1(~~e~~c).

"**Thirty Year Canada Bond Rate**" means, at any particular date, that rate of interest (expressed as a percentage rate per annum) which a non-callable Government of Canada bond denominated in Canadian Dollars would carry if issued on such date at 10:00 a.m. (Winnipeg time) by Canada at 100% of its principal amount for a term of thirty years (with the rate of interest being determined by Hydro obtaining three rate quotes for the yield on that date of publicly traded Canadian Dollar non-callable Government of Canada reference bonds with a thirty year term, as adjusted by the financial institutions that have provided the three rate quotes to reflect the assumed issue date and the thirty year term, and using the median rate of the three rate quotes obtained).

"**Thirty Year Manitoba Canadian Dollar Bonds**" means a non-callable Province of Manitoba bond denominated in Canadian Dollars issued by Manitoba at 100% of the principal amount for a term of thirty years.

~~"**Time of Adjustment**" means 10:00 o'clock in the forenoon, Winnipeg time, on the first Anniversary Date.~~

~~"**Time of Final Closing**" has the meaning ascribed thereto in the PDA.~~

"**Total Outstandings**" means~~, at any time:~~

~~(a) with respect to the Equity Credit Facility,~~ the aggregate amount in Canadian Dollars of all outstanding Advances ~~thereunder at such time;~~

~~(b) with respect to the Cash Call Credit Facility, the aggregate amount in Canadian Dollars of all outstanding Advances thereunder at such time; and~~

~~(c) with respect to the Credit Facilities, the aggregate of the Total Outstandings under the Credit Facilities;~~at any time under the Equity Credit Facility but~~, for greater certainty,~~ does not include any interest, costs, expenses or indemnity claim arising under ~~any such~~the Equity Credit ~~Facilities~~Facility.

"**Twenty-Fifth Anniversary Sale Conditions**" means:

~~(i)~~ (i) NCN owning beneficially on a fully diluted basis 100% of the Capital Stock of TPC free and clear of all Liens except Permitted Liens (and the unfettered right to direct the exercise of voting rights in respect thereto in accordance with the provisions of a bare trustee declaration pursuant to which the Chief or a Councillor of NCN, as the registered owner of 100% of the Capital Stock of TPC as bare trustee for NCN, commits to vote such Capital Stock in accordance with the directions of the Chief and Council of NCN);

~~(ii)~~ (ii) TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Twenty-Fifth Anniversary Sale Units free and clear of all Liens except the Permitted Liens and such other Liens as Hydro, on the Sale Closing Date, may in its unfettered discretion accept in writing, and TPC has the full right to sell and transfer the Twenty-Fifth Anniversary Sale Units to Hydro;

~~(iii)~~ (iii) no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Twenty-Fifth Anniversary Sale Units other than Hydro;

~~(iv)~~ (iv) no Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment or right for purchase of any of the Capital Stock of TPC; and

~~(v)~~ (v) the consummation of the transactions contemplated by the exercise of the Twenty-Fifth Anniversary Sale Right will not result in the creation or imposition of any Lien on the Twenty-Fifth Anniversary Sale Units (other than such other Liens as Hydro, on the Sale Closing Date, may accept in writing in its unfettered discretion).

"**Twenty-Fifth Anniversary Sale Right**" has the meaning specified in Section 5.1(~~e~~a).

"**Twenty-Fifth Anniversary Sale Units**" has the meaning specified in Section 5.1(~~e~~a).

"**Unit**" means one of the units in the Limited Partnership issued to and subscribed for by a Limited Partner pursuant to the Limited Partnership Agreement, and "**Units**" means all of the issued Units in the Limited Partnership.

"**Wuskwatim Project**" has the meaning ascribed thereto in the PDA.

1.2 ~~1.2~~ Interpretation.

This Agreement shall be interpreted in accordance with the following:

(a) words denoting the singular include the plural and vice versa and words denoting any gender include all genders;

(b) headings are inserted for convenience only and shall not affect the interpretation of this Agreement, any other Loan Documents or any provisions hereof or thereof;

(c) references to dollars, unless otherwise specifically indicated, shall be references to Canadian Dollars;

(d) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(e) the expressions "the aggregate", "the total", "the sum" and expressions of similar meaning shall mean "the aggregate (or total or sum) without duplication";

(f) in the computation of periods of time, unless otherwise expressly provided, the word "from" means "from and including" and the words "to" and "until" mean "to but excluding";

(g) accounting terms not specifically defined shall be construed in accordance with GAAP. Except as otherwise mandated by changes in GAAP from time to time, the financial statements required to be delivered pursuant to this Agreement shall be prepared, and all calculations made for the purposes of this Agreement shall be made, unless otherwise provided for herein, by the application of GAAP applied on a basis consistent with the most recent audited financial statements of TPC, previously delivered to Hydro; and

(h) for the purposes of this Agreement, a Person (the "**first Person**") shall be deemed to be "**Controlled**" by another Person or Persons if the Capital Stock of the first Person directly or indirectly held by or for the benefit of the other Person or Persons, acting in concert, other than by way of security only, is either:

(i) more than 50% of the Capital Stock of the first Person outstanding at the time of such determination; or

(ii) sufficient to permit the other Person or Persons to replace or elect the majority of the board of directors of the first Person;

and "**Control**" and "**Controlling**" shall have corresponding meanings.

1.3 Interpretation of any other Loan Documents.

The provisions of Article 1.2 shall apply to the interpretation of all of the other Loan Documents unless specifically otherwise indicated therein.

1.4 Severability.

If any provision of this Agreement or any other Loan Document is, or becomes, illegal, invalid or unenforceable, such provision shall be severed from this Agreement or such other Loan Document and be ineffective to the extent of such illegality, invalidity or unenforceability. The remaining provisions hereof or thereof shall be unaffected by such provision and shall continue to be valid and enforceable.

1.5 Entire Agreement.

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties relating to the subject matter hereof and entered into prior to the date of this Agreement.

1.6 ~~1.6~~ Waiver.

No failure on the part of Hydro to exercise, and no delay in exercising, any right under this Agreement or any other Loan Document shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, nor shall any waiver of one provision be deemed to constitute a waiver of any other provision (whether or not similar). No notice to or demand on TPC in any case shall entitle it to any notice or demand in similar or other circumstances, unless such notice or demand is required under the terms of this Agreement or the applicable Loan Document. No waiver of any of the provisions of this Agreement or any other Loan Document shall be effective unless it is in writing duly executed by the waiving party.

1.7 ~~1.7~~ Governing Law.

This Agreement and each other Loan Document, shall be governed by, and interpreted in accordance with, the Laws of Manitoba and the Laws of Canada applicable therein.

1.8 Incorporation of Schedules.

The following schedules attached shall, for all purposes hereof, be incorporated in and form an integral part of this Agreement:

Schedule A	Repayment Notice
Schedule B	~~Borrowing~~Intentionally ~~Notice~~Deleted
Schedule C	Issued and Outstanding Capital Stock and Debt
Schedule D	Material Agreements
Schedule E	Liabilities
Schedule F	Address for Notice
Schedule G	List of Security Documents
Schedule H	Authorizations - Hydro

It is acknowledged by Hydro that Schedules C to E (both inclusive) ~~shall be~~ were delivered by TPC to Hydro on or before the Initial Closing Date for attachment ~~hereto, and upon the delivery and attachment, the~~to the Initial TPC Financing Agreement, which said Schedules shall be deemed to form part of this Agreement.

1.9 ~~1.9~~ **Conflicts.**

If a conflict or inconsistency exists between a provision of this Agreement and a provision of any of the other Loan Documents or any part thereof, then the provisions of this Agreement shall prevail. Notwithstanding the foregoing, if there is any right or remedy of Hydro set out in any of the other Loan Documents or any part thereof which is not set out or provided for in this Agreement, such additional right or remedy shall not constitute a conflict or inconsistency.

ARTICLE II
EQUITY CREDIT FACILITY

2.1 **Equity Credit Facility.**

~~Hydro agrees, on the terms and conditions of this Agreement, to make available to TPC the Equity Credit Facility by making such Advances to TPC as may be requested by TPC hereunder at any time and from time to time prior to the first Anniversary Date in accordance with this Agreement.~~

~~**2.2** **Credit Facility Commitment and Facility Limit.**~~

~~(1) Hydro shall not be obliged to make any Equity Credit Advance or Equity Credit Advances which would cause the Total Outstandings under the Equity Credit Facility to be greater than the Equity Credit Facility Commitment, provided that, if no Event of Default has otherwise occurred that remains outstanding and uncured at that time, Hydro shall advance, in accordance with the provisions of this Agreement, as an Equity Credit Advance to TPC upon request, the lesser of the amount requested by TPC and the amount hereunder which would, when~~

~~advanced, cause the Total Outstandings with respect to the Equity Credit Facility to equal, but not exceed, the Equity Credit Facility Commitment.~~

~~(2) The Equity Credit Facility may be drawn upon by TPC at any time on or after the Initial Closing Date until immediately prior to the first Anniversary Date subject to the terms and conditions of this Agreement.~~Hydro made, on the terms and conditions of the Initial Agreement, ninety-two million three hundred sixty-two thousand ($92,362,000) dollars in advances to TPC pursuant to the Equity Credit Facility to October 14, 2014, exclusive of accrued interest. The terms of this Agreement shall govern the financing and repayment of the Equity Credit Facility and accrued interest as of the Final Investment Date.

2.2 Non-Revolving Facility

~~(3)~~ The Equity Credit Facility is a non-revolving credit facility and the principal amount of any Advance that is repaid may not be re-borrowed and shall be a permanent reduction of the Equity Credit Facility Commitment.

~~(4) Any amount of TPC's Construction Cash Call Requirement that TPC pays to the Limited Partnership using funds that are not funded by an Advance under the Equity Credit Facility shall be a permanent reduction of the Equity Credit Facility Commitment.~~

~~**2.3 Available Advances.**~~

~~(1) Hydro shall, on the terms and conditions of this Agreement, make the Equity Credit Advances available to TPC under the Equity Credit Facility in accordance with Section 4.2.~~

~~(2) All Equity Credit Advances requested hereunder shall be made available to TPC in accordance with Article IV.~~

~~**2.4 Use of Proceeds.**~~

~~TPC shall use the proceeds of Advances under the Equity Credit Facility only for payment to the Limited Partnership of all amount(s) required to be paid to the Limited Partnership by TPC, in its capacity as a limited partner of the Limited Partnership, for capital contributions in accordance with and subject to the provisions of the Limited Partnership Agreement pursuant to demands made by the General Partner:~~

~~(a) prior to the Final Closing Date; and~~

~~(b) on or after the Final Closing Date but immediately prior to the first Anniversary Date if such capital contribution is required by the Limited Partnership to fund costs related to the construction of the Wuskwatim Project (collectively, "**TPC's Construction Cash Call Requirements**" and individually, "**TPC's Construction Cash Call Requirement**");~~

~~other than such of TPC's Construction Cash Call Requirements that TPC elects to pay to the Limited Partnership using Approved Funds and not through the proceeds of Equity Credit Advances (in which event such amounts shall form part of TPC's Invested Cash, being either TPC's Own Funds or TPC's Third Party Funds as determined by Hydro in accordance with Section 10.2(11) after Hydro's receipt from TPC of the Limited Partnership Payment Certification). For greater certainty, where TPC's Construction Cash Call Requirement is received by TPC, and TPC does not intend to use an Equity Credit Advance to fund such capital contribution, it shall forward a Limited Partnership Payment Certification to Hydro in accordance with Section 10.2(11). If Hydro approves the proposed payment, TPC shall pay directly to the Limited Partnership the amount of TPC's Construction Cash Call Requirement no later than three (3) Business Days prior to the due date specified in the demand notice from the General Partner. If the Limited Partnership Payment Certification is not approved by Hydro or if TPC did not forward a Limited Partnership Payment Certification to Hydro in accordance with~~

~~the requirements of Section 10.2(11) or otherwise intended to fund the capital amount through an Equity Credit Advance, it shall issue a Borrowing Notice to Hydro for such amount in accordance with the provisions of this Agreement (if Hydro has not received confirmation at least two (2) Business Days prior to the due date specified in the demand notice from the General Partner that the capital contribution has been paid, a Borrowing Notice shall have been deemed to have been received by Hydro from TPC for the amount of the capital contribution and Hydro shall proceed to fund the TPC's Construction Cash Call Requirement as an Equity Credit Advance in accordance with Section 4.2. Hydro shall provide notice to TPC of any amount so advanced to the Limited Partnership on behalf of TPC.) No Advances shall be made to TPC under the Equity Credit Facility at any time prior to the Initial Closing Date nor on or after the first Anniversary Date.~~

2.3 ~~2.5~~ Repayment on the Maturity Date.

Subject to Hydro making an early demand for payment pursuant to Section 12.1 following an Event of Default, TPC shall repay on the Maturity Date, the Total Outstandings, if any, under the Equity Credit Facility and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility, and the Total Outstandings, if any, under the Equity Credit Facility and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility shall become due and payable on the Maturity Date. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.

2.4 ~~2.6 Mandatory Repayments during the Term of the Agreement.~~Balances as at Final Closing and TPC Payments.

~~(1) If, on any day, Hydro notifies TPC that the Total Outstandings under the Equity Credit Facility exceeds the Equity Credit Facility Commitment (the "**Equity**~~

~~**Credit Over-Drawn Amount**"), TPC shall repay to Hydro, an amount sufficient to reduce the said Total Outstandings to an amount equal to or less than the Equity Credit Facility Commitment. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.~~

~~(2) At any time prior to the Maturity Date, provided TPC is not in default of any material provision of the Loan Documents and subject to Section 2.6(3) and Article VI and TPC's right to make prepayments in accordance with the provisions of this Agreement, the Equity Credit Over-Drawn Amount and all accrued and unpaid interest thereon will during the term of this Agreement be repaid solely through Hydro receiving all Distributions from time to time on TPC's Loan Units. The Distributions on TPC's Loan Units shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents to be applied as follows: first, in repayment of all costs and expenses owing to Hydro under this Agreement and which arise in connection with the Equity Credit Over-Drawn Amount; second, in payment of all accrued and unpaid interest on the Equity Over-Drawn Amount; and third, in repayment of the Equity Credit Over-Drawn Amount. (For greater certainty, if any of the said amounts are still outstanding on the Maturity Date, they shall be required to be repaid on the Maturity Date, in accordance with Section 2.5). Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro, as provided for under the Security Documents, until the Equity Credit Over-Drawn Amount and the aforesaid costs, expenses and interest have been repaid in full.~~

~~(3) In addition to all other mandatory payment obligations provided for in this Agreement, if~~The Parties agree and acknowledge that, at the Time of Final Investment Closing, ~~all of the following conditions are not met, TPC shall make a capital contribution to the~~

~~Limited Partnership using Approved Funds, or shall repay such portion of the aggregate of outstanding Advances under the Equity Credit Facility using Approved Funds, as may be required in order to~~TPC shall comply with each of the following conditions: ;

(a) TPC's Invested Cash ~~at the Time of Final Closing must be equal to or greater than \$5,000,000;~~is twenty-one million, one hundred and seventy-eight thousand (\$21,178,000.00) dollars, exclusive of accrued interest;

~~(b) the Total Outstandings under the Equity Credit Facility at the Time of Final Closing must not be greater than four times TPC's Invested Cash at the Time of Final Closing; and~~

~~(c) the Total Outstandings under the Equity Credit Facility at the Time of Final Closing must not be greater than twenty-two (22%) percent of the Aggregate Capital Contributions immediately following the Final Closing.~~

~~(The conditions referred to in paragraphs (a), (b) and (c) of this Section 2.6(3) are collectively referred to as the "**Equity Credit Facility Final Closing Conditions**").~~

~~In the event that TPC is not in compliance with any of the aforementioned conditions on the date that is forty (40) calendar days prior to the Final Closing Date, Hydro shall, not less than thirty (30) calendar days prior to the Final Closing Date, provide a notice of non-compliance to TPC, together with particulars as to TPC's deficiencies in respect of these conditions, and notice of the amount of the capital contribution to the Limited Partnership or the amount of the principal repayment under the Equity Credit Facility, as the case may be, that is required in order to bring TPC into good standing with the aforementioned conditions. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts, and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.~~

~~(4) In addition to all other mandatory payment obligations provided for in this Agreement, if at the Time of Adjustment, all of the following conditions are not met, TPC shall make a capital contribution to the Limited Partnership using Approved Funds or shall repay such portion of the aggregate of outstanding Advances under the Equity Credit Facility using Approved Funds, as may be required in order to comply with each of the following conditions:~~

~~(a) the Total Outstandings under the Equity Credit Facility at the Time of Adjustment must not be greater than four (4) times TPC's Invested Cash (excluding any amounts paid to the Limited Partnership for TPC's Operating Cash Call Requirement(s) or paid to Hydro in repayment of Cash Call Credit Advances) at the Time of Adjustment; and~~

(b) ~~the~~The Total Outstandings under the Equity Credit Facility ~~at the Time of Adjustment must not be greater than twenty-two (22%) percent of the Aggregate Capital Contributions (excluding any amount paid to the Limited Partnership for TPC's Operating Cash Requirement(s)) immediately following the first Anniversary Date.~~is eight-seven million six hundred twelve thousand dollars ($87,612,000.00); and

~~(The conditions referred to in paragraphs (a) and (b) of this Section 2.6(4) are collectively referred to as the "**Equity Credit Facility Adjustment Conditions**").~~

~~In the event that TPC is not in compliance with any of the aforementioned conditions on the date that is forty (40) calendar days prior to the first Anniversary Date, Hydro shall, not less than thirty (30) calendar days prior to the first Anniversary Date, provide a notice of non-compliance to TPC, together with particulars as to TPC's deficiencies in respect of these conditions, and notice of the amount of the capital contribution to the Limited Partnership or the amount of~~

~~the principal repayment under the Equity Credit Facility, as the case may be, that is required in order to bring TPC into good standing with the aforementioned conditions. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.~~

(c) ~~(5)~~ In addition to all other mandatory payment obligations provided for in this Agreement and subject to TPC's right to make prepayments in accordance with the provisions of this Agreement, TPC shall throughout the term of this Agreement repay to Hydro all outstanding Advances under the Equity Credit Facility and accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility solely through Hydro receiving all Distributions from time to time on TPC's Loan Units. The Distributions on TPC's Loan Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Equity Credit Facility; second, in payment of all accrued and unpaid interest under the Equity Credit Facility (except as dealt with under subsection (2) above); and third, in repayment of all principal amounts that have not been repaid under the Equity Credit Facility (except as dealt with under subsection (2) above). (For greater certainty, any of the said amounts owing under the Equity Credit Facility on the Maturity Date shall be required to be repaid on the Maturity Date in accordance with Section 2.5). Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents until the Total Outstandings under the Equity Credit Facility and any accrued and unpaid interest thereon and all other amounts owing to Hydro under the Equity Credit Facility have been repaid in full. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents. The amount of any repayment shall be a permanent reduction of the Equity Credit Facility Commitment.

~~(6) Notwithstanding any other provision of this Agreement, if, after Final Closing and all mandatory payment obligations have been met by TPC in accordance with the provisions of this Agreement, the number of TPC's Loan Units is not greater than or equal to the number of TPC's Cash Units or if TPC owns only TPC's Cash Units, all of the interest that accrued on the outstanding Equity Credit Advances under the Equity Credit Facility during the Construction Period (including any interest that accrued on an Equity Credit Advance that was repaid on Final Closing), and which remains unpaid on the Final Closing Date, shall, subject to TPC's right to prepay the said amount in accordance with the provisions of this Agreement, be paid solely through Hydro receiving all Distributions from time to time on TPC's Cash Units. Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents until all of the said accrued interest as at the Final Closing Date has been repaid in full, and upon repayment in full of the said interest amount, Hydro shall have no further right to any Distributions on TPC's Cash Units for repayment of Equity Credit Advances or interest thereon provided that TPC is not in default under the provisions of the Loan Documents. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.~~

~~2.7~~ 2.5 Optional Reductions.

~~(1)~~ TPC may subject to the provisions of this Agreement, including ~~Section 2.7(2)~~Sections 4.5 and ~~Section~~ 4.6 as adjusted for the applicable Market Make-whole Payment in accordance with Section ~~13.9,~~13.11, prepay, in whole or in part, only with Approved Funds, the Total Outstandings under the Equity Credit Facility, at any time, without penalty~~.~~ as long as each partial prepayment made by TPC under the Equity Credit Facility shall be in a minimum aggregate principal amount of $200,000 and in an integral multiple of $100,000.

~~(2) Each partial prepayment made by TPC under the Equity Credit Facility shall be in a minimum aggregate principal amount of $200,000 and in an integral multiple of $100,000.~~

ARTICLE III

~~CASH CALL CREDIT FACILITY~~

PRIORITY OF DISTRIBUTION PAYMENTS

3.1 ~~Cash Call Credit Facility.~~[intentionally blank]

~~Hydro agrees, on the terms and conditions of this Agreement, to make available to TPC at any time after the Final Closing Date the Cash Call Credit Facility by making such Advances to TPC as may be requested by TPC at any time and from time to time after the Final Closing Date hereunder in accordance with this Agreement.~~

3.2 ~~Credit Facility Commitment and Facility Limit.~~[intentionally blank]

~~(1) Hydro shall not be obliged to make any Cash Call Credit Advance or Cash Call Credit Advances which would cause the Total Outstandings under the Cash Call Credit Facility to be greater than the Cash Call Credit Facility Commitment~~

~~provided that if no Event of Default has otherwise occurred that remains outstanding and uncured at that time, Hydro shall advance in accordance with the provisions of this Agreement as a Cash Call Credit Advance to TPC, upon request, the lesser of the amount requested by TPC and the amount hereunder which would, when advanced, cause the Total Outstandings with respect to the Cash Call Credit Facility to equal, but not exceed, the Cash Call Credit Facility Commitment.~~

~~(2) The Cash Call Credit Facility may be drawn upon by TPC at any time after the Final Closing Date if an amount is required to be paid by TPC to the Limited Partnership pursuant to TPC's Operating Cash Call Requirements subject to the terms and conditions of this Agreement.~~

~~(3) The Cash Call Credit Facility is a non-revolving credit and the principal amount of any Advance that is repaid may not be re-borrowed and shall be a permanent reduction of the Cash Call Credit Facility Commitment.~~

~~(4) Any amount of TPC's Operating Cash Call Requirements that TPC pays to the Limited Partnership using funds that are not funded by an Advance under the Cash Call Credit Facility shall be a permanent reduction of the Cash Call Credit Facility Commitment.~~

3.3 ~~Available Advances.~~[intentionally blank]

~~(1) Hydro shall, on the terms and conditions of this Agreement, make the Cash Call Credit Advances available to TPC under the Cash Call Credit Facility in accordance with Section 4.2.~~

~~(2) All Cash Call Credit Advances requested hereunder shall be made available to TPC in accordance with Article IV.~~

3.4 ~~Use of Proceeds.~~[intentionally blank]

~~TPC shall use the proceeds of Advances under the Cash Call Credit Facility only for payment to the Limited Partnership of all amount(s) required to be paid to the Limited Partnership by TPC, in its capacity as a limited partner of the Limited Partnership, for capital contributions in accordance with and subject to the provisions of the Limited Partnership Agreement pursuant to demands made by the General Partner:~~

~~(a) on or after the first Anniversary Date; and~~

~~(b) on or after the Final Closing but prior to the first Anniversary Date if such capital amount is required by the Limited Partnership to fund shortfalls in operating revenues or due to other matters relating to the business of the Limited Partnership other than on account of costs related to the construction of the Wuskwatim Project (collectively, "**TPC's Operating Cash Call Requirements**", and individually, "**TPC's Operating Cash Call Requirement**");~~

~~other than such of TPC's Operating Cash Call Requirements that TPC elects to pay to the Limited Partnership using Approved Funds and not through the proceeds of Cash Call Credit Advances (in which event such amounts shall form part of TPC's Invested Cash, being either TPC's Own Funds or TPC's Third Party Funds as determined by Hydro in accordance with Section 10.2(11) after Hydro's receipt from TPC of the Limited Partnership Payment Certification). For greater certainty, where TPC's Operating Cash Call Requirement is received by TPC, and TPC does not intend to use a Cash Call Credit Advance to fund such capital contribution, it shall forward a Limited Partnership Payment Certification to Hydro in accordance with Section 10.2(11). If Hydro approves the proposed payment, TPC shall pay~~

~~directly to the Limited Partnership the amount of TPC's Operating Cash Call Requirement no later than three (3) Business Days prior to the due date specified in the demand notice from the General Partner. If the Limited Partnership Payment Certification is not approved by Hydro or if TPC did not forward a Limited Partnership Payment Certification to Hydro in accordance with the requirements of Section 10.2(11) or otherwise intended to fund the capital amount through a Cash Call Credit Advance, it shall issue a Borrowing Notice to Hydro for such amount in accordance with the provisions of this Agreement (if Hydro has not received confirmation at least two (2) Business Days prior to the due date specified in the demand notice from the General Partner that the capital contribution has been paid, a Borrowing Notice shall have been deemed to have been received by Hydro from TPC for the amount of the capital contribution and Hydro shall proceed to fund TPC's Operating Cash Call Requirement as an Cash Call Credit Advance in accordance with Section 4.2. Hydro shall provide notice to TPC of any amount so advanced to the Limited Partnership on behalf of TPC.) No Advances shall be made to TPC under the Cash Call Credit Facility at any time prior to the Final Closing Date nor on or after the Maturity Date.~~

3.5 ~~**Repayment on the Maturity Date.**~~**[intentionally blank]**

~~(1) The Total Outstandings, if any, under the Cash Call Credit Facility and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Cash Call Credit Facility shall become due and payable on the Maturity Date and subject to Hydro making an early demand for payment pursuant to Section 12.1 following an Event of Default, TPC shall repay on the Maturity Date the Total Outstandings, if any, and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Cash Call Credit Facility. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Security Documents.~~

~~(2) Notwithstanding the provisions of Section 3.5(1) but subject to the provisions of Section 3.5(3), if on the Maturity Date, TPC is not in default in respect of any material provision of the Loan Documents, that proportion of the Total Outstandings under the Cash Call Credit Facility on the Maturity Date and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Cash Call Credit Facility that is equal to (A) divided by (B) where (A) equals the Total Outstandings under the Cash Call Credit Facility on the Maturity Date and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Cash Call Credit Facility multiplied by the number of TPC's Cash Units on the Maturity Date; and (B) is the number of TPC's Units on the Maturity Date (the "**Cash Unit Portion**") will be repaid to Hydro solely through Hydro receiving all Distributions from time to time on TPC's Units. The Distributions on TPC's Units shall be applied as follows: first, in payment of all costs and expenses owing to Hydro in connection with the Cash Unit Portion of the Cash Call Credit Facility; second, in payment of all accrued and unpaid interest under the Cash Unit Portion of the Cash Call Credit Facility; and third, in repayment of all principal amounts that have not been repaid under the Cash Unit Portion of the Cash Call Credit Facility. Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for in the Security Documents, until all such amounts have been repaid in full. Provided TPC is not in default in respect of any material provision of the Loan Documents (including the continued payment of the Distributions on TPC's Units to Hydro as provided for herein), no further or other payments by TPC to Hydro under this Cash Call Credit Facility will be required and TPC will be deemed in good standing in respect of its payment obligations under the Cash Call Credit Facility. For greater certainty, TPC shall continue to be bound by all provisions of the Loan Documents subsequent to the Maturity Date for such period of time as any amount is owing to Hydro under either of the Credit Facilities.~~

~~(3) Section 3.5(2) shall not affect TPC's obligation to repay on the Maturity Date that proportion of the Total Outstandings under the Cash Call Credit Facility on the Maturity Date and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Cash Call Credit Facility equal to (A) divided by (B) where (A) equals the Total Outstandings under the Cash Call Credit Facility on the Maturity Date and all accrued and unpaid interest thereon and all other amounts owing to Hydro under the Cash Call Credit Facility multiplied by TPC's Loan Units on the Maturity Date; and (B) is the total number of TPC's Units on the Maturity Date.~~

3.6 ~~Mandatory Repayments during the Term of the Agreement.~~[intentionally blank]

~~(1) If, on any day, Hydro notifies TPC that the Total Outstandings under the Cash Call Credit Facility exceeds the Cash Call Credit Facility Commitment (the "**Cash Call Over-Drawn Amount**"), TPC shall repay to Hydro, an amount sufficient to reduce the said Total Outstandings to an amount equal to or less than the Cash Call Credit Facility Commitment. It is acknowledged that Hydro shall have no right to sue TPC on the personal covenant to pay any of the said amounts and that Hydro's sole recourse for payment shall be to the Collateral in accordance with the provisions of the Loan Documents.~~

~~(2) At any time prior to the Maturity Date, provided that TPC is not in default of any provision of the Loan Documents and subject to TPC's right to make prepayment in accordance with the provisions of this Agreement, the Cash Call Over-Drawn Amount and all accrued and unpaid interest thereon will during the term of this Agreement be repaid to Hydro solely through Hydro receiving all Distributions from time to time on TPC's Units. The Distributions on TPC's Units shall be~~

~~applied as follows: first, in payment of all costs and expense owing to Hydro in connection with the Cash Call Over-Drawn Amount; second, in payment of all accrued and unpaid interest on the Cash Call Over-Drawn Amount; and third, in repayment of the Cash Call Over-Drawn Amount. Such Distributions shall be paid to Hydro pursuant to an irrevocable assignment and direction of all such Distributions as provided for under the Security Documents until the Cash Call Over-Drawn Amount has been repaid in full.~~

~~(3) In addition to all other mandatory repayment obligations provided for in this Agreement and subject to TPC's right to make prepayments in accordance with the provisions of this Agreement, TPC shall throughout the term of this Agreement repay to Hydro all of the Total Outstandings under the Cash Call Credit Facility and all accrued and unpaid interest thereon, and all other amounts owing to Hydro under the Cash Call Credit Facility, solely through Hydro receiving all Distributions from time to time on TPC's Units. The Distributions on TPC's Units shall be applied as follows: first, in repayment of all costs and expenses owing to Hydro in connection with the Cash Call Credit Facility; second, in payment of all accrued and unpaid interest under the Cash Call Credit Facility (except as dealt with under subsection (2) above); and third, in repayment of all principal amounts that have not been repaid under the Cash Call Credit Facility (except as dealt with under subsection (2) above). (For greater certainty, this shall not affect the repayment requirements specified in Section 3.5(3) on the Maturity Date.) Such Distributions shall be paid to Hydro pursuant to TPC's irrevocable assignment and direction of all such Distributions to Hydro as provided for under the Security Documents until all such amounts have been repaid in full. The amount of such repayment shall be a permanent reduction of the Cash Call Credit Facility.~~

3.7 Priority of Distribution Payments Prior to Maturity Date.

~~(1) The priority for the application of payments made to Hydro through~~ Hydro shall apply all payment of Distributions ~~during the term of this Agreement and~~on TPC's Units prior to ~~the~~ Maturity Date on ~~all or a portion of TPC's Units (as determined in accordance with the applicable provisions) shall be~~ as follows:

(a) first, to the payments to be made to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement (and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units), which shall have priority over any payments to be made out of Distributions on TPC's Units and the security provided to Hydro pursuant to the provisions of this Agreement, and accordingly, any such payments to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement shall not constitute an Event of Default hereunder;

~~(b) second, to payments to be made to Hydro pursuant to Section 2.6(6);~~

~~(c) third, to payments to be made to Hydro pursuant to Section 3.6(2);~~

~~(d) fourth, to payments to be made to Hydro pursuant to Section 3.6(3);~~

(b) ~~(e) fifth~~second, to the payments to be made to Hydro pursuant to Section 2.5(1) of the NCN Financing Agreement (and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units), and, accordingly, any such payments to Hydro pursuant to the NCN Financing Agreement shall not constitute an Event of Default;

(c) ~~(f) sixth~~third, to the payments to be made to Hydro pursuant to Section 2.5(2) of the NCN Financing Agreement and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units, and any such payments to Hydro pursuant to the NCN Financing Agreement shall not constitute an Event of Default ~~hereunder;~~under this Agreement; and

~~(g) seventh, to payments to be made to Hydro pursuant to Section 2.6(2); and~~

(d) ~~(h) eighth,~~fourth to payments to be made to Hydro pursuant to Section ~~2.6~~2.4 (~~5~~c).

3.8 Priority of Distributions Payments on Maturity Date.

~~(2)~~ The priority for payments made to Hydro through Distributions on TPC's Units commencing on the Maturity Date ~~on TPC's Units~~ shall be as follows:

(a) first, to the payments to be made to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement (and the security provided to Hydro pursuant to the provisions of that agreement in respect of the Distributions on TPC's Units), which shall have priority over any payments to be made out of Distributions on TPC's Units after the Maturity Date (and the security provided to Hydro pursuant to the provisions of this Agreement) and accordingly, any such payments to Hydro pursuant to the provisions of the Revenue Advance Consolidation Agreement shall not constitute an Event of Default hereunder;

~~(b) second, to payments to be made to Hydro pursuant to Section 2.6(6);~~

~~(c) third, to the payments to be made to Hydro pursuant to Section 3.5(2); and~~

(b) ~~(d) fourth,~~ second, to the payments to be made to Hydro pursuant to the provisions of the NCN Financing Agreement (and the security provided to Hydro pursuant to the provisions of that Agreement in respect of Distributions on TPC's Units)~~.~~; and

(c) ~~(3) For~~for so long as no Event of Default has occurred that remains outstanding and uncured, and provided that Distributions on TPC's Units are applied in accordance with Section ~~3.7~~3.8 (~~1~~a) prior to the Maturity Date, and in accordance with Section ~~3.7~~3.8(~~2~~b) after the Maturity Date, pursuant to the irrevocable assignment and direction of the Distributions on TPC's Units to Hydro under the Security Documents as and when such Distributions are paid by the Limited Partnership (in the discretion of the General Partner), TPC shall have no other payment obligation under the Equity Credit ~~Facilities~~Facility or in respect of any amounts (whether principal, interest, costs or otherwise) due thereunder (except at Maturity Date in respect of such amounts as are stated to be due and payable on the Maturity Date).

~~**3.8 Optional Reductions.**~~

~~(1) TPC may, subject to the provisions of this Agreement, including Sections 3.8(2) and Section 4.6 as adjusted for the applicable Market Make-whole Payment in accordance with Section 13.9, prepay, in whole or in part, only with Approved Funds, the Total Outstandings under the Cash Call Credit Facility, at any time without penalty.~~

~~(2) Each partial repayment made by TPC under the Cash Call Credit Facility shall be in a minimum aggregate principal amount of $200,000 and in an integral multiple of $100,000.~~

ARTICLE IV
LOAN ADVANCES

~~**4.1 The Advances.**~~

~~(1) Hydro agrees, on the terms and conditions of this Agreement, to make Advances to TPC under the Equity Credit Facility at any time and from time to time prior to the first Anniversary Date, and under the Cash Call Credit Facility at any time and from time to time after the Final Closing Date, on any Business Day.~~

~~(2) Until repaid in full, each Advance shall be the Type of Advance specified in the applicable Borrowing Notice.~~

~~**4.2 Procedure for Borrowing.**~~

~~(1) Where TPC wishes to receive one or more Advance(s) under one or both of the Credit Facilities, notice (the "**Borrowing Notice**") shall be given by TPC to Hydro not later than 10:00 a.m. (Winnipeg time), at least two (2) Business Days but not more than ten (10) Business Days prior to the date of the proposed Advance(s). Each Borrowing Notice shall be irrevocable and binding on TPC and shall be in substantially the form of Schedule B and shall specify:~~

~~(a) the requested date of the Advance(s); and~~

~~(b) the amount of each Advance by Type of Advance and the aggregate amount of the Advances comprising such Borrowing.~~

~~Subject to the terms and conditions of this Agreement, Hydro will make such funds available to TPC by forwarding immediately available funds in the amount~~

~~of the Advance(s) directly to the Limited Partnership Account for and on behalf of TPC on the specified date for each such Advance. Hydro shall provide written notice to TPC and the General Partner that the funds have been forwarded to the Limited Partnership Account on TPC's behalf in accordance with the Borrowing Notice.~~

~~(2) TPC authorizes the General Partner to provide to Hydro concurrent notice of any TPC's Construction Cash Call Requirement and any TPC's Operating Cash Call Requirement. The said notice shall be deemed to be a Borrowing Notice from TPC to Hydro for an Equity Credit Advance or Cash Call Credit Advance, as applicable, for the amount specified in the said notice, to be paid on the due date specified in the said notice. Hydro shall forward the amount of the Equity Credit Advance or Cash Call Credit Advance to the Limited Partnership Account for the credit of TPC unless at least two (2) Business Days prior to the due date specified in the said the notice Hydro receives written notice from the General Partner that the Limited Partnership has received the full amount of the TPC's Construction Cash Call Requirement or TPC's Operating Cash Call Requirement, as applicable. Hydro shall provide notice to TPC of any payment made to the Limited Partnership Account for the credit of TPC.~~

~~**4.3 Interest on Advances.**~~

~~Each Advance shall bear interest at the rate applicable to each Type of Advance determined in accordance with this Article IV from the date such Advance is made to the date such Advance is repaid or as otherwise stipulated in this Agreement.~~

4.1 ~~4.4~~ Interest on Equity Credit Advances.

Subject to Section 13.3, each Equity Credit Advance, or the amount ~~thereof~~ remaining outstanding from time to time, shall bear interest ~~and such interest shall be~~ calculated and payable in the following manner:

~~(a)~~ Any Equity Credit Advance forwarded to the Limited Partnership Account for the credit of TPC ~~during the Construction Period~~on or before October 14, 2014 shall:

(i) until the Final Closing Date bear interest at a variable rate (expressed as a percentage rate per annum) equal to the Canadian Dollar Floating Rate in effect from time to time, plus one (1%) percent per annum compounded monthly (not in advance), calculated (but not compounded) daily and shall accrue interest at that rate until the Final Closing Date. Hydro shall provide TPC with notice of the Canadian Dollar Floating Rate applicable to each such Equity Credit Advance, and it's supporting calculations therefore, which shall constitute, in the absence of error, prima facie evidence of the Canadian Dollar Floating Rate applicable to each such Advance;

(ii) from and after the Final Closing Date~~,~~, to and until March 31, 2014, the Total Outstandings under the Equity Credit Facility, plus all accrued and unpaid interest thereon, and all other amounts owing to Hydro under the Equity Credit Facility as at the Final Closing Date shall bear interest at a fixed interest rate ~~(expressed as a percentage rate per annum) equal to the Canadian Thirty Year Rate in effect on the Final Closing Date plus one (1%) percent per annum,~~of six and three hundred seventy-six one thousands (6.376%) percent calculated and compounded semi-annually (not in advance) ~~from and after the Final Closing Date and shall accrue interest at~~

~~that rate until the tenth Anniversary Date~~. Hydro shall provide TPC with notice of the Canadian Thirty Year Rate applicable to the amount of the Equity Credit Advances then outstanding and all accrued and unpaid interest thereon and all other amounts owning to Hydro in respect thereto, and its supporting calculations therefore, which shall constitute, in the absence of error, prima facie evidence of the applicable Canadian Thirty Year Rate;

(iii) from and after ~~the tenth Anniversary Date,~~April 1, 2014, the Total Outstandings under the Equity Credit Facility, plus all accrued and unpaid interest thereon, and all other amounts owing to Hydro under the Equity Credit Facility~~, as at the tenth Anniversary Date~~ shall bear interest at a fixed interest rate ~~(expressed as a percentage rate per annum) equal to the Canadian Thirty Year Rate in effect on the Final Closing Date plus three (3%) percent per annum~~of five and three hundred seventy-six one thousandth (5.376%) percent calculated and compounded semi-annually (not in advance);

Interest on any Equity Credit Advance made after April 1, 2014 shall accrue in the current month and added to the Total Outstandings for the purposes of the interest calculations in Section 13.3(a) (ii).

Hydro shall provide TPC with notice of the ~~Canadian Thirty Year Rate~~interest rate applicable to the amount of the Equity Credit Advances then outstanding, and all accrued and unpaid interest thereon and all other amounts owing to Hydro in respect thereto and its supporting calculations therefor~~, which shall constitute, in the absence of error, prima facie evidence of the applicable Canadian Thirty Year Rate~~; and

(iv) subject to the provisions of this Agreement (including payments made through Distributions under Article II and TPC's right to make prepayments in accordance with the provisions of this Agreement), the accrued interest, and all other amounts owing to Hydro under the Equity Credit Facility, shall only become due and payable on the Maturity Date.

~~(b)~~ Any Equity Credit Advance forwarded to the Limited Partnership Account for the credit of TPC after the Final Closing Date and prior to the first Anniversary Date shall, from the date of the Advance until ~~the tenth Anniversary Date,~~March 31, 2014, bear interest at the interest rate established pursuant to ~~paragraph (ii) of~~ Section ~~4.4.(a~~4.1(a)(ii) and, from and after ~~the tenth Anniversary Date,~~April 1, 2014, bear interest at the interest rate established pursuant to ~~paragraph~~Section 4.1(a) (iii)~~ of Section 4.4(a)~~, the provisions of which shall apply, *mutatis mutandis*, to such Advances and, subject to the provisions of this Agreement (including payments made though Distributions under Article II and TPC's right to make prepayments in accordance with the provisions of this Agreement), the accrued interest, and all other amounts owing to Hydro under the Equity Credit Facility, shall only become due and payable on the Maturity Date.

~~**4.5 Interest on Cash Call Credit Advances.**~~

~~Subject to Section 13.3, each Cash Call Credit Advance or the amount thereof remaining outstanding from time to time shall bear interest at a fixed interest rate per annum (expressed as a percentage rate per annum) equal at all times for that Cash Call Credit Advance to the Canadian Ten Year Rate in effect on the date that the said Cash Call Credit Advance is forwarded to the Limited Partnership Account for the credit of TPC, plus three (3%) percent per annum calculated and compounded semi-annually commencing from and after the date of the Advance and shall only become due and payable, subject to the provisions of this Agreement (including payments made through Distributions under Article III and TPC's right to make prepayments in accordance with the provisions of this Agreement), on the Maturity Date. Hydro~~

~~shall provide TPC with notice of the Canadian Ten Year Rates applicable to each Cash Call Credit Advance together with its supporting calculations therefor, which shall constitute, in the absence of error, prima facie evidence of the applicable Canadian Ten Year Rates to each such Advance.~~

4.2 ~~4.6~~ **Repayment Notice.**

Mandatory repayments pursuant to Sections 2.6(3) and (4) and optional repayment to reduce the Total Outstandings under the Equity Credit ~~Facilities~~Facility pursuant to Sections 2.7 and/or 3.7 shall be made upon at least seven (7) Business Days' notice (but not more than twenty (20) Business Days' notice) to Hydro (each such notice a "**Repayment Notice**"). As a condition of any Repayment Notice and the ~~aforesaid~~ payments being made to Hydro, TPC shall deliver to Hydro, at least thirty (30) calendar days prior to the proposed date that TPC intends to make the repayment, a statutory declaration signed by a duly authorized officer of TPC (each such statutory declaration a "**Credit Facility Repayment Certification**") which shall:

(a) certify ~~as to~~ the source of the money to be used ~~to make~~ for the proposed repayment ~~and shall~~;

(b) disclose all material information relating to the money to be used ~~in respect of~~ for the proposed repayment ~~and shall~~;

(c) attach ~~notarized~~true and complete copies of all material documents~~, together with~~; and

(d) a copy of the proposed Repayment Notice~~. The proposed Repayment Notice shall be~~ in the form of Schedule A ~~annexed hereto, and shall specify~~to this Agreement, specifying: (A) the proposed date of such repayment; and (B) the aggregate principal amount of the proposed repayment. Hydro shall have the right to request from TPC, within five (5) calendar days of receipt of the Credit Facility Repayment Certification, such additional information and notarized copies of documents relating to the monies to be used in respect of the proposed repayment as it may require, acting reasonably, and to receive such written consents and waivers from TPC to obtain additional information and documents from any other Person relating to the monies to be used in respect of the proposed repayment as Hydro may request, acting reasonably. Hydro shall be required to confirm in writing within twenty (20) calendar days of receipt of the Credit Facility Repayment Certification whether or not it will accept the Credit Facility Repayment Certification, unless the time period is extended by Hydro, acting reasonably, due to Hydro awaiting receipt of the additional information and documents as it may have requested in connection with the Credit Facility Repayment Certification.

4.3 Hydro Acceptance of Repayment Notice.

If Hydro accepts the Credit Facility Repayment Certification, TPC ~~shall be permitted to~~may issue to Hydro the Repayment Notice in the form attached to the Credit Facility Repayment Certification, and ~~if such Credit Facility Repayment Notice is given,~~ TPC shall:

(~~A~~a) pay Hydro~~, in accordance with such~~ the repayment amount set out the Repayment Notice~~, the amount of the repayment,~~ ; and

(b) provide with the said payment, a statutory declaration signed by a duly authorized officer of TPC certifying there has been no material change to any of the information or documents provided by TPC in the Credit Facility Repayment Certification ~~or obtained by Hydro~~ concerning the monies being paid to Hydro, including the source of the monies; and

(~~B~~c) pay to Hydro all accrued interest on the Credit Facility in respect of which the repayment is being made, to the date of such repayment. ~~(~~

For greater certainty, any principal amount repaid pursuant to the Repayment Notice are Approved Funds and form part of TPC's Invested Cash but does not include any amount on account of the payment of accrued interest on the Equity Credit Facility~~ in respect of which the repayment is being made). TPC shall not make the repayment without providing the said statutory declaration~~).. Hydro shall be required to accept the Credit Facility Repayment Certification if Hydro determines, acting reasonably, that the monies being used for the repayment fall within the definition of TPC's Own Funds based on Hydro's analysis of the information disclosed and documents provided or otherwise obtained by Hydro. ~~If based on~~

4.4 Hydro's ~~analysis~~Rejection of Funds.

If Hydro, acting reasonably, ~~Hydro~~based on its analysis, determines that the monies fall within the definition of TPC's Third Party Funds, then Hydro is entitled, ~~acting reasonably,~~ to either reject or accept the Credit Facility Repayment Certification. In making that determination, Hydro will consider~~,~~ the source of the monies, the terms of any financing, any repayment requirements associated with the monies that have been provided, whether or not any Person has recourse against TPC's Units in the event of default in respect of any financing associated with obtaining the monies and, if so, the likelihood of that right being exercised. If Hydro rejects the Credit Facility Repayment Certification, TPC shall not be entitled to proceed with the proposed repayment.

4.5 Hydro Acceptance of Certification.

If Hydro accepts the Credit Facility Repayment Certification, the payment can be made and the funds will be Approved Funds and once the payment is made, it shall form part of TPC's Invested Cash. For greater certainty, any funds used by TPC from time to time to pay any interest, costs, expenses or indemnity claims properly due to Hydro hereunder having regard for Section 5.14 of the PDA, shall not require certification or approval hereunder as Approved Funds.

4.6 ~~4.7~~ Evidence of Debt ~~and Determination of Interest Rates and Fees.~~

~~(1)~~ The indebtedness of TPC in respect of all Advances ~~hereunder~~ shall be evidenced by the account records maintained by Hydro, which shall be prima facie evidence of such indebtedness for all purposes, absent error. Hydro shall indemnify and save harmless TPC for losses suffered or costs incurred by TPC due to Hydro's failure to correctly record or calculate any amount, rate, date or other data (including calculations to determine any amount) in the account records or in statements or notices issued to TPC where such failure was due to the gross negligence or willful misconduct of Hydro or any person for whom Hydro is responsible at law. Notwithstanding the foregoing, the failure of Hydro to correctly record or calculate, rate, date or other data (including calculations to determine any amount) in the account records or in statements or notices issued to TPC ~~hereunder~~ under this Agreement shall not, however, affect the obligation of TPC to pay amounts due hereunder to Hydro in accordance with this Agreement.

4.7 Determination of Interest and Fees

~~(2)~~ For purposes of the *Interest Act* (Canada):

(a) whenever any interest under this Agreement is calculated using a rate based on a period of time other than a calendar year, such rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on such period of time multiplied by (y) the actual number of days in the calendar year in which the period for which such interest or fee is calculated ends, and divided by (z) the number of days in such period of time;

(b) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement; and

(c) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

4.8 Hydro Obligations.

~~(3)~~ Within ten (10) Business Days of the last day of each month during this Agreement, Hydro shall provide to TPC a written statement ~~setting out the following information as at the last day of each month:~~the Total Outstandings under the Equity Credit Facility on the last day of each month, together with the following information:

~~(a) the Total Outstandings under the Equity Credit Facility, together with the following information:~~

~~(i) opening balances;~~

~~(ii)~~ (a) opening and closing balances;

~~(iii) Advances provided during the month;~~

~~(iv)~~ (b) principal repaid during the month~~, if applicable~~;

~~(v)~~ (c) interest paid or payable by TPC~~, and applicable interest rate(s) charged to TPC~~ (together with the date(s) of any change(s) from floating rate(s) to fixed rate(s) charged on such Advances pursuant to the terms of this Agreement), during the month; and

~~(vi) any costs charged by Hydro to TPC during the month, and any reimbursements made by TPC to Hydro during the month for costs charged by Hydro to TPC.~~

~~(b) the Total Outstandings under the Cash Call Credit Facility, together with the following information:~~

~~(i) opening balances;~~

~~(ii) closing balances;~~

~~(iii) Advances provided during the month;~~

~~(iv) principal repaid during the month, if applicable;~~

~~(v) interest paid by TPC, and applicable interest rate(s) charged to TPC during the month; and~~

~~(vi)~~ (d) any costs charged by Hydro to TPC during the month, and any reimbursements made by TPC to Hydro during the month for costs charged by Hydro to TPC.

ARTICLE V

OPTIONS TO SELL TPC'S UNITS

5.1 TPC's Options ~~to~~To Sell.

~~TPC shall, in accordance with and subject to the terms of this Agreement have the following rights to require Hydro, upon the exercise by TPC of any such right, to purchase all or some of TPC's Units as hereinafter specified, and each such right is exercisable by TPC at the time and in the manner specified in this Article V (and, for greater certainty, the exercise of~~The Parties acknowledge neither the Final Closing Sale Right ~~with respect to less than all of TPC's Units~~or the Non-Completion Sale Right referenced in the Initial TPC Financing Agreement were exercised but this shall not preclude TPC from exercising the Term Sale Right, the Twenty-Fifth

Anniversary Sale Right or the Maturity Sale Right, in respect of any of TPC's Units still owned by TPC ~~after exercise of the Final Closing Sale Right):~~, which shall have the following rights:

~~(a) on the Final Closing Date, conditional only on TPC being in compliance with all of the Final Closing Sale Conditions, a one time right (the "**Final Closing Sale Right**") to sell only to Hydro, all of TPC's Units owned by TPC on the Final Closing Date or such other number of TPC's Units as TPC may elect to sell to Hydro on the Final Closing Date (the "**Final Closing Sale Units**"), and upon the exercise of such right, Hydro shall purchase all, and not less than all, of the Final Closing Sale Units from TPC in accordance with and subject to the provisions of this Agreement, provided that TPC shall not have the right to sell less then all of TPC's Units if TPC is not in compliance with Section 2.6(3)(a);~~

~~(b) if the Initial Closing Conditions have been satisfied in the manner contemplated in the PDA and the Initial Closing has occurred, but the Limited Partnership has not made a Substantial Construction Start within five (5) years of the Date of the PDA, or makes a Substantial Construction Start but halts construction pursuant to Section 2.6 of the PDA and has not restarted construction of the Wuskwatim Project within five (5) years of the date that construction was halted (the date upon which the applicable five year period has lapsed is referred to herein as the "**Non-Completion Date**"), TPC shall have a one time right, conditional only on TPC being in compliance with all of the Non Completion Closing Conditions (the "**Non-Completion Sale Right**"), exercisable at any time on or after the Non-Completion Date and before the date that is twenty (20) calendar days after the Non-Completion Date, to sell only to Hydro all of TPC's Units (but not less then all of TPC's Units) owned by TPC on the Non-Completion Date (the "**Non-Completion Sale Units**") and upon the exercise of such right, Hydro shall purchase all, and not less than all, of the Non-Completion Sale Units from TPC in accordance with and subject to the provisions of this Agreement;~~

(a) ~~(c)~~ on the twenty-fifth Anniversary Date, a one time right, conditional only on TPC being in compliance with all of the Twenty-Fifth Anniversary Sale Conditions (the "**Twenty-Fifth Anniversary Sale Right**") to sell only to Hydro, all of TPC's Units (but not less than all of TPC's Units) owned by TPC on the twenty-fifth Anniversary Date (the "**Twenty-Fifth Anniversary Sale Units**"), and upon the exercise of such right, Hydro shall purchase all, and not less than all, of the Twenty-Fifty Anniversary Sale Units from TPC in accordance with and subject to the provisions of this Agreement;

(b) ~~(d)~~ on the Maturity Date, a one time right, conditional only on TPC being in compliance with all of the Maturity Sale Conditions (the "**Maturity Sale Right**") to sell only to Hydro, all of TPC's Units (but not less than all of TPC's Units) owned by TPC on the Maturity Date (the "**Maturity Sale Units**"), and upon the exercise of such right, Hydro shall purchase all, and not less than all, of the Maturity Sale Units from TPC in accordance with and subject to the provisions of this Agreement; and

~~(e)~~ (c) at any time on or prior to the Maturity Date, a one -time right, conditional only on TPC being in compliance with the Term Sale Conditions, (the "**Term Sale Right**") to sell only to Hydro, all of TPC's Units (but not less than all of TPC's Units) owned by TPC on the date of exercise of such right (the "**Term Sale Units**"), and upon any exercise of such right, Hydro shall purchase all, and not less than all, of the Term Sale Units from TPC in accordance with the provisions of this Agreement.

Provided the ~~Final Closing Sale Right, Non-Completion Sale Right,~~ Twenty-Fifth Anniversary Sale Right, Maturity Sale Right or Term Sale Right is exercised by TPC in the manner set out ~~herein~~in this Agreement, and subject only to TPC's compliance with the Final Closing Sale Conditions, Non-Completion Sale Conditions, Twenty-Fifth Anniversary Sale

Conditions, Maturity Sale Conditions, or Term Sale Conditions, as applicable, Hydro ~~hereby agrees to~~ shall purchase all of the ~~Final Closing Sale Units, Non-Completion Sale Units,~~ Twenty-Fifth Anniversary Sale Units, Maturity Sale Units or Term Sale Units, as applicable, in accordance with and subject to the terms of this Agreement.

5.2 ~~5.2~~ Purchase Price~~.~~ 25th Anniversary Sale

~~(1) The purchase price for the Final Closing Sale Units which are to be sold to, and purchased by, Hydro pursuant to exercise by TPC of the Final Closing Sale Right shall be determined as follows:~~

~~(a) if the Final Closing Sale Units constitute all of TPC's Units, the purchase price shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit Facility, and all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Final Closing Date, and (B) is TPC's Invested Cash as at the Final Closing Date. The purchase price as so determined shall be paid in full as follows:~~

~~(i) by Hydro accepting the Final Closing Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Credit Facilities, and of all accrued and unpaid interest, costs and all other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Final Closing Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents hereunder and thereunder; and~~

~~(ii) by Hydro paying to TPC on the effective date of the sale of the Final Closing Sale Units, an amount in immediately available funds equal to TPC's Invested Cash, without interest, in accordance with Article VII and the payment effected thereby shall terminate the Credit Facilities and the Dividend Credit Facility (as defined under the NCN Financing Agreement).~~

~~(b) if the Final Closing Sale Right is exercised in respect of less than all of TPC's Units and the number of the Final Closing Sale Units is less than or equal to the number of TPC's Loan Units, the purchase price shall be the sum of: (A) the amount determined by multiplying the Sale Fraction by the Final Closing Date Principal Obligations, where the "Sale Fraction" is the fraction, the numerator of which is the number of the Final Closing Sale Units and the denominator of which is the number of TPC's Loan Units; and (B) the amount determined by multiplying the Interest Sale Fraction by the Final Closing Date Interest Obligations, where the "Interest Sale Fraction" is the fraction, the numerator of which is the number of Final Closing Sale Units and the denominator of which is the number of TPC's Units. The purchase price as so determined shall be paid in full as follows:~~

~~(i) if the number of Final Closing Sale Units is less than the number of TPC's Loan Units, the Final Closing Sale Units shall be retained by Hydro in full and final satisfaction of:~~

~~(A) that portion of the Final Closing Date Principal Obligations equal to the Sale Fraction multiplied by the Final Closing Date Principal Obligations, and the repayment effected thereby shall (to the extent only of the Total Outstandings that are repaid) constitute a~~

~~permanent reduction of the Equity Credit Facility Commitment; and~~

~~(B) that portion of the Final Closing Date Interest Obligations equal to the Interest Sale Fraction multiplied by the Final Closing Date Interest Obligations; and~~

~~(ii) if the number of Final Closing Sale Units is equal to the number of TPC's Loan Units, the Final Closing Sale Units shall be retained by Hydro in full and final satisfaction of:~~

~~(A) all of the Final Closing Date Principal Obligations due to Hydro, and Hydro shall fully and finally release and discharge TPC for all of the Final Closing Date Principal Obligations due to Hydro, and the repayment effected thereby shall terminate the right of TPC to receive additional Equity Credit Advances ; and~~

~~(B) that portion of the Final Closing Date Interest Obligations equal to the Interest Sale Fraction multiplied by the Final Closing Date Interest Obligation.~~

~~(c) if the Final Closing Sale Right is exercised in respect of less than all of TPC's Units and the number of the Final Closing Sale Units is greater than the number of TPC's Loan Units, the purchase price shall be an amount equal to the sum of (A) and (B) and (C), where (A) is the Final Closing Date Principal Obligations, (B) is that portion of the Final Closing Date Interest Obligations equal to the Interest Sale Fraction multiplied by the Final Closing Date Interest Obligations; and (C) is TPC's Invested Cash multiplied by the fraction, the numerator of which is the number of TPC's Cash Units that are included in the Final Closing Sale~~

~~Units and the denominator of which is the total number of TPC's Cash Units as at the Final Closing Date. The purchase price as so determined shall be paid in full as follows:~~

~~(i) by Hydro accepting the Final Closing Sale Units in full and final satisfaction of:~~

~~(A) all of the Final Closing Date Principal Obligations and by Hydro fully and finally releasing and discharging TPC for all of the Final Closing Date Principal Obligations due to Hydro; and~~

~~(B) that portion of the Final Closing Date Interest Obligations equal to the Interest Sale Fraction multiplied by the Final Closing Date Interest Obligations; and~~

~~(ii) by Hydro paying to TPC on the effective date of the sale of the Final Closing Sale Units, an amount in immediately available funds equal to TPC's Invested Cash multiplied by the fraction, the numerator of which is the number of TPC's Cash Units that are included in the Final Closing Sale Units and the denominator of which is the total number of TPC's Cash Units as at the Final Closing Date, which amount shall be paid, without interest, in accordance with Article VII and the repayment effected thereby shall terminate the right of TPC to receive Equity Credit Advances.~~

~~(2) The purchase price for the Non-Completion Sale Units which are sold to, and purchased by, Hydro pursuant to exercise by TPC of the Non-Completion Sale Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit Facility, and all accrued and unpaid interest, costs and all other amounts whatsoever owing by~~

~~TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Non-Completion Date, and (B) is TPC's Invested Cash as at the Non Completion Date. The purchase price as so determined shall be paid in full as follows:~~

~~(a) by Hydro accepting the Non-Completion Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit Facility and all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Non-Completion Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents hereunder and thereunder; and~~

~~(b) by Hydro paying to TPC on the effective date of the sale of the Non-Completion Sale Units, an amount in immediately available funds equal to TPC's Invested Cash, without interest, in accordance with Article VII and the repayment effected thereby shall terminate the Credit Facilities and the Dividend Credit Facility (as defined under the NCN Financing Agreement).~~

~~(3)~~ The purchase price for the Twenty-Fifth Anniversary Sale Units which are sold to and purchased by, Hydro pursuant to the exercise by TPC of the Twenty-Fifth Anniversary Sale Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit ~~Facilities~~Facility, the Total Outstandings defined under the NCN Financing Agreement ~~(as defined therein)~~ and all accrued and unpaid interest, costs and other amounts ~~whatsoever~~ owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant ~~hereto and thereto~~to each agreement, as of the twenty fifth Anniversary Date, and (B) is TPC's Invested Cash ~~(specifically excluding any~~

~~Government Funds which were a component of TPC's Invested Cash)~~ as at the twenty fifth Anniversary Date. The purchase price as so determined shall be paid in full by Hydro as follows:

~~(a)~~ (a) by Hydro accepting the Twenty-Fifth Anniversary Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit ~~Facilities~~Facility hereunder and under the Dividend Credit Facility (as defined under the NCN Financing Agreement), and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the twenty fifth Anniversary Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents hereunder and thereunder; and

~~(b)~~ (b) by Hydro paying to TPC on the effective date of the sale of the Twenty-Fifth Anniversary Sale Units, an amount in immediately available funds equal to TPC's Invested Cash ~~(specifically excluding any Government Funds which were a component of TPC's Invested Cash)~~, without interest, in accordance with Article VII; and the repayment effected thereby shall terminate the Equity Credit Facilities and the Dividend Credit Facility ~~(as defined under the NCN Financing Agreement)~~.

5.3 Purchase Price Maturity Date.

~~(4)~~ The purchase price for the Maturity Sale Units which are sold to and purchased by, Hydro pursuant to the exercise by TPC of the Maturity Sale Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit ~~Facilities~~Facility, the Total Outstandings defined under the NCN Financing Agreement

~~(as defined therein)~~ and all accrued and unpaid interest, costs and other amounts ~~whatsoever~~ owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant ~~hereto and thereto~~to each agreement, as of the Maturity Date, and (B) is TPC's Invested Cash ~~(specifically excluding any Government Funds which were a component of TPC's Invested Cash as at the Maturity Date)~~. The purchase price as so determined shall be paid in full by Hydro as follows:

(a) by Hydro accepting the Maturity Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit ~~Facilities hereunder~~ Facility and ~~under~~ the Dividend Credit Facility ~~(as defined under the NCN Financing Agreement)~~, and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant ~~hereto and thereto,~~ to each agreement as of the Maturity Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents ~~hereunder and thereunder~~under each agreement; and

~~(b)~~ (b) by Hydro paying to TPC on the effective date of the sale of the Maturity Sale Units, an amount in immediately available funds equal to TPC's Invested Cash ~~(specifically excluding any Government Funds which were a component of TPC's Invested Cash)~~ , without interest, in accordance with Article VII; and the repayment effected thereby shall terminate the Equity Credit ~~Facilities~~Facility and the Dividend Credit Facility (as defined under the NCN Financing Agreement).

5.4 Purchase Price Term Sale.

~~(5)~~ The purchase price for the Term Sale Units which are sold to, and purchased by, Hydro, pursuant to the exercise by TPC of the Term Sale Right shall be an amount equal to the aggregate of the Total Outstandings under the Credit Facilities, the Total Outstandings defined under the NCN Financing Agreement ~~(as defined therein)~~ and all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the effective date of the sale pursuant to the exercise by TPC of the Term Sale Right. The purchase price as so determined shall be paid in full by Hydro accepting the Term Sale Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit ~~Facilities hereunder~~ Facility and ~~under~~ the Dividend Credit Facility ~~(as defined under the NCN Financing Agreement),~~ and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant ~~hereto and thereto~~to each agreement, as of the effective date of the sale pursuant to the exercise by TPC of the Term Sale Right, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents ~~hereunder and thereunder~~pursuant to each agreement and the repayment ~~effected thereby~~ shall terminate the Equity Credit ~~Facilities~~Facility and the Dividend Credit Facility ~~(as defined under the NCN Financing Agreement).~~ .

~~(6) For greater certainty, whenever in this Agreement, Government Funds are to be excluded from TPC's Invested Cash, it is acknowledged that funds which were provided or advanced to TPC or NCN by Canada or Manitoba, or by any crown corporation, agency, department or instrumentality of Canada or Manitoba, and were used by TPC to repay any principal amount under a Credit Facility that Hydro has approved pursuant to a Credit Facility Repayment Certification, or to make a payment to the Limited Partnership that Hydro has approved pursuant to a Limited Partnership Payment Certification, and were determined by Hydro to be TPC's Own Funds but not Government Funds pursuant and subject to the applicable approval process, shall be included as part of TPC's Invested Cash, including in determining the amount to be repaid to TPC under any provision hereof.~~

~~5.3 Exercise of Final Closing Sale Right, Non-Completion Sale Right, Twenty Fifth Anniversary Sale Right, Maturity Sale Right and Term Sale Right~~5.5 Exercise of TPC's Sale Rights and Hydro's Notice Covenant.

~~The Final Closing Sale Right, the Non-Completion Sale Right, the~~The Twenty Fifth Anniversary Sale Right and the Term Sale ~~Right~~ may only be exercised by giving notice to Hydro in the manner set out in Section 5.4 (a "**Notice of Sale**"). Hydro agrees to provide to TPC not less than forty five (45) calendar days, nor more than ninety (90) calendar days, prior written notice of the ~~Final Closing Date or the Non-Completion Date, as applicable, and not less than forty five (45) calendar days, nor more than ninety (90) calendar days, prior written notice of the~~ Twenty-Fifth Anniversary Date or the Maturity Sale Date, as applicable, which notice shall include the following information:

(a) Hydro's calculation of the number of TPC's Units that are TPC's Loan Units and the number that are TPC's Cash Units as of the date of the notice (together with its supporting calculations); and

(b) the Total Outstandings owing under ~~each of~~ the Equity Credit ~~Facilities~~Facility, and the amount of any accrued interest and costs that is owing to Hydro, as of the notice date (having regard in respect of costs to Section 12.2).

~~5.4~~ 5.6 Contents of a Notice of Sale.

A Notice of Sale shall only be effective if:

(a) ~~(a)~~ it is executed by TPC and it indicates the number of TPC's Units in respect of which TPC is exercising its right to sell and, if the number of TPC's Units in respect of which its right to sell is being exercised is not specified in the

Notice of Sale, TPC shall be deemed to be exercising its right to sell to Hydro all of TPC's Units;

~~(b) for the exercise of the Final Closing Sale Right and subject to Hydro complying with its notice obligation in Section 5.3, the Notice of Sale must be delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the Final Closing Date, together with a statement from TPC:~~

~~(i) confirming TPC has elected to sell the Final Closing Sale Units pursuant to the Final Closing Sale Right; and~~

~~(ii) representing and warranting that each of the Final Closing Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;~~

~~which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC;~~

~~(c) for the exercise of the Non-Completion Sale Right and subject to Hydro complying with its notice obligation in Section 5.3, the Notice of Sale must be delivered to Hydro not more than twenty (20) calendar days after the Non-Completion Date, together with a statement from TPC:~~

~~(i) confirming TPC has elected to sell the Non-Completion Sale Units pursuant to the Non- Completion Sale Right; and~~

~~(ii) representing and warranting that each of the Non-Completion Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;~~

~~which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC;~~

(b) ~~(d)~~ for the exercise of the Twenty-Fifth Anniversary Sale Right, it is delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the Twenty-Fifth Anniversary Date, together with a statement from TPC:

(i) confirming TPC has elected to sell the Twenty-Fifth Anniversary Sale Units pursuant to the Twenty-Fifth Anniversary Sale Right; and

(ii) representing and warranting that each of the Twenty-Fifth Anniversary Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;

which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC;

~~(e)~~ (c) for the exercise of the Maturity Sale Right, it is delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the Maturity Date, together with a statement from TPC:

(ii) ~~(i)~~ confirming TPC has elected to sell the Maturity Sale Units pursuant to the Maturity Sale Right; and

(iii) ~~(ii)~~ representing and warranting that each of the Maturity Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;

which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC;

~~(f)~~ (d) for the exercise of the Term Sale Right, it is delivered to Hydro at least twenty (20) calendar days (but not more than forty (40) calendar days) prior to the proposed effective date of the sale of the Term Sale Units pursuant to the exercise of the Term Sale Right, together with a statement from TPC:

(i) confirming TPC has elected to sell the Term Sale Units pursuant to the Term Sale Right; and

(ii) representing and warranting that each of the Term Sale Conditions is true and correct in all material respects on that date and will be true and correct in all material respects on the Sale Closing Date;

which statements shall be certified as true and correct in all material respects by a duly authorized officer of TPC for and on behalf of TPC.

~~5.5~~ 5.7 Effect of the Notice of Sale and Closing Arrangements.

If a Notice of Sale is sent to Hydro in compliance with Section 5.4, then:

~~(a)~~ (a) TPC shall be obligated to sell the applicable Sale Units to Hydro at the purchase price and in the manner determined in accordance with Section 5.2;

~~(b)~~ (b) Hydro shall be obligated to purchase the applicable Sale Units from TPC at the purchase price and in the manner determined in accordance with Section 5.2; and

~~(c)~~ (c) such Sale shall be completed on the date, at the place and in the manner determined in accordance with the provisions of Article VII.

ARTICLE VI

~~OPTIONS TO PURCHASE TPC'S UNITS~~

~~6.1 Hydro's Options to Purchase.~~

~~Hydro shall, in accordance with and subject to the terms of this Agreement have the following rights to require TPC, upon the exercise by Hydro of any such rights, to purchase all or some of TPC's Units as hereinafter specified, and each such right is exercisable by Hydro at the time and in the manner specified in this Article VI (and, for greater certainty, the exercise of the Final Closing Purchase Right with respect to less than all of TPC's Units shall not preclude Hydro from exercising the Adjustment Purchase Right in respect of any of TPC's Units still owned by TPC after exercise of the Final Closing Purchase Right):~~

~~(a) if Hydro has complied with the notice requirement in Section 2.6(3) and at the Time of Final Closing, TPC is not in compliance with the Equity Credit Facility Final Closing Conditions and has not by that time either made the mandatory payments or contributions required pursuant to Section 2.6(3), or exercised its Final Closing Sale Right in such manner so as, to bring itself into compliance with the Equity Credit Facility Final Closing Conditions (the "**Final Closing Purchase Option Event**"), Hydro shall, in accordance with and subject to the terms of this Agreement, have the right (the "**Final Closing Purchase Right**") to purchase such number of TPC's Loan Units (except that the parties hereto agree that this right to purchase shall be extended to all of TPC's Units, if TPC is not in compliance with Section 2.6(3)(a)) as of the Final Closing Date as is required for TPC to be brought into compliance with the Equity Credit Facility Final Closing Conditions (but no more than that number) as of the Final Closing Date (the "**Final Closing Purchased Units**"). Upon the exercise of such rights, TPC shall~~

~~sell all and not less than all of the Final Closing Purchased Units in accordance with the provisions of this Agreement;~~

~~(b) if Hydro has complied with the notice requirement in Section 2.6(4) and at the Time of Adjustment, TPC is not in compliance with the Equity Credit Facility Adjustment Conditions and has not by that time either made the mandatory payments or contributions required pursuant to Section 2.6(4) (the "**Adjustment Purchase Option Event**"), Hydro shall in accordance with and subject to the terms of this Agreement, have the right (the "**Adjustment Purchase Right**") to purchase such number of TPC's Loan Units as of the first Anniversary Date as is required for TPC to be brought into compliance with the Equity Credit Facility Adjustment Conditions (but no more than that number) as of the first Anniversary Date (the "**Adjustment Purchased Units**"). Upon the exercise of such right, TPC shall sell all and not less than all of the Adjustment Purchased Units in accordance with the provisions of this Agreement; and~~

~~(c) if a Non Completion Date occurs and notwithstanding Hydro's compliance with the notice requirement in section 5.3 hereof, by the date that is twenty-one (21) Business Days after the Non Completion Date, Hydro has not received from TPC an effective Notice of Sale in accordance with Article V (the "**Non-Completion Purchase Option Event**"), Hydro shall, in accordance with and subject to the terms of this Agreement, have the right (the "**Non-Completion Purchase Right**") to purchase all of TPC's Units (the "**Non-Completion Purchased Units**"). Upon the exercise of such right, TPC shall sell all and not less than all of the Non-Completion Purchased Units in accordance with the provisions of this Agreement.~~

~~**6.2 Purchase Price.**~~

~~(1) If TPC has complied with Section 2.6(3)(a), the purchase price for the Final Closing Purchased Units to be purchased by Hydro pursuant to the exercise of the Final Closing Purchase Right shall be the sum of: (A) the amount determined by multiplying the Purchase Fraction by the Final Closing Date Principal Obligations, where the "Purchase Fraction" for the purposes of this paragraph (1) is the fraction, the numerator of which is the number of Final Closing Purchased Units and the denominator of which is the number of TPC's Loan Units; and (B) the amount determined by multiplying the Interest Purchase Fraction by the Final Closing Date Interest Obligations, where the "Interest Purchase Fraction" for the purposes of this paragraph (l) is the fraction, the numerator of which is the number of Final Closing Purchased Units and the denominator of which is the number of TPC's Units. The purchase price as so determined shall be paid in full as follows:~~

~~(a) if the number of Final Closing Purchased Units is less than the number of TPC's Loan Units, the Final Closing Purchased Units shall be retained by Hydro in full and final satisfaction of: (i) that portion of the Final Closing Date Principal Obligations equal to the Purchase Fraction multiplied by the Final Closing Date Principal Obligations, and the repayment effected thereby shall (to the extent only of the Total Outstandings that are repaid) constitute a permanent reduction of the Equity Credit Facility Commitment; and (ii) that portion of the Final Closing Date Interest Obligations equal to the Interest Purchase Fraction multiplied by the Final Closing Date Interest Obligations;~~

~~(b) if the number of Final Closing Purchased Units is equal to the number of TPC's Loan Units, the Final Closing Purchased Units shall be retained by Hydro in full and final satisfaction of: (i) all of the Final Closing Date Principal Obligations due to Hydro, and Hydro shall fully and finally release and discharge TPC for all of the Final Closing Date Principal Obligations due to Hydro; and the repayment~~

~~effected thereby shall terminate the right of TPC to receive additional Equity Credit Advances; and (ii) that portion of the Final Closing Date Interest Obligations equal to the Interest Purchase Fraction multiplied by the Final Closing Date Interest Obligations.~~

~~(2) If TPC has not complied with Section 2.6(3)(a), and Hydro has exercised its right to purchase all of TPC's Units, the purchase price for the Final Closing Purchased Units to be purchased by Hydro pursuant to the exercise of the Final Closing Purchase Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit Facility, and all accrued and unpaid interest, costs and all other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Final Closing Date, and (B) is TPC's Invested Cash as at the Final Closing Date. The purchase price as so determined shall be paid in full by Hydro as follows:~~

~~(a) by Hydro accepting the Final Closing Purchased Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit Facility and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Final Closing Date, and by Hydro fully and finally releasing and discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents hereunder and thereunder; and~~

~~(b) by Hydro paying to TPC on the effective date of the sale of the Final Closing Purchased Units, an amount in immediately available funds equal to TPC's Invested Cash, without interest, in accordance with Article VII, and the payment~~

~~effected thereby shall terminate the Credit Facilities and the Dividend Credit Facility (as defined under the NCN Financing Agreement).~~

~~(3) The purchase price for the Adjustment Purchased Units to be purchased by Hydro pursuant to the exercise of the Adjustment Purchase Right shall be the sum of: (A) the amount determined by multiplying the Purchase Fraction by the Adjustment Date Principal Obligations, where the "Purchase Fraction" for the purposes of this paragraph (3) is the fraction, the numerator of which is the number of Adjustment Purchased Units and the denominator of which is the number of TPC's Loan Units, and the "Adjustment Date Principal Obligations" is the Total Outstandings under this Agreement and the Loan Documents pursuant hereto in respect of the Equity Credit Facility, and all unpaid costs and other amounts due and owing to Hydro under or in respect of the Equity Credit Facility, as at the Time of Adjustment, but not including accrued and unpaid interest; and (B) is the amount determined by multiplying the Interest Purchase Fraction by the Adjustment Date Interest Obligations, where the "Interest Purchase Fraction" for the purposes of this paragraph (3) is the fraction, the numerator of which is the number of Adjustment Purchased Units and the denominator of which is the number of TPC's Units and the "Adjustment Date Interest Obligations" is the accrued and unpaid interest in respect of the Equity Credit Facility, as at the Time of Adjustment. The purchase price as so determined shall be paid in full as follows:~~

~~(a) if the number of Adjustment Purchased Units is less than the number of TPC's Loan Units, the Adjustment Purchased Units shall be retained by Hydro in full and final satisfaction of: (i) that portion of the Adjustment Date Principal Obligations equal to the Purchase Fraction multiplied by the Adjustment Date Principal Obligations, and the repayment effected thereby shall (to the extent only of the Total Outstandings that are repaid) constitute a permanent reduction of the Equity Credit Facility Commitment; and (ii) that portion of the Adjustment Date~~

~~Interest Obligations equal to the Interest Purchase Fraction multiplied by Adjustment Date Interest Obligations; and~~

~~(b) if the number of Adjustment Purchased Units is equal to the number of TPC's Loan Units, the Adjustment Purchased Units shall be retained by Hydro in full and final satisfaction of: (i) all of the Adjustment Date Principal Obligations due to Hydro, and Hydro shall fully and finally release and discharge TPC in writing for all of the Adjustment Date Principal Obligations due to Hydro, and the repayment effected thereby shall terminate the right of TPC to receive additional Equity Credit Advances; and (ii) that portion of the Adjustment Date Interest Obligations equal to the Interest Purchase Fraction multiplied by Adjustment Date Interest Obligations.~~

~~(4) The purchase price for the Non-Completion Purchased Units to be purchased by Hydro pursuant to the exercise of the Non-Completion Purchase Right shall be an amount equal to the sum of (A) and (B), where (A) is the aggregate of the Total Outstandings under the Equity Credit Facility, and all accrued and unpaid interest, costs and all other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Non-Completion Date, and (B) is TPC's Invested Cash as at the Non-Completion Date. The purchase price as so determined shall be paid in full by Hydro as follows:~~

~~(a) by Hydro accepting the Non-Completion Purchased Units in full and final satisfaction of the Total Outstandings due to Hydro under the Equity Credit Facility and of all accrued and unpaid interest, costs and other amounts whatsoever owing by TPC or NCN to Hydro under this Agreement, the NCN Financing Agreement and the Loan Documents pursuant hereto and thereto, as of the Non-Completion Date, and by Hydro fully and finally releasing and~~

~~discharging TPC and NCN for all of the Obligations due to Hydro under this Agreement, the NCN Financing Agreement (the Obligations thereunder being as defined therein) and all Loan Documents hereunder and thereunder; and~~

~~(b) by Hydro paying to TPC on the effective date of the sale of the Non-Completion Purchased Units, an amount in immediately available funds equal to TPC's Invested Cash, without interest, in accordance with Article VII, and the payment effected thereby shall terminate the Credit Facilities and the Dividend Credit Facility (as defined under the NCN Financing Agreement).~~

~~6.3 Exercise of the Final Closing Purchase Right, Adjustment Purchase Right and Non-Completion Purchase Right.~~

~~The Final Closing Purchase Right, the Adjustment Purchase Right and the Non-Completion Purchase Right may only be exercised by giving Notice to TPC in the manner set out in Section 6.4 (the "**Notice of Purchase**"). It shall be a condition of exercise of any of Hydro's rights under Article VI that Hydro comply with the applicable notice requirements of Section 5.3 hereof.~~

~~If TPC has received a Notice of Purchase from Hydro based on the exercise of the Final Closing Purchase Right or the Adjustment Purchase Right and TPC issues a Dispute Notice (as that term is defined in the PDA) within five (5) Business Days of TPC's receipt of the Notice of Purchase which disputes that Hydro is entitled to exercise the Final Closing Purchase Right or Adjustment Purchase Right in the manner that it has been exercised (including, without limitation, on the basis that Hydro applied its discretion improperly or erroneously in denying all or a part of a proposed payment to be made by TPC pursuant to a Credit Facility Repayment Certification or Limited Partnership Payment Certification, and as a result of such alleged error, TPC was not permitted to make the payment to bring itself into compliance with Section 2.6(3) or Section 2.6(4), as applicable) Hydro shall not be entitled to proceed further with the purchase~~

~~of all or any of TPC's Units until such time as the dispute is finally resolved pursuant to Article XXI of the PDA. For greater certainty, no further proceedings shall be taken by Hydro in respect of the Notice of Purchase or in furtherance of the purchase of all or any of TPC's Units, including acting on the power of attorney granted to Hydro pursuant to Section 7.4, until after a final determination is made in accordance with Article XXI of the PDA in respect of the Dispute Notice. Until the aforesaid final determination is made, TPC and Hydro agree that the General Partner shall holdback, in an interest-bearing escrow account, any Distributions that TPC would otherwise be entitled to receive on the Final Closing Purchased Units or Adjustment Purchased Units, and the General Partner shall hold such Distributions in escrow pending the final determination of the Dispute Notice, whereupon the Distributions (and any interest income earned thereon) shall be released in accordance with the direction of the arbitrator appointed pursuant to Article XXI of the PDA.~~

~~6.4 Contents of the Notice of Purchase.~~

~~(1) The Notice of Purchase shall only be effective for the exercise of the Final Closing Purchase Right if it:~~

~~(a) is sent or delivered to TPC after the occurrence of the Final Closing Purchase Option Event which entitles Hydro to exercise the Final Closing Purchase Right;~~

~~(b) indicates that pursuant to Section 6.4(1), Hydro is exercising its right to purchase from TPC the Final Closing Purchased Units;~~

~~(c) specifies the number of TPC's Units that constitute the Final Closing Purchased Units and the purchase price for the Final Closing Purchased Units, calculated in accordance with the provisions of this Agreement;~~

~~(d) is executed by Hydro; and~~

~~(e) is delivered to TPC not more than fourteen (14) calendar days after the Final Closing Date, together with a statement from Hydro confirming:~~

~~(i) that Hydro has elected to purchase the Final Closing Purchased Units pursuant to the Final Closing Purchase Right; and~~

~~(ii) that Hydro is not in default with respect to any material provision of the Loan Documents;~~

~~which statements shall be certified as true and correct in all material respects by a duly authorized officer of Hydro for and on behalf of Hydro.~~

~~(2) The Notice of Purchase shall only be effective for the exercise of the Adjustment Purchase Right if it:~~

~~(a) is sent or delivered to TPC after the occurrence of the Adjustment Purchase Option Event which entitles Hydro to exercise the Adjustment Purchase Right;~~

~~(b) indicates that pursuant to this Section 6.4(2), Hydro is exercising its right to purchase from TPC the Adjustment Purchased Units;~~

~~(c) specifies the number of TPC's Units that constitute the Adjustment Purchased Units and the purchase price for the Adjustment Purchased Units, calculated in accordance with the provisions of this Agreement;~~

~~(d) is executed by Hydro; and~~

~~(e) is delivered to TPC not more than fourteen (14) calendar days after the first Anniversary Date together with a statement from Hydro confirming:~~

~~(i) that Hydro has elected to purchase the Adjustment Purchased Units pursuant to the Adjustment Purchase Right; and~~

~~(ii) that Hydro is not in default with respect to any material provision of the Loan Documents;~~

~~which statements shall be certified as true and correct in all material respects by a duly authorized officer of Hydro for and on behalf of Hydro.~~

~~(3) The Notice of Purchase shall only be effective for the exercise of the Non-Completion Purchase Right if it:~~

~~(a) is sent or delivered to TPC after the occurrence of the Non-Completion Purchase Option Event which entitles Hydro to exercise the Non-Completion Purchase Right;~~

~~(b) indicates that pursuant to Section 6.4(3) Hydro is exercising its right to purchase from TPC the Non-Completion Purchased Units;~~

~~(c) specifies the number of TPC's Units that constitute the Non-Completion Purchased Units and the purchase price for the Non-Completion Purchase Units calculated in accordance with the provisions of this Agreement;~~

~~(d) is executed by Hydro; and~~

~~(c) is delivered to TPC not more than forty (40) calendar days after the Non-Completion Date, together with a statement from Hydro confirming:~~

~~(i) that Hydro has elected to purchase the Non-Completion Purchased Units pursuant to the Non-Completion Purchase Right; and~~

~~(ii) that Hydro is not in default with respect to any material provision of the Loan Documents;~~

~~which statements shall be certified as true and correct in all material respects by a duly authorized officer of Hydro for and on behalf of Hydro.~~

~~**6.5 Effect of the Notice of Purchase and Closing Arrangements.**~~

~~If a Notice of Purchase is sent to TPC in compliance with Section 6.4, then Hydro shall be obligated to purchase the applicable Purchased Units from TPC at the purchase price and in the manner determined in accordance with Section 6.2; and~~

~~(a) TPC shall be obligated to sell the applicable Purchased Units to Hydro at the purchase price and in the manner determined in accordance with Section 6.2; and~~

~~(b) such purchase and sale shall be completed on the date, at the place and in the same manner determined in accordance with the provisions of Article VII.~~
[Intentionally deleted]

ARTICLE VII

GENERAL TERMS AND CONDITIONS APPLICABLE TO ANY SALE

7.1 Application and Terms and Condition.

The following provisions of this Article VII shall apply to any Sale pursuant to Article V ~~or VI hereof.~~ of this Agreement:

(1) Closing Date and Sale.

The Sale shall be completed on the date and at the place determined in accordance with the provisions of this Article VII:

(a) the Sale shall be completed:

~~(i) on the Final Closing Date if the Sale is pursuant to exercise of the Final Closing Sale Right;~~

~~(ii) on the date that is twenty-eight (28) calendar days after the Final Closing Date if the Sale is pursuant to the exercise of the Final Closing Purchase Right;~~

~~(iii) on the date that is twenty-eight (28) calendar days after the first Anniversary Date if the Sale is pursuant to the exercise of the Adjustment Purchase Right;~~

~~(iv) on the date that is twenty-eight (28) calendar days after the Notice of Sale is issued if the Sale is pursuant to the exercise of the Non-Completion Sale Right;~~

~~(v) on the date that is twenty-eight (28) calendar days after the Notice of Purchase is issued if the Sale is pursuant to the exercise of the Non-Completion Sale Right;~~

~~(vi)~~ (i) on the twenty-fifth Anniversary Date if the Sale is pursuant to the exercise of the Twenty-Fifth Anniversary Sale Right;

~~(vii) on~~(ii) the Maturity Date if the Sale is pursuant to the exercise of the Maturity Date Sale Right;

~~(viii) On~~(iii) on the date that is twenty-eight (28) calendar days after the Notice of Sale is issued if the Sale is pursuant to the exercise of the Term Sale Right;

as the case may be, provided, however, that the said Sale may occur on such other date that the parties may mutually agree upon (the "**Sale Closing Date**"); and

(b) the place for the completion of the Sale shall be the head office of Hydro in connection with the Sale or if applicable the law office of the external legal counsel of Hydro or such other place as the parties may mutually agree upon.

(2) Sale Closing Arrangements.

At or before the Sale Closing Date, TPC shall deliver the following to Hydro subject to Hydro complying with all required conditions on Hydro as set out in this Article VII, including payment to TPC in full of the purchase price for the Sale Units or ~~Purchased Units (as applicable)~~:

(a) one or more certificates representing in the aggregate the Sale Units~~ or Purchased Units (as applicable)~~, duly endorsed in blank for transfer to Hydro (the "**Sale Certificate(s)**") or power of attorney appointing Hydro as attorney of TPC to transfer the Sale Units~~ or Purchase Units (as applicable)~~ to Hydro, provided that where the number of Units represented by the Sale Certificate(s) exceed the number of Sale Units ~~or Purchased Units (as applicable), ~~the transfer of the Sale Units ~~or Purchased Units (as applicable) ~~to Hydro shall be conditional upon Hydro's receipt from the Limited Partnership of a replacement certificate, (unless the Equity Credit ~~Facilities~~Facility under this Agreement have been terminated and the Dividend Credit Facility, as that term is defined under the NCN Financing Agreement, has been terminated and there are no outstanding Obligations under this Agreement or under the NCN Financing Agreement, as defined under that agreement, in which event the said certificate shall be forwarded to TPC), confirming TPC's ownership of that number of Units which is in excess of the number of Sale Units~~ or Purchased Units (as applicable)~~. Hydro is authorized to retain the replacement certificate(s) for such period of time as there are any outstanding Obligations under this Agreement or under the NCN Financing Agreement (as defined under that agreement) and Hydro agrees to provide copies to TPC of all of the said certificates, together with confirmation in writing that it is holding the originals of the said certificates immediately upon receipt thereof;

(b) such other documents as Hydro may reasonably require to entitle Hydro to require the General Partner to register the transfer of such Sale Units~~ or Purchased Units, (as applicable),~~ to Hydro and to entitle Hydro to become the registered holder of such Sale Units~~ or Purchased Units (as applicable)~~ on the books of the Limited Partnership, free and clear of all Liens except the Permitted Liens (the particulars of which have been identified in writing to Hydro to the extent that TPC is aware of the existence of such Permitted Liens) and such other Liens as at the Sale Closing Date as Hydro may, in its unfettered discretion, accept in writing;

(c) a certificate bearing the date on which the Sale Closing Date occurs wherein TPC certifies~~:~~

~~(i)~~ in respect of the Sale Units ~~(if applicable)~~ as being true and correct, each of the ~~Final Closing Sale Conditions, the Non-Completion Sale Conditions,~~ Term Sale Conditions, the Twenty-Fifth Anniversary Sale Conditions, or the Maturity Sale Conditions, as applicable, as at the Sale Closing Date; and

~~(ii) in respect of the Purchased Units (if applicable) that TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of the Purchased Units free and clear of all Liens except the Permitted Liens (the particulars of which have been identified in writing to Hydro to the extent that TPC is aware of the existence of such Permitted Liens) and such other Liens as at the Sale Closing Date as Hydro may, in its unfettered discretion, accept in writing, that TPC has the full right to sell and transfer the Purchased Units to Hydro and that no person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Purchased Units other than Hydro; and~~

(d) a certificate bearing the closing date wherein TPC certifies, as being true, as at the Sale Closing Date a statement to the effect that on such date TPC is resident in Canada for the purposes of the *Income Tax Act*.

(3) Title and other TPC Covenants.

At the Sale Closing Date, TPC shall transfer and deliver to Hydro good and marketable title to such Sale Units~~ or Purchased Units (as applicable),~~ free and clear of all Liens except for the Permitted Liens (the particulars of which have been identified in writing to Hydro to the extent that TPC is aware of the existence of such Permitted Liens) and any -other Liens that Hydro, in its unfettered discretion, agrees in writing at the Sale Closing Date that the Sale~~ or Purchased Units (as applicable)~~ may be subject to.

(4) Satisfaction of Purchase Price.

At the Sale Closing Date, Hydro shall satisfy the purchase price for the Sale Units ~~or Purchased Units (as applicable),~~ to be purchased from TPC in the manner provided for in this Agreement, and in the event that the Sale Units~~ or Purchased Units (as applicable)~~ constitute all of TPC's Units, Hydro shall arrange for discharge of all registrations in public registries made against TPC and/or NCN under the Security Documents pursuant to this Agreement and under the Security Documents pursuant to the NCN Financing Agreement (and the original Guarantee, as defined under the NCN Financing Agreement, shall be returned to TPC for cancellation).

7.2 Conditions to the Obligations of Hydro.

Notwithstanding anything ~~herein contained~~in this Agreement, , the obligations of Hydro to complete the Sale of the Sale Units ~~or Purchased Units (as applicable)~~, shall, until the Sale has been completed, be subject to the fulfillment of the following conditions and TPC covenants and agrees to perform and comply with each and ~~everyone~~every one of such conditions insofar as such conditions relate to matters within the control of TPC:

(1) all terms, covenants, agreements and conditions of this Agreement which are to be complied with or performed by TPC at or before the Sale Closing Date shall have been complied with and performed in all material respects in accordance with the terms of this Agreement prior to or at such time; and

(2) at the Sale Closing Date, TPC shall, without limitation to all other obligations of TPC in respect of the Sale as set out in this Agreement execute and deliver to Hydro a certificate bearing the Sale Closing Date wherein a duly authorized officer of TPC shall certify as true, for and on behalf of TPC (and not in such officer's personal capacity), a statement to the effect that at such time the conditions set out in paragraph (1) above have been performed, complied with and fulfilled except as specifically disclosed in such certificate and the closing of the Sale shall not be effective unless and until Hydro accepts in writing any and all exceptions disclosed in such certificate.

The conditions applicable to a Sale of the Sale Units~~ or Purchased Units (as applicable)~~, contained in the ~~foregoing~~ provisions of this Section 7.2 are inserted for the exclusive benefit of Hydro ~~in respect of the Sale of the Sale Units or Purchased Units (as applicable)~~ and may be waived in whole or in part by Hydro at any time without prejudice to the right of Hydro to rely on all covenants and agreements and representations and warranties in this Agreement and all conditions contained in this Section 7.2, except to the extent that Hydro has in writing waived its right to rely on such covenants, agreements, representations, warranties or conditions. If any of the conditions applicable to a Sale of the Sale ~~Units or Purchased Units (as applicable), and~~ contained in this Section 7.2 ~~hereof shall~~ are not be fulfilled or complied with as herein provided, Hydro may, at its option:

(a) terminate the obligations of TPC and Hydro in respect of the Sale of the Sale Units~~ or Purchased Units, (as applicable)~~ by notice in writing to TPC and in such event Hydro and TPC shall be released from all obligations hereunder in respect of the Sale of the Sale Units ~~or Purchased Units (as applicable);~~

(b) defer the completion of the Sale of the Sale Units~~ or Purchased Units, (as applicable)~~ to a new closing date (not to exceed three (3) months after the original closing date except by agreement in writing of the parties) to determine if the aforesaid conditions can be fulfilled or complied with; or

(c) bring an action for specific performance or any other remedy which may be available to Hydro.

7.3 Conditions to the Obligations of TPC.

Notwithstanding anything herein contained, the obligations of TPC to complete the Sale of the Sale Units~~ or Purchased Units, as applicable,~~ shall, until the Sale has been completed, be subject to the fulfillment of the following conditions and Hydro covenants and agrees to perform and comply with each and every one of such conditions insofar as such conditions relate to matters within the control of Hydro:

(1) all terms, covenants, agreements and conditions of this Agreement which are to be complied with or performed by Hydro at or before the Sale Closing Date shall have been complied with and performed in all material respects in accordance with the terms of this Agreement prior to or at such time; and

(2) at the Sale Closing Date, Hydro shall, without limitation to all other obligations of Hydro in respect of the Sale as set out in this Agreement, execute and deliver to TPC a certificate bearing the Sale Closing Date wherein a duly authorized officer of Hydro shall certify as true, for and on behalf of Hydro (and not in such officer's personal capacity), a statement to the effect that the conditions set out in

paragraph (1) above have been performed, complied with and fulfilled except as specifically disclosed in such certificate (and the closing of the Sale shall not be effective unless and until TPC accepts in writing any and all exceptions disclosed in such certificate).

The conditions applicable to a Sale of the Sale Units~~ or Purchased Units (as applicable)~~ contained in the foregoing provisions of this Section 7.3 are inserted for the exclusive benefit of TPC in respect of the Sale of the Sale Units~~ or the Purchased Units (as applicable),~~ and may be waived in whole or in part by TPC at any time without prejudice to the right of TPC to rely on all covenants and agreements and representations and warranties in this Agreement and all conditions contained in this Section 7.3 except to the extent that TPC has in writing waived its right to rely on such covenants, agreements, representations, warranties or conditions. If any of the conditions applicable to a Sale of the Sale Units~~ or the Purchased Units (as applicable),~~ and contained in this Section 7.3 shall not be fulfilled or complied with as herein provided, TPC may, at its option:

(a) terminate the obligations of Hydro and TPC in respect of the sale of the Sale Units~~ or the Purchased Units, (as applicable)~~ by notice in writing to Hydro and in such event TPC and Hydro shall be released from all obligations hereunder in respect of the Sale of the Sale Units~~ or Purchased Units~~;

(b) defer the completion of the Sale of the Sale Units~~ or the Purchased Units, (as applicable)~~ to a new closing date (not to exceed three (3) months after the original closing date except by agreement in writing of the parties, to determine if the aforesaid conditions can be fulfilled or complied with; or

(c) bring an action for damages or specific performance or any other remedy which may be available to TPC.

7.4 Power of Attorney.

Subject to payment of the purchase price to TPC and subject to Section- 6.3 hereof, TPC hereby irrevocably nominates, constitutes and appoints Hydro, its attorney and agent, for, in the name of and on behalf of TPC to do all acts and things and sign all documents (other than any releases of Hydro, the General Partner or the Limited Partnership) which are necessary or desirable to complete the Sale of the Sale Units~~ or Purchased Units (as applicable)~~ by TPC to perform, satisfy or discharge any obligations in relation to the Sale of the Sale Units or Purchased Units (as applicable) by TPC in connection with a Sale and, without limiting the foregoing, TPC acknowledges and agrees that Hydro is hereby granted authority to receive and accept delivery of and keep possession of, and to execute and deliver, in the name of and on behalf of TPC all such certificates, instruments and documents as may be necessary or desirable, (other than any releases of Hydro, the General Partner or the Limited Partnership) in the opinion of Hydro, acting reasonably, to complete any Sale of the Sale Units~~ or Purchased Units (as applicable),~~ or to perform, satisfy or discharge any obligations in relation to a Sale of the Sale Units ~~or the Purchased Units, (as applicable)~~. TPC hereby acknowledges and agrees that the appointment hereby made and the powers hereby granted are coupled with an interest and are and shall be irrevocable and to the extent permitted by applicable Laws shall survive the dissolution, insolvency or bankruptcy of TPC and may be exercised by Hydro in its own name or in the name of TPC and shall survive any assignment or purported assignment of TPC's Units by TPC and to the extent permitted by applicable laws, shall be binding upon the successors and permitted assigns of TPC.

If Hydro, as attorney on behalf of TPC completes the Sale of the Sale Units~~ or Purchased Units, (as applicable),~~ Hydro shall be entitled to have any proceeds of the Sale, to which TPC would otherwise be entitled to receive, paid to legal counsel for Hydro (as designated by Hydro) to be held in trust for TPC, and to be retained by such legal counsel until TPC delivers to Hydro such documents as TPC is required to deliver under this Agreement to complete the Sale of the Sale Units~~ or the Purchased Units (as applicable)~~. Promptly upon the receipt of such documents by Hydro, Hydro's legal counsel shall pay the applicable proceeds, and deliver any other applicable closing documents to which TPC is entitled, to TPC, together with such interest as legal counsel may have earned on such proceeds.

ARTICLE VIII

~~CONDITIONS OF LENDING~~

~~**8.1 Conditions Precedent to Initial Advances**~~

~~The obligation of Hydro to make Advances:~~

~~(a) under the Equity Credit Facility commencing on the Initial Closing Date; and~~

~~(b) under the Cash Call Credit Facility commencing after the Final Closing Date;~~

~~are subject to the following conditions to be fulfilled or performed at or prior to Initial Closing Date, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro:~~

~~(1) **Deliveries**. Hydro shall have received, at or prior to the time of the making of any Advances on the Initial Closing Date, the following, each dated such day as is satisfactory to Hydro:~~

~~(a) certified copies of: (i) constating documents and by-laws of TPC; and (ii) resolutions of the board of directors of TPC approving the entering into of this Agreement and each of the other Loan Documents by TPC and the completion of all transactions contemplated hereunder and thereunder;~~

~~(b) certificate of the secretary of TPC certifying the names and true signatures of the Persons authorized to sign this Agreement and each of the other Loan Documents on behalf of TPC;~~

~~(c) certificate of status with respect to TPC;~~

~~(d) this Agreement, duly executed and delivered as required by TPC;~~

~~(e) the Security Documents creating a first charge security interest on TPC's Units and the Distributions on TPC's Units, in form and substance satisfactory to Hydro, acting reasonably;~~

~~(f) original certificate(s) for TPC's Units, together with duly executed power of attorney in respect of TPC's Units (to be held by Hydro pursuant to the terms of the Security Documents), together with an irrevocable direction from TPC, directing and authorizing the General Partner that all certificates for any TPC's Units issued subsequent to Initial Closing, shall not be forwarded to TPC but shall immediately be forwarded directly to Hydro (to be held by Hydro pursuant to the terms of the Security Documents). All original certificates shall be returned to TPC after the Credit Facilities under this Agreement have been terminated and the Dividend Credit Facility (as that term is defined in the NCN Financing Agreement) has been terminated and there are no outstanding Obligations under this Agreement or under the NCN Financing Agreement (as defined in that Agreement);~~

~~(g) evidence of the registration of the Security Documents in all offices where such registration, filing or recording is necessary or desirable to protect any rights or remedies of Hydro thereunder and receipt of legal opinions of registration counsel in form and substance acceptable to Hydro, provided however that Hydro shall~~

~~use its commercially reasonable efforts to complete all such registrations and to obtain the required evidence and opinions from its legal counsel in advance of the Initial Closing Date;~~

~~(h) legal opinions of counsel to TPC confirming the due authorization, execution and, delivery of this Agreement and each of the other Loan Documents to which TPC is a party subject to the customary qualifications and assumptions for such opinions (but, for greater certainty, no opinions as to enforceability will be required from legal counsel to TPC);~~

~~(i) a copy of each Material Agreement, which shall each be in form and substance acceptable to Hydro, in its discretion, acting reasonably;~~

~~(j) duly completed Schedules C, D and E to this Agreement in form and substance satisfactory to Hydro, acting reasonably; and~~

~~(k) such other certificates and documentation as Hydro may reasonably request to give effect to this Agreement.~~

~~(2) **No Material Adverse Business Effect**. No event, condition or circumstance has arisen which would have a Material Adverse Business Effect.~~

~~(3) **Due Diligence.** Hydro shall have completed its due diligence in respect of TPC and the Material Agreements, and shall be satisfied with the results of such due diligence, in its sole discretion.~~

~~(4) **Authorizations.** Hydro has received all Authorizations that it requires for the due performance of the Loan Documents (which Authorizations are as specified in~~

~~Schedule H) with the sole exception that Hydro will require additional borrowing authority from Manitoba under applicable legislation for amounts to be borrowed by Hydro after August 31, 2006, to fund Advances requisitioned by TPC by Borrowing Notices thereafter (the "**Additional Borrowing Authorizations**"). Hydro covenants and agrees to use its best efforts to obtain such Additional Borrowing Authorizations as may be required by it from time to time for the due and timely performance of its covenants under the Loan Documents.~~

~~(5) **PDA**. All of the conditions set forth in Article XIII of the PDA have been fulfilled or performed.~~

~~(6) **TPC's Cash Subscription Payment.** TPC's Cash Subscription Payment must be a minimum amount of $1,000,000.~~

~~(7) **Other Conditions.** The conditions set forth in Section 8.2 shall have been fulfilled or performed.~~

~~**8.2 Additional Conditions Precedent to Initial Advance.**~~

~~The obligation of Hydro to make Advances under the Credit Facilities is subject to the following conditions to be fulfilled or performed at or prior to the Final Closing Date, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro:~~

~~(1) **PDA.** All of NCN's and TPC's obligations to be performed or fulfilled on or before the Final Closing Date pursuant to the PDA have been fulfilled or~~

~~performed and NCN and TPC are in compliance with all of the provisions of the PDA.~~

~~(2) **NCN Financing Agreement.** All of NCN's and TPC's obligations to be performed or fulfilled on or before the Final Closing Date pursuant to the provisions of the NCN Financing Agreement have been fulfilled or performed, and NCN and TPC are in compliance with all of the provisions of the NCN Financing Agreement.~~

~~**8.3 Conditions of all Advances.**~~

~~At any time, the obligation of Hydro to make an Advance shall be subject to the following conditions being satisfied on the date of such Advance, which conditions are for the exclusive benefit of Hydro and may be waived in whole or in part by Hydro, in its sole discretion:~~

~~(1) **Credit Facility Commitment Limits**. The Total Outstandings under the Credit Facility in respect of which the Advance is requested in the Borrowing Notice shall not, prior to or after giving effect to the Advance, exceed the Credit Facility Commitment for such Credit Facility.~~

~~(2) **Truth of Representations and Warranties**. The representations and warranties of TPC contained in this Agreement and in any other Loan Document to which TPC is a party, shall be true and correct as of the date on which such Advance is made with the same force and effect as if such representations and warranties had been made on and as of such date; provided that, to the extent the disclosure in the representations and warranties is no longer true and correct, TPC shall be entitled~~

~~to update such disclosure to Hydro, and if such disclosure is not materially adverse, it must be approved by Hydro.~~

~~(3) **Performance of Covenants**. TPC shall have fulfilled or complied with all covenants herein contained or contained in any other Loan Document to be performed or caused to be performed by it at or prior to the date of such Advance.~~

~~(4) **No Event of Default**. No Event of Default shall have occurred and be continuing.~~

~~(5) **Authorizations**. Hydro has obtained such borrowing authority (including the Additional Borrowing Authorizations) as may be required by it from time to time for the due and timely performance of its covenants under the Loan Documents, including in order to enable it to make the Advances requisitioned from time to time by TPC by Borrowing Notices.~~

~~(6) **No Change in Laws**. No Law or change in any Law shall have been introduced or enacted, the effect of which will be to prohibit Hydro from making any Advance.~~

~~(7) **Limited Partnership.** TPC is a limited partner in the Limited Partnership.~~

~~(8) **Borrowing Notice**. Hydro shall have received a Borrowing Notice in compliance with this Agreement.~~

[Intentionally deleted.]

ARTICLE IX
REPRESENTATIONS AND WARRANTIES.

9.1 Representations and Warranties.

To induce Hydro to make Advances available ~~hereunder~~under this Agreement, TPC represents and warrants to Hydro that each of the following representations and warranties is true and correct:

~~(1)~~ (1) Status and Power. TPC is a corporation duly incorporated and organized and validly subsisting under the Laws of Manitoba and has full corporate power and capacity to own its property and carry on its Business. TPC is duly qualified, licenced or registered to carry on business in Manitoba.

~~(2)~~ (2) Authorization. TPC has full power and capacity and full legal right to enter into and perform its obligation under this Agreement and each of the other Loan Documents to which it is or will be a party, and has or will have by the Initial Closing Date taken all action necessary to be taken by it to authorize such acts.

~~(3)~~ (3) Enforceability of Agreement. This Agreement and any other Loan Document to which TPC is a party constitutes legal, valid and binding obligations of TPC enforceable against it in accordance with their respective terms, subject only to any limitation under applicable Laws relating to (a) bankruptcy, insolvency, reorganization, moratorium or creditors' rights generally; and (b) the discretion that a court, or an arbitrator duly appointed under Article XXI of the PDA, may exercise in the granting of equitable remedies.

~~(4)~~ (4) Government Approval and Regulation. No Authorization or approval or other action by, and no notice to or filing with, any Governmental Entity or other Person (other than those that have been, or by the Initial Closing Date will be, duly obtained or made) is required for the due execution, delivery or performance by TPC of any Loan Document to which TPC is a party.

~~(5)~~ (5) Litigation. There is no material action, suit or proceeding which has been commenced (Notice of which has been served on TPC), or to the best of the knowledge of TPC, pending or threatened against TPC before or by any Governmental Entity, or before any arbitrator or board, which would prevent TPC from performing its obligations under any of the Loan Documents to which it is a party. TPC is not in default with respect to any judgment, order, writ, injunction, decree, or award of any court, arbitrator, board or other Governmental Entity, nor is there any judgment, order, writ, injunction, decree, or award which would prevent TPC from performing its obligations under any of the Loan Documents to which it is a party.

~~(6)~~ (6) Imposition of Lien. The consummation of the transactions hereby contemplated and the compliance with the terms, conditions and provisions of this Agreement and each of the other Loan Documents will not result in the creation or imposition of any Lien on any Property of TPC except as otherwise permitted by this Agreement.

~~(7)~~ (7) No Other Material Facts. None of:

~~(a)~~ (a) this Agreement;

~~(b)~~ (b) any of the other Loan Documents; or

~~(c)~~ (c) any certificate or statement in writing which has been supplied by or on behalf of TPC and is a document that is required to be delivered to Hydro pursuant to the provisions of the Agreement or any of the other Loan Documents;

contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

~~(8)~~ (8) Restrictive Documents. TPC is not subject to, or a party to, any restriction in its constating documents or by-laws, any Notice, any Law, any Claim, any contract or instrument, any Lien, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or any other Loan Documents or compliance by TPC with the terms, conditions and provisions hereof or thereof or the continuing operation of the Business.

~~(9)~~ (9) Title to Property. TPC is the registered owner and sole beneficial owner of and has good and marketable title to and is lawfully possessed of its Property free and clear of all Liens, except Permitted Liens. TPC has full right to mortgage, pledge, charge and assign to Hydro the Collateral. No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming any agreement, option, understanding, commitment or right for the purchase from TPC of the Collateral other than Hydro.

~~(10)~~ (10) Compliance with Laws. TPC is in material compliance with all applicable Laws.

~~(11)~~ (11) No Breach of Contracts. Schedule D will be completed and provided by TPC to Hydro on or before the Initial Closing Date, and will, upon completion and deliver thereof, contain a complete and accurate list of all agreements to which TPC is a party in connection with the Corporate Distributions of TPC, the Capital Stock of TPC, the equity interest that NCN has in TPC, TPC's Units and Distributions on TPC's Units, and any other agreement to which TPC is a party creating liabilities or obligations upon any Person over the term of the agreement in excess of $75,000, or is otherwise material to TPC (collectively, the "Material Agreements"). TPC has provided, or will on or before the Initial Closing Date provide, copies of all of the Material Agreements, including amendments, or additions thereto, to Hydro. On the date of execution of each of the Future Material Agreements (as defined below in Section 10.1(14)), Schedule D hereto shall be deemed to be amended to include such Future Material Agreements and such Future Material Agreements shall be deemed to be "Material Agreements" for the purposes of this Agreement from and after such execution date, without the necessity of any further action by any of the parties hereto. Each Material Agreement is, or will on before Initial Closing Date be, in full force and effect, unamended (except as disclosed to Hydro), and there exists no default, or event, occurrence, condition or act (including the completion of the transactions contemplated in this Agreement and the other Loan Documents) which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become a default thereunder. TPC has not violated or breached, in any respect, any of the terms or conditions of any Material Agreements and, to the best of the knowledge of TPC, all the material covenants to be performed by any other party thereto have been performed in all material respects.

~~(12)~~ (12) Books and Records. All books and records of TPC have been fully, properly and accurately kept and completed in accordance with GAAP and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

~~(13)~~ (13) Tax Liability. Except for any Taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books:

~~(a)~~ (a) TPC has in a timely manner filed all tax returns, elections, filings and reports with respect to Taxes required by Law to be filed by it and such returns, elections, filings and reports are true, complete and correct;

~~(b)~~ (b) TPC has paid, or reserved in its financial statements, all Taxes which are due and payable, and has paid all assessments and reassessments and all other Taxes, governmental charges penalties, interest and fines due and payable by it;

~~(c)~~ (c) TPC has no liability, contingent or otherwise, for Taxes, except Taxes not now due and payable with respect to ordinary operations during the current fiscal period adequate provision for the payment of which has been made; and

~~(d)~~ (d) TPC has paid as and when due all applicable Taxes and remitted as required by Law all applicable Taxes and deductions and any interest or penalties related thereto.

~~(14)~~ (14) Shareholder. NCN is the beneficial owner of all of the Capital Stock of TPC free and clear of all Liens expect Permitted Liens. The Capital Stock of TPC is owned by the Chief or a Councillor of NCN, as bare trustee for NCN. No Person has any written or oral agreement, option, understanding or commitment or any right capable of becoming any agreement, option, understanding, commitment, or right for purchase of any of the Capital Stock of TPC or to receive payment based on the value of any such Capital Stock. The issued and outstanding Capital Stock and Debt (excluding Debt under this Agreement) of TPC and the registered and beneficial holders of such Capital Stock and Debt (excluding Debt under this

Agreement) are, or will upon completion of delivery of Schedule C be, as described in Schedule C, which will be completed and provided by TPC to Hydro on or before the Initial Closing Date. Hydro acknowledges that the NCN Deed of Assignment shall not be deemed to be a breach of this representation.

~~(15)~~ (15) Liabilities. TPC does not have any liabilities, whether accrued, absolute, contingent or otherwise, of any kind or nature whatsoever, except as otherwise disclosed in Schedule E, which will be completed and provided by TPC to Hydro on or before the Initial Closing Date or pursuant to the Loan Documents, and except incurred after the date hereof in compliance with this Agreement and the Loan Documents.

~~(16)~~ (16) No Event of Default. No Event of Default has occurred, nor has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute an Event of Default under the Loan Documents. No default has occurred not has any event or condition occurred which, with the giving of Notice or passage of time, or both, would constitute a default under any one or more Material Agreements which could result in the acceleration of amounts owing by TPC under any such Material Agreements.

~~(17)~~ (17) Financial Information. The financial statements of TPC furnished to Hydro pursuant to this Agreement have been prepared in accordance with GAAP consistently applied, and present fairly the financial portion of TPC as at the dates thereof and the results of TPC's operations for the periods then ended. All balance sheets, all statements of operations, shareholders' equity and cash flow and all other financial information of TPC furnished pursuant to Section 10.1(1) have been and will for periods following the Initial Closing be prepared in accordance with GAAP, consistently applied, and do or will present fairly the consolidated financial position of TPC as at the dates thereof and the results of their operations for the periods then ended.

~~(18)~~ (18) Resident of Canada. TPC is a resident of Canada for the purposes of the Income Tax Act (Canada).

Each of the representations and warranties contained in this Section 9.1 shall be deemed to be continually repeated by TPC at the time of each Advance.

9.2 ~~**9.2**~~ **Survival of Representations and Warranties.**

All the representations and warranties of TPC contained in Section 9.1 of this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Equity Credit ~~Facilities have~~Facility has been terminated notwithstanding any investigation made at any time by or on behalf of Hydro.

9.3 **Representations by Hydro.**

To induce TPC to enter into this Agreement, Hydro represents and warrants to TPC that each of the following representations and warranties is true and correct:

(1) Hydro is a corporation duly incorporated and organized and validly subsisting under the Laws of Manitoba and has the corporate power and authority to own or lease its property and to enter into this Agreement and each of the other Loan Documents to which it is a party and to perform its obligations hereunder and thereunder.

(2) This Agreement and the Loan Documents to which Hydro is a party have been duly authorized, executed and delivered by Hydro and are legal, valid and binding obligations of Hydro, enforceable against Hydro by TPC to the extent that TPC is

a party thereto, in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency and other Laws affecting the rights of creditors generally, and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction, or, by this Agreement, at the discretion of the arbitrator.

(3) Subject only to obtaining the Authorizations described in Schedule H, the execution and delivery of this Agreement and each of the Loan Documents to which Hydro is a party and the consummation the transactions herein provided for by Hydro will not result in:

(a) the breach or violation of any other provisions of or constitute a default under or conflict with or cause the acceleration of any obligation of Hydro under:

(i) any contract to which Hydro is a party or by which it, or any of its property, is bound;

(ii) any provision of the constating documents, by-laws or resolutions of the Board of Directors (or any committee thereof) or shareholders of Hydro;

(iii) any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over Hydro; or

(iv) any applicable law, statue, ordinance, regulation or rule, including, without limitation, the *Hydro Act*; or

(b) the creation or imposition of any Lien on any investment transaction or any of the property or assets of Hydro;

(4) Hydro is a resident of Canada for the purposes of the Income Tax Act (Canada).

(5) None of:

(a) this Agreement;

(b) any of the Loan Documents; or

(c) any certificate or statement in writing which has been supplied by or on behalf of Hydro and is a document that is required to be delivered to TPC pursuant to the provisions of this Agreement or any of the other Loan Documents;

contains any untrue statement of a material fact, or omits any statement of a material fact necessary in order to make the statements contained herein or therein not misleading.

(6) There is no requirement for Hydro to make any filing with, give any notice to or obtain any license, permit, certificate, registration, authorization, consent or approval of any government regulatory authority as a condition to the lawful consummation by Hydro of the transaction contemplated by this Agreement and each other Loan Document to which it is a party, except as described in Schedule H.

Each of the representations and warranties contained in this Section 9.3 shall be deemed to be continually repeated by Hydro at the time of each Advance.

9.4 ~~9.4~~ Survival of Representations and Warranties.

All the representations and warranties of Hydro contained in this Article IX shall survive the execution and delivery of this Agreement and shall continue in full force and effect until all amounts owing hereunder have been repaid and the Equity Credit ~~Facilities~~Facility have been terminated notwithstanding any investigation made at any time by or on behalf of TPC.

ARTICLE X
COVENANTS OF TPC

10.1 Affirmative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has ~~any~~the Equity Credit Facility Commitment under this Agreement, and unless Hydro shall otherwise consent, TPC shall:

~~(1) **Financial Reporting and Deliveries**. Cause to be delivered to Hydro the following documents:~~

~~Annual Financial Statements~~

(1) ~~(a)~~ **Financial Reporting and Deliveries**. Cause to be delivered to Hydro as soon as available, and in any event within one hundred and twenty (120) days after the end of each Financial Year, the audited financial statements (including, at a minimum, a balance sheet, income statement and statement of changes in financial position) of TPC for such Financial Year, in accordance with GAAP and subject to an unqualified opinion of the Auditors;

~~Quarterly Financial Statements~~

~~(b) as soon as available, and in any event within sixty (60) days after the end of each Financial Quarter (excluding the last Financial Quarter of a Financial Year), the unaudited financial statements (including, at a minimum, a balance sheet, income statement and statement of changes in financial position) of TPC, prepared in accordance with GAAP.~~

(2) **Additional Reporting and Deliveries**. Cause to be delivered to Hydro, following documents, in form and substance satisfactory to Hydro, acting reasonably:

(a) a copy of each management letter or report submitted to the board of directors (or any committee thereof) or senior management of any of TPC by the Auditors in connection with any annual, interim or special audit made by them of the books of TPC, together with the related response of TPC to be delivered promptly upon the issuance of the response by TPC;

(b) promptly after the occurrence of each Event of Default, a statement of TPC setting forth the details of such Event of Default and the action which TPC proposes to take or have taken with respect thereto;

(c) promptly after the commencement thereof, Notice of Claims which have been commenced against TPC (notice of which has been served on TPC, or to the best of the knowledge of TPC, have been commenced or are pending or threatened against TPC, for amounts which exceed $75,000 in the aggregate at any time or affect any of the Collateral;

(d) promptly after the occurrence of any material development with respect to any Claims referred to in Section 10.1(2)(c), and in any event within three (3) Business Days after TPC obtains knowledge of the occurrence thereof, Notice thereof to Hydro, and, to the extent Hydro requests them, copies of all documentation relating thereto; and

(e) such other information and reports relating to TPC, the Collateral or the Business, as Hydro may from time to time reasonably request.

(3) **Corporate Existence**. Preserve and maintain TPC's corporate existence.

(4) **Compliance with Laws**. Comply, in all material respects, with the requirements of all applicable Laws.

(5) **Payment of Taxes, Claims and Governmental Licence Fees**. Pay and discharge, before the same shall become delinquent:

(a) all Taxes, governmental assessments, charges or levies and Claims imposed upon it or upon any of its Property;

(b) all lawful Claims which, if unpaid, might by Law become a Lien upon its Property, in each case except for any such Tax, assessment, charge, levy or Claim which would result in a Lien which is a Permitted Lien; and

(c) all fees payable to Governmental Entities or other authorities in connection with all governmental licences issued to and held by TPC, (if any).

(6) **Keeping of Books**. Keep proper books, records and accounts, in which full and correct entries shall be made of all of TPC's financial transactions in accordance with GAAP.

(7) **Visitation and Inspection**. If, in the reasonable opinion of Hydro, an Event of Default has or may have occurred, at any reasonable time or times and upon reasonable prior notice given to TPC by Hydro permit Hydro or any of its authorized representatives, full and reasonable access to the premises of TPC and obtain any consents and waivers from any Person necessary, in the reasonable opinion of Hydro to ensure such access, for the purposes of inspecting (and, where required, taking copies of) the business, financial and computer records of TPC and to discuss the business, affairs, finances and accounts of, and the compliance by TPC with the terms of this Agreement and the other Loan Documents with the management and Auditors thereof.

(8) **Protect Hydro Liens**. At all times take all action and supply Hydro with all such information reasonably necessary to allow Hydro to create, maintain, perfect, protect and preserve the Liens provided for under the Security Documents and confer upon Hydro the security interest intended to be created thereby.

(9) **Payments**. Subject to Section 3.7(3), pay all amounts of principal, interest, costs and expenses on the dates, at the times and at the places specified in this Agreement or under any other Loan Document, but subject to the provisions of Section 12.2 in respect of costs and expenses.

(10) **Use of Proceeds.** Apply the proceeds of the Equity Credit ~~Facilities~~Facility only in accordance with Sections 2.4 and 3.4.

(11) **Payment of Preferred Claims**. Pay, as and when due, any and all amounts which may result in a Lien on the Collateral under applicable Law (other than a Permitted Lien), whether or not such Lien is entitled to priority over the Liens in favour of Hydro under the Security Documents.

(12) **Loan Documents.** Execute and deliver to Hydro the Loan Documents.

(13) **Material Agreements**. Comply with the provisions of all of the Materials Agreements. In respect of each Material Agreement executed by TPC after the date hereof (each a "**Future Material Agreement**"), provide to Hydro a certified true copy of each Future Material Agreement.

(14) **Notice of Defaults.** TPC shall immediately notify Hydro:

(a) of any Event of Default or of any event, occurrence, condition or act which, with the giving of Notice, the lapse of time or the happening of any other event or condition, would become an Event of Default, or of any material default (either by TPC or by any other party) under any Material Agreement or of any event which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a material default under or would otherwise allow the termination of any Material Agreement, and thereafter provide Hydro with all information reasonably requested by Hydro from time to time concerning the status thereof;

(b) on becoming aware of the occurrence of any litigation, dispute, arbitration, proceeding, labour or industrial dispute, the result of which if determined adversely would have a Material Adverse Business Effect on the ability of TPC to perform its obligations under this Agreement and the other Loan Documents, and thereafter provide Hydro with all information reasonably requested by Hydro concerning the status thereof.

(15) **Changes in Year End or Auditors.** TPC shall provide prior notice to Hydro of any changes in its Financial Year end or its auditors, specifying the new Financial Year end or auditors, as the case may be;

(16) ~~(15)~~ **Further Assurances**. Upon request of Hydro, acting reasonably, duly execute and deliver or cause to be duly executed and delivered to Hydro such further instruments and other documents and do and cause to be done such further acts as may be necessary or desirable in the opinion of Hydro, acting reasonably, to carry out more effectively the provisions and purposes of the Loan Documents.

10.2 ~~10.2~~Negative Covenants.

So long as any amount owing under the Loan Documents remains unpaid or Hydro has any Credit Facility Commitment under this Agreement and unless Hydro, as the case may be, shall otherwise consent, TPC agrees not to:

(1) **Business Activity.** Engage in any business activity except the Business.

(2) **Liens**. Create, incur, assume or suffer to exist, any Lien on TPC's Property, including the Collateral and the Capital Stock of TPC other than Permitted Liens.

(3) **Disposal of Property.** Dispose of any of the Collateral without the prior written consent of Hydro.

(4) **Debt**. Allow, except with the prior consent of Hydro, any Debt to be created, incurred, assumed or suffered to exist, directly or contingently or otherwise, other than:

(a) Debt to Hydro;

(b) unsecured current liabilities incurred and payable in the ordinary course of the Business and not represented by any note, bond or debenture; or

(c) Purchase Money Debt, provided that the payments under such Purchase Money Debt do not exceed, in any one year period, $15,000.

(5) **Mergers**. Reorganize, amalgamate, merge, consolidate or otherwise enter into any form of business combination with any other Person.

(6) **Guarantees and Indemnities**. Guarantee or indemnify or give financial assistance in respect of any contingent liability in respect of any Debt or any other obligations or liabilities of any other Person at any time other than TPC's guarantee of the Debt owed by NCN to Hydro under the NCN Financing Agreement.

(7) ~~(7)~~ **Dividends.**

(a) Declare or pay any dividends or other distributions after Hydro has provided notice to TPC that an Event of Default has occurred; or

(b) Declare or pay any dividends or other distributions, in any other circumstances if, after declaring or paying such Dividends or other distributions, TPC would not be able to meet its Obligations under the Loan Documents.

(8) **Financial Year and Auditors**. Change its Financial Year end or its Auditors

(9) **Change in Constating Documents or Capital Stock.**

(a) Make any change in the constating documents or by-laws of TPC as delivered to Hydro which would:

(i) amend the authorized shares or other equity securities of TPC;

(ii) otherwise be detrimental to the rights or interests of Hydro under any of the Loan Documents.

(b) Issue any Capital Stock in TPC that would cause an Event of Default to occur or that would cause a Change of Control of TPC.

(10) **Material Agreements**. Amend, supplement, terminate or waive, or enter into any forbearance from exercising any rights with respect to, any of the terms of any Material Agreement in a manner which would cause a Material Adverse Business Effect or an Event of Default hereunder.

(11) **Limited Partnership Payments.** Make any payment to the Limited Partnership unless at least thirty (30) calendar days prior to the proposed date TPC intends to make the payment to the Limited Partnership it delivers to Hydro a statutory declaration signed by a duly authorized officer of TPC (each such statutory declaration a "**Limited Partnership Payment Certification**") which shall certify as to the source of the money to be used to make the proposed payment to the Limited Partnership and shall disclose all material information relating to the money to be used in respect of the proposed payment and shall attach notarized copies of all material documents. Hydro shall have the right to request from TPC, within five (5) calendar days of receipt of the Limited Partnership Payment Certification such additional information and notarized copies of documents relating to the monies to be used in respect of the proposed payment as it may require, acting reasonably, and to receive such written consents and waivers from TPC to obtain additional information and documents from any other Person relating to the monies to be used in respect of the proposed payment as Hydro may request, acting reasonably. Hydro shall be required to confirm in writing within twenty (20) calendar days of receipt of the Limited Partnership Payment Certification whether or not it will accept the Limited Partnership Payment

Certification, unless the time period is extended by Hydro, acting reasonably, due to Hydro awaiting receipt of the additional information and documents as it may have requested in connection to the Limited Partnership Payment Certification.

If Hydro accepts the Limited Partnership Payment Certification, TPC shall be permitted to make the proposed payment to the Limited Partnership on the condition it provides to Hydro (with concurrent notice to Hydro of the payment that is made to the Limited Partnership and for greater certainty the payment will under this Agreement be Approved Funds and will form part of TPC's Invested Cash), a statutory declaration signed by a duly authorized officer of TPC certifying there has been no material change to any of the information or documents provided by TPC in the Limited Partnership Payment Certification or obtained by Hydro concerning the monies being paid to the Limited Partnership, including the source of the monies. TPC shall not make the payment without providing the said statutory declaration. Hydro shall be required to accept the Limited Partnership Payment Certification, if Hydro determines, acting reasonably, that the monies being used for the payment fall within the definition of TPC's Own Funds or based on Hydro's analysis of the information disclosed and documents provided or otherwise obtained by Hydro. If based on Hydro's analysis, acting reasonably, Hydro determines that the said monies fall within the definition of TPC's Third Party Funds, then Hydro is entitled, acting reasonably, to reject or accept the Limited Partnership Payment Certification. In making that determination, Hydro will consider the source of the monies, the terms of any financing, any repayment requirements associated with the monies that have been provided, whether or not any Person has recourse against TPC's Units in the event of default in respect of any financing associated with obtaining the monies and, if so, the likelihood of that right being exercised. If Hydro rejects the Limited Partnership Payment Certification, TPC shall not be entitled to proceed with the proposed payment. If Hydro accepts the Limited Partnership's Payment

Certification, the payment can be made and the funds will be Approved Funds and once the payment is made, it shall form part of TPC's Invested Cash.

(12) **Change of Control.** There shall be no Change of Control.

(13) **Change of Registered Owner.** Change the registered owner of the Capital Stock of TPC to any person other than the Chief or a Councillor of NCN, as bare trustee for NCN, or change the form of bare trustee declaration prior to obtaining the written consent of Hydro to the change.

10.3 <u>Cross-Default.</u>

Any Event of Default (as defined in the NCN Financing Agreement) by TPC or by NCN shall be deemed to be an Event of Default hereunder.

ARTICLE XI
SECURITY

11.1 <u>Security.</u>

TPC shall execute and deliver the Security Documents to which it is a party, with each of the said Security Documents to be in form and substance satisfactory to Hydro, acting reasonably, as and when required hereunder or under the Loan Documents as continuing collateral security in the Collateral for the due, prompt and complete payment, performance and satisfaction by TPC of all of its indebtedness, liabilities and obligations of every nature whatsoever (whether present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time due or accruing due, wheresoever and howsoever incurred, including any ultimate unpaid balance thereof, in any currency, and whether incurred prior to, at the time of or subsequent to the execution of this Agreement) to Hydro, in connection with this Agreement and the other Loan Documents (collectively, the "**Obligations**").

11.2 Security Documents Prevalence.

Notwithstanding anything to the contrary herein, this Agreement shall be interpreted in all respects having regard for the fact that, and the Security Documents shall provide that, (a) Hydro has a first charge security interest on TPC's Units and the Distributions on TPC's Units and any interest related to TPC's Units and the said Distributions; and (b) Hydro's sole recourse for payment of the Obligations shall be to the Collateral in accordance with the provisions of this Agreement, and for greater certainty, it shall have no right to sue TPC or NCN on any personal covenant to pay all or any of the Obligations. Without limiting the generality of the foregoing, it is agreed, and the Security Documents shall provide that if TPC is in default of the repayment provisions specified in Section 2.5, Hydro's sole recourse for the payment of the Total Outstandings under (and all other amounts owing to Hydro for costs, interest or otherwise in connection with) the Equity Credit Facility on the Maturity Date shall be to TPC's Loan Units and the Distributions thereon~~, and that if TPC is in default of repayment provisions specified in Section 3.5(3), Hydro's sole recourse for payment of the Total Outstandings under (and all other amounts owing to Hydro for costs, interests or otherwise in connection with) the Cash Call Credit Facility on the Maturity Date which are attributable to Cash Call Credit Advances made in respect of TPC's Loan Units shall be to TPC's Loan Units and the Distributions thereon~~.

11.3 ~~11.2~~Registrations.

~~(1)~~ Hydro, in its sole discretion, may register, file or record the Liens constituted by the Security Documents in all jurisdictions where such registration, filing, or recording is necessary or of advantage to the creation, perfection, preservation or protection of such Liens.

11.4 Renewals Registrations, Filings, Recordings.

~~(2)~~ Hydro may renew such registrations, filings and recordings from time to time as and when required or of advantage, in the sole discretion of Hydro, to keep them in full force and effect. TPC acknowledges that the forms of the Security Documents have been prepared based upon the Laws of the jurisdictions indicated therein as being applicable thereto in effect at the date hereof and that such Laws may change. TPC agrees that, following prior notice to and consultation with TPC, upon direction from Hydro, shall have the right to require that the forms of the Security Documents be amended, restated or supplemented, to reflect any changes in such Laws, whether arising as a result of statutory amendments, court decisions or other similar changes, in order to confer upon Hydro the Liens in the Collateral intended to be created by the Security Documents, in the sole discretion of Hydro. For greater certainty, nothing in this Agreement can be used by Hydro or TPC to expand or reduce or otherwise change the scope of the Property comprising the Collateral as defined herein or to confer upon Hydro a right to sue TPC or NCN on a personal covenant to pay all or any of the Obligations, or to require any guarantees, indemnities or covenants from NCN or any other Person in respect of the Obligations or otherwise.

ARTICLE XII
EVENTS OF DEFAULT

12.1 Events of Default.

If any of the following events, conditions or circumstances (each an "**Event of Default**") shall occur and be continuing:

(a) TPC shall fail to pay any portion of the principal or interest or any costs or other amounts due hereunder or under any of the other Loan Documents on the date when due hereunder, and such amount remains unpaid for a period of six (6)

Business Days after Hydro notifies TPC that the amount is overdue, provided however, that this provision shall be read in conjunction with Section 12.2 and with the provisions in this Agreement and the other Loan Documents which provide that, for so long as no Event of Default has occurred that remains outstanding and uncured, all such payments to Hydro are to be made solely through the irrevocable assignment and direction to Hydro of the Distributions on TPC's Units (or portion thereof, as applicable hereunder) prior to the Maturity Date (and, in certain circumstances hereunder, after the Maturity Date), and from no other source, such that for so long as the Distributions are so assigned and directed and are paid over to Hydro as and when declared by the General Partner of the Limited Partnership pursuant to the irrevocable assignment and direction in favour of Hydro, TPC shall be deemed to be in compliance with its covenants to pay for all purposes hereunder and under the other Loan Documents. The parties hereto acknowledge that neither TPC nor NCN control the timing or amount of such Distributions, and as such, there may be periods of time during which there are no or few Distributions to be paid over to Hydro in accordance with the irrevocable assignment and direction to Hydro, and this shall not be construed to be an Event of Default hereunder;

(b) any representation or warranty or certification made or deemed to be made by TPC pursuant to or in connection with any of the Loan Documents delivered to Hydro shall prove to have been incorrect in any material respect when made or deemed to have been made;

(c) TPC shall fail to perform or observe any other term, covenant or agreement contained in any of the Loan Documents on its part to be performed or observed and such failure shall remain unremedied for fifteen (15) Business Days (the "**Cure Period**") after written notice thereof shall have been given to TPC by Hydro; provided that the length of the Cure Period shall be extended by Hydro in its unfettered discretion where TPC demonstrates to Hydro that the breach is not capable of being cured within fifteen (15) Business Days but provides Hydro, within ten (10) Business Days, with a plan for curing the breach within sixty (60) calendar days and in good faith implements such plan;

(d) any of the Loan Documents, at any time, is not or ceases to be valid or enforceable in whole or in part, or if any Lien intended to be created by any of the Security Documents is not or ceases to be a valid and perfected Lien having the ranking or priority contemplated thereby, or if the validity or enforceability of any of the Loan Documents or the validity or perfection of any such Lien shall be contested by any party thereto or any other Person (unless such contestation by such party or other Person is being opposed diligently, in good faith and by proper legal proceedings by Hydro with the assistance of TPC and Hydro covenants to oppose such contestation in good faith where there is a reasonable prospect of success), or if any Person (other than Hydro or the Limited Partnership) obtains any interest in the Collateral or any part thereof (except Permitted Liens); provided however, that this provision shall only be invoked where Hydro, acting reasonably, has determined that its inability to enforce the said Lien with its intended ranking or priority cannot be cured by Hydro within a reasonable period of time or without Hydro being adversely affected notwithstanding that TPC has provided a written undertaking to assist Hydro in the manner set out therein to cure the inability of Hydro to enforce the said Lien with its intended ranking or priority;.

(e) with respect to Debt of TPC under any one or more agreements other than the Debt under the Loan Documents,

(i) TPC shall fail to pay any principal, interest or other amount pursuant to the agreements governing such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) when such amount becomes due and payable (whether by scheduled maturity, required repayment, acceleration, demand or otherwise) and such failure shall continue after any applicable grace period specified in such agreement or agreements; or

(ii) any other event, condition or circumstance shall occur and shall continue after any applicable grace period specified in such agreement or agreements, if the effect of such event, condition or circumstance is to accelerate the maturity of such other Debt in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency); or

(iii) other Debt of TPC in an aggregate amount in excess of $75,000 (or the equivalent amount in another currency) shall be declared to be due and payable prior to the stated maturity thereof under any such agreement or agreements;

(f) the occurrence of any default, or any event or condition which, with the giving of notice or passage of time, or both, would constitute a default by TPC under any Material Agreement, and such default shall continue unremedied after any applicable grace period specified in such Material Agreement;

(g) TPC shall:

(i) become insolvent;

(ii) admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors;

(iii) file a notice of intention to file a proposal under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors;

(iv) institute or have instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) any liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (z) the entry of an order for relief or the appointment of a Receiver, interim Receiver, Receiver and manager, assignee, liquidator, sequestrator, trustee or other similar official for it or for any substantial part of its Property, and in the case of any such proceeding instituted against it (but not instituted by it), it shall not be dismissed or stayed within forty-five (45) days of its commencement or issuance or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a Receiver, trustee, custodian or other similar official for it or for any substantial part of its Property) shall occur; or

(v) take any corporate action to authorize any of the foregoing actions;

(h) a Notice is sent to or received by TPC from any creditor with respect to the intention of such creditor to enforce a Lien on:

(i) any of the Collateral; or

(ii) any Property of TPC (other than the Collateral) unless such notice is being contested in good faith by appropriate legal proceedings and such notice has not resulted in, or does not involve, any danger of the sale, forfeiture or loss of any of the Collateral;

(i) any one or more judgments or orders in excess of $75,000 (or the equivalent in another currency) in the aggregate, or any one or more orders, directives, letters of credit or other communications from any Governmental Entity which may be reasonably likely to require TPC to expend an amount in excess of $75,000 (or the equivalent amount in another currency) in the aggregate shall be rendered against TPC, and either:

(i) enforcement proceedings shall have been commenced by any creditor upon any such judgment(s) or order(s); or

(ii) there shall be any period of ten (10) consecutive Business Days during which a stay of enforcement of any such judgment or order, directive, letter or other communication by reason of a pending appeal or otherwise, shall not be in effect;

(j) the audited financial statements of TPC in respect of any Financial Year are qualified in any material adverse respect by the Auditors;

(k) the occurrence of a Change of Control;

(l) the loss, suspension or failure to renew any licence or permit held by TPC or any agreement to which TPC is a party the effect of which would prohibit or otherwise restrict TPC from conducting all or a material part of the Business;

(m) TPC is enjoined or restrained in any material way by an order of any Governmental Entity, arbitrator or board in Canada or elsewhere from conducting all or a material part of the Business;

(n) the occurrence of a Material Adverse Business Effect;

(o) the occurrence of an Event of Default committed by TPC or NCN (as such term is defined in the NCN Financing Agreement); or

(p) the occurrence of any event, condition or circumstance which, with the giving of notice or passage of time, or both, would constitute an Event of Default after the expiration of, in the case of a Loan Document, the applicable Cure Period or in the case of any other agreement, the applicable cure period (if any) thereunder;

then, and in any such event, Hydro shall be entitled by written notice to TPC to: (i) terminate the obligation of Hydro to make further Advances under the Equity Credit ~~Facilities~~Facility; and/or (ii) demand repayment of all indebtedness of TPC to Hydro under the Equity Credit ~~Facilities~~Facility, whereupon the principal amount of all outstanding Advances and other amounts payable thereunder shall become forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by TPC (except such notices as may be required under applicable Laws). Provided, however, that Hydro shall only have recourse to the Collateral for the repayment of the Obligations, and further provided, however, that upon any Event of Default specified in Section 12.1(g), the obligation of Hydro to make Advances hereunder shall automatically terminate.

12.2 ~~12.2~~Expenses of Hydro.

Upon the occurrence of any Event of Default which has not been waived and is continuing, Hydro may take any action Hydro considers advisable, acting reasonably, to remedy the effect of such Event of Default. All reasonable expenses, costs and charges incurred by or on behalf of Hydro in connection with: (i) any remedial action taken pursuant to this Section; or (ii) the realization of the Collateral, including all reasonable fees, court costs, Receiver's or agent's remuneration and other expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment of the Collateral, in all cases shall be added to and form a part of the Obligations, but subject always to the provision that Hydro's sole recourse for payment of the Obligations shall be to the Collateral, as set out herein. For greater certainty, for so long as there is no Event of Default hereunder, Section 5.14 of the PDA shall govern the payment of Hydro's costs and expenses properly recoverable hereunder.

12.3 Remedies Cumulative.

The remedies provided for in this Agreement and each of the Loan Documents are cumulative and do not exclude any other right or remedy provided by Law (except that there shall be no right of Hydro to sue TPC or NCN on any personal covenant to pay, it being acknowledged that Hydro's sole recourse is to the Collateral).

12.4 ~~12.4~~Allocations.

For greater certainty, the parties agree that any expenses or costs that are, by the terms of this Agreement, reimbursable to Hydro shall be allocated ~~as follows: if the expense or cost is incurred by Hydro prior to or on the Adjustment Date or is incurred by Hydro after the Adjustment Date but in respect of a matter arising in connection with the Equity Credit Facility, it shall be allocated to the Equity Credit Facility. If the expense or cost is incurred by Hydro after the Adjustment Date (except where it is incurred in respect of a matter arising in connection with the Equity Credit Facility), it shall be allocated to the Cash Call~~ to the Equity Credit Facility.

ARTICLE XIII
PAYMENTS, COMPUTATIONS AND INDEMNITIES

13.1 Timing of TPC Payments ~~under this Agreement~~.

~~(1)~~ Unless otherwise expressly provided in this Agreement or agreed to by Hydro, TPC shall make any payment required to be made by it to Hydro by depositing the amount of such payment in Hydro's Account not later than 11:00 a.m. (Winnipeg time) on the date such payment is due.

13.2 Timing of Hydro Payments.

~~(2)~~ Unless otherwise expressly provided in this Agreement and subject to the provision by Hydro of the requisite notice to TPC and the General Partner as set out in Section 4.2(1), Hydro shall make any Advance or other payment to TPC hereunder by crediting or causing the crediting of the Limited Partnership Account for TPC with the amount of such Advance on the date such Advance is to be made.

~~13.2~~ 13.3 Payments on Non-Business Days.

Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

~~13.3~~ 13.4 Overdue Amounts.

All amounts owed by TPC which are not paid when due (whether at stated maturity, on demand, by acceleration or otherwise) shall bear interest (both before and after judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the rate in effect on the date the said amounts are due and unpaid.

~~13.4~~ 13.5 Application of Payments, Repayments and Prepayments.

All amounts received by Hydro from or on behalf of TPC, including from realization by Hydro on the Collateral of the Security, and not previously applied pursuant to this Agreement shall be applied:

(a) first, in reduction of TPC's obligation to pay any costs and expenses, which are due and owing to Hydro and reimbursable or indemnity amounts or Losses which have been determined by a court of competent jurisdiction or by arbitration to be due and owing to Hydro;

(b) second, in reduction of TPC's obligation to pay any unpaid interest accrued on the principal amount of Advances;

(c) third, in reduction of TPC's obligation to pay any amounts due and owing on account the principal amount of all Advances; and

(d) fourth, to be held in escrow by Hydro in an interest-bearing account on account, and up to the amount, of any written claim by Hydro then issued and outstanding seeking reimbursement or indemnity hereunder for Losses, pending determination by a court of competent jurisdiction or by arbitration as to the amount (if any) which is due and owing to Hydro hereunder (in which event, such funds and any interest earned thereon shall be dealt with in accordance with the order of the court of competent jurisdiction or arbitrator, as the case may be); and

(e) fifth, to TPC or such other Persons as may lawfully be entitled to the remainder or as any court of competent jurisdiction may otherwise direct.

~~13.5~~ 13.6 Computations of Interest and Fees.

~~(1)~~ All computations of interest shall be made by Hydro, taking into account the actual number of days occurring in the period for which such interest is payable pursuant to Sections 4.4(a)(i) and on the basis of a year of 365 days, except for interest payable under Sections 4.4(a)(ii)~~,~~ and 4.4(a)(iii),~~ 4.4(b) and 4.5,~~ in respect of which the computation of interest shall be made based on a semi-annual interest computation and not by the number of days in the six (6) month period.

~~(2)~~ Notwithstanding any provision to the contrary contained in this Agreement, in no event shall the aggregate "interest" (as defined in Section 347 of the *Criminal Code* (Canada), as the same may be amended, replaced or re-enacted from time to time) payable under this Agreement exceed the maximum amount of interest on the "credit advanced" (as defined in that Section) under this Agreement lawfully permitted under that Section and, if any payment, collection or demand pursuant to this Agreement in respect of "interest" (as defined in that Section) is determined to be contrary to the provisions of that Section, such payment, collection or demand shall be refunded to TPC. For purposes of this Agreement, the effective annual rate of interest shall be determined in accordance with generally accepted actuarial practices and principles over the term that the ~~relevant~~Equity Credit ~~Facilities are~~Facility is outstanding on the basis of annual compounding of the lawfully permitted rate of interest and, in the event of any dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by Hydro will be conclusive for the purposes of such determination.

~~(3)~~ Each determination by Hydro of any amount payable hereunder by TPC shall be prima facie evidence of the amount payable for all purposes absent error.

~~13.6~~ 13.7 Indemnity for Change in Circumstances.

~~(1)~~ If with respect to Hydro:

~~(a)~~ (a) any change in Law, or any change in the interpretation or application by any Governmental Entity of any Law occurring or becoming effective after the date hereof; or

~~(b)~~ (b) any compliance by Hydro with any direction or requirement having the force of Law of any Governmental Entity made or becoming effective after the date hereof, in either case shall have the effect of causing Loss to Hydro by:

(i) increasing the actual cost to Hydro of performing its obligations under this Agreement or in respect of any Advance; or

(ii) reducing any amount otherwise properly payable to Hydro under this Agreement or in respect of any Advance by any amount that Hydro deems material acting reasonably (other than pursuant to Section ~~13.5(2)~~13.6);

then Hydro may give notice to TPC specifying the nature of the event giving rise to such Loss and TPC shall, within twenty (20) Business Days of demand, pay such amounts as Hydro may specify is necessary to compensate Hydro for such Loss. A certificate as to the amount of any such Loss, submitted in good faith by Hydro to TPC shall be prima facie evidence of the amount of such Loss for all purposes, absent error.

13.8 Taxes on TPC Payments.

~~(2)~~ Except as required by applicable Law, TPC shall make all payments under this Agreement to Hydro without deducting or withholding of any Taxes. To the extent that deduction or withholding of Taxes is required by applicable Law, TPC will:

~~(a)~~ (a) promptly notify Hydro of such requirement;

~~(b)~~ (b) pay to the appropriate authority the full amount required to be so withheld or deducted before penalties attach thereto or interest accrues thereon;

~~(c)~~ (c) promptly forward to Hydro an official receipt or other documentation reasonably satisfactory to Hydro evidencing such payment to such authority; and

~~(d)~~ (d) pay to Hydro an additional amount so that Hydro receives the full amount it would have received had no such deduction or withholding been required.

If any Taxes are directly asserted against Hydro with respect to any payment under this Agreement, Hydro may pay such Taxes and TPC shall promptly pay such additional amount (including any penalties, interest and expenses) necessary so that the net amount received by Hydro after the payment of such Taxes, including any Taxes on such additional amounts, shall equal the amount Hydro would have received had Hydro not paid such Taxes.

TPC will indemnify Hydro for all incremental Taxes, interest or penalties that Hydro must pay if TPC fails to deduct or withhold any Taxes when due or to send Hydro the required receipts or other documentation.

Hydro acknowledges that in respect of this Section 13.6(2), Taxes shall not include any income taxes that may be payable by Hydro. Hydro shall remain solely obligated to pay and shall save TPC and NCN harmless from any income taxes that may be asserted against Hydro or payable by Hydro, including with respect to any payments or amounts received or made under this Agreement.

~~13.7~~ 13.9 Indemnity.

~~(1)~~ TPC hereby agrees to indemnify, exonerate and hold Hydro and its officers, directors, employees, agents and other representatives (in this Section 13.7(1), the "**Indemnified Parties**") free and harmless from and against any and all Claims, demands, actions, causes of action, suits, losses, costs (including all documentary, recording, filing, mortgage duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified

Party is a party to the action for which such indemnification hereunder is sought), and including reasonable legal fees and disbursements (collectively, in this Section 13.7(1), the "**Indemnified Liabilities**") paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them or, with respect to, or as a direct or indirect result of: (i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Advances obtained hereunder; or (ii) the execution, delivery, performance or enforcement of this Agreement or any of the Loan Documents, except for such Indemnified Liabilities that a court of competent jurisdiction determines or rules to be on account of the relevant gross negligence or willful misconduct of the Indemnified Party or any Person for whom such Indemnified Party is responsible at law (in which event, such Party shall indemnify TPC, and its officers and directors, for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct).

~~(2) All obligations provided for in this Section 13.7 shall not be reduced or impaired by any investigation made by or on behalf of Hydro.~~

13.10 TPC Obligations.

~~(3)~~ All obligations provided for in this Section 13.7 shall not be reduced or impaired by any investigation made by or on behalf of Hydro. If, for any reason, the obligations of TPC pursuant to this Section 13.7 shall be unenforceable, TPC agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the gross negligence or willful misconduct of Hydro or any Person for whom Hydro is responsible at law (in which event such Party shall indemnify TPC, and its officers and directors for all Indemnified Liabilities paid, incurred or suffered by or asserted against any of them arising out of such gross negligence or willful misconduct).

~~13.8~~ 13.11 Contribution.

If any provision in any of the Loan Documents providing for indemnification by TPC (the "**Indemnitor**") in favour of Hydro or any of the Indemnified Parties (as defined in Section 13.7) (the "**Indemnitee**") is found by reason of the occurrence of an event, other than the gross negligence or wilful misconduct of the Indemnitee, to be unenforceable by a court of competent jurisdiction in a final judgment that has become non-appealable, then the Indemnitor shall contribute to the amount paid or payable by the Indemnitee which is subject to the indemnification provision in such proportion as is appropriate to reflect not only the relative benefits received by the Indemnitor on the one hand and the Indemnitee on the other hand but also the relative fault of the Indemnitor and the Indemnitee but only to the extent that such contribution is consistent with the terms of the final judgment. The rights of contribution herein provided shall be in addition to and not in derogation of any other right to contribution which the Indemnitee may have under this Agreement or applicable Laws.

~~13.9~~ 13.12 Market Make-whole Payment

In the event of a voluntary payment of principal by TPC to Hydro ~~hereunder~~ prior to the date on which such payment is due and payable (other than any payment of interest or costs whatsoever or any payment out of Distributions, including payments of principal pursuant to any of Sections 2.6(2), 2.6~~(5), 2.6(6), 3.6~~(2) ~~and 3.6(3)~~ from Distributions on TPC's Units ~~from time to time~~), the principal amount of the repayment shall be ~~adjusted by the amount determined in the following manner:~~ an amount calculated by Hydro on the Business Day preceding the date of repayment equal to the applicable Canada Yield Price on the Business Day preceding the date of the payment less the principal amount of the Equity Credit Advances that are being repaid. For greater certainty, if the amount so determined is a positive number it shall increase the principal amount to be repaid by that amount, and if it is a negative number it shall reduce the principal amount to be repaid by that amount.

~~(a) Equity Credit Advances. An amount calculated by Hydro on the Business Day preceding the date of repayment equal to the applicable Canada Yield Price on the Business Day preceding the date of the payment less the principal amount of the Equity Credit Advances that are being repaid. For greater certainty, if the amount so determined is a positive number it shall increase the principal amount to be repaid by that amount, and if it is a negative number it shall reduce the principal amount to be repaid by that amount.~~

~~(b) Cash Call Credit Advances. An amount calculated by Hydro on the Business Day preceding the date of repayment equal to the applicable Canada Yield Price on the Business Day preceding the date of the payment less the principal amount of the Cash Call Credit Advances that are being repaid. For greater certainty, if the amount so determined is a positive number it shall increase the principal amount to be repaid by that amount, and if it is a negative number it shall reduce the principal amount to be repaid by that amount.~~

~~13.10~~ 13.13 Confirmation of Limited Recourse.

For greater certainty, Hydro acknowledges that nothing in this Article XIII shall in any way detract from the limited recourse nature of Hydro's security and remedies hereunder, as set out in Section 11.1 ~~hereof.~~of this Agreement.

ARTICLE XIV
DISPUTE RESOLUTION

14.1 **Dispute Resolution.**

Each of the parties to ~~the~~this Agreement agrees that any disputes or claims arising out of this Agreement shall be determined solely in accordance with the dispute resolution process set out in Article XXI of the PDA and it shall not bring any action in respect of any matter arising hereunder, other than pursuant to Article XXI of the PDA, against any other party.

ARTICLE XV
GENERAL PROVISIONS

15.1 **Notices.**

~~(1)~~ All notices provided for in this Agreement or in the other Loan Documents shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable addresses or facsimile numbers, as the case may be, set opposite the party's name in Schedule F hereto or at or to such other address or addresses or facsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

~~(2)~~ Each Borrowing Notice and Repayment Notice shall be irrevocable and binding on TPC.

15.2 ~~15.2~~Time of the Essence.

Time shall be of the essence of this Agreement.

15.3 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the parties hereto and the Persons contemplated in Section 13.7 or Section 15.7, and no Person, other than the parties hereto and the Persons contemplated in Section 13.7 or Section 15.7, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum. For greater certainty, nothing in this Section 15.3 is intended to prevent or restrict the Taskinigaph Trust from receiving Dividends declared by the Board of Directors of TPC pursuant to the NCN Deed of Assignment subject always to TPC's compliance with the covenants, representations and warranties of this Agreement.

15.4 ~~15.4~~Enurement.

~~This~~his Agreement shall enure to the benefit of and be binding upon the ~~parties hereto~~Parties . This Agreement shall be binding upon any assigns and enure to the benefit of any permitted assigns.

15.5 ~~15.5~~Counterparts.

~~This~~ Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

15.6 Knowledge.

Where any representation or warranty contained in this Agreement or any other Loan Documents is expressly qualified by reference to the "best of the knowledge" of TPC, or where any other reference is made herein or in any Loan Document to "the knowledge" of TPC, it shall be deemed to refer to the best of the knowledge of the members of the Board of Directors of TPC.

15.7 ~~15.7~~Assignment.

Neither this Agreement nor the rights and obligations ~~hereunder~~ under this Agreement shall be assignable or transferable by TPC or Hydro, except that Hydro may assign this Agreement to any Affiliate, on the condition that notwithstanding the assignment, Hydro will remain jointly and severally liable with the said Affiliate, for compliance with the covenants of Hydro under this Agreement.

15.8 ~~15.8~~Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties of the ~~parties contained~~ Parties in this Agreement and ~~any of~~ the ~~other~~ Loan Documents shall not merge on and shall survive the Initial Closing, the Final Closing and the Final Investment Closing and the making of any Advance, and notwithstanding such Initial Closing and Final Closing and the Final Investment or Advance, or any investigation made by or on behalf of any party, shall continue in full force and effect. Neither the Initial Closing, the Final Closing or the Final Investment Closing nor the making of any Advance shall prejudice any right of one party against any other party in respect of anything done or omitted hereunder or under any of the other Loan Documents or in respect of any right to damages or other remedies.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, on the date first above written.

TASKINIGAHP POWER CORPORATION

Per:

Name: ~~Jerry Primrose~~
Title: President

Per:

Name: ~~William Elvis Thomas~~
Title: Vice- President

Per:

____
Name: Shirley L. Linklater
Title: Secretary-Treasurer

THE MANITOBA HYDRO-ELECTRIC BOARD

Per:

Name: ~~Robert B. Brennan~~
Title: President and Chief Executive Officer

Per:

Name: ~~Robert D. Brennan~~
Title: Assistant Corporate Secretary

SCHEDULE A

REPAYMENT NOTICE

TO: THE MANITOBA HYDRO-ELECTRIC BOARD (“Hydro”)

FROM: TASKINIGAHP POWER CORPORATION (“TPC”)

This Repayment Notice is delivered to you pursuant to Section 4.6 of the financing agreement (the “TPC Financing Agreement”) dated ●, ~~2006~~2015 between TPC, as borrower, and Hydro, as lender. All capitalized terms used in this Repayment Notice and defined in the TPC Financing Agreement shall have the meanings defined in the TPC Financing Agreement.

1. TPC hereby gives notice of repayment as follows:

   (a) Date of repayment:

   (b) Type of Advance:

   (c) Amount of principal being repaid:

TASKINIGAHP POWER CORPORATION

Per:
Name:
Title:

Per:
Name:
Title:

SCHEDULE B

~~BORROWING NOTICE~~

~~To: THE MANITOBA HYDRO-ELECTRIC BOARD ("Hydro")~~

~~From: TASKINIGAHP POWER CORPORATION ("TPC")~~

~~This Borrowing Notice is delivered to you pursuant to Section 4.2(1) of the financing agreement (the "TPC Financing Agreement") dated ●, 2006 between TPC, as borrower, and Hydro, as lender. All capitalized terms used in this Borrowing Notice and defined in the TPC Financing Agreement shall have the meanings defined in the TPC Financing Agreement.~~

~~1. TPC hereby requests an Advance as follows:~~

~~(a) Date of Advance:~~

~~(b) Amount of Advance:~~

~~(c) Type of Advance:~~

~~(d) Payment Instructions:~~

~~2. TPC hereby certifies that :~~

~~(a) All of the representations and warranties of TPC contained in Section 9.1 of the TPC Financing Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than those representations and warranties in Section 9.1 which are specifically limited to a particular date) and except as disclosed in writing to, and accepted in writing by Hydro.~~

~~(b) All of the covenants of TPC contained in Article X of the TPC Financing Agreement together with all of the conditions precedent to an Advance in Article VII of the TPC Financing Agreement (to the extent they are within TPC's control) have been complied with or met in all materials respects, except as disclosed in writing to, and accepted in writing by Hydro.~~

~~(c) No Event of Default has occurred and is continuing on the date hereof nor will any Event of Default occur as a result of the aforementioned Advance, except as disclosed in writing to, and accepted in writing by Hydro.~~

~~DATED:~~ ~~TASKINIGAHP POWER CORPORATION~~

~~Per:~~
~~Name:~~
~~Title:~~

~~Per:~~
~~Name:~~
~~Title:~~

[intentionally blank]

SCHEDULE C

ISSUED AND OUTSTANDING CAPITAL STOCK AND DEBT

To be provided on ~~Initial Closing~~Final Investment Date

SCHEDULE D

MATERIAL AGREEMENTS

~~To be provided~~Provided on Initial Closing

SCHEDULE E

LIABILITIES

~~To be provided~~Provided on Initial Closing

SCHEDULE F

ADDRESS FOR NOTICE

Taskinigahp Power Corporation
Attention: President
General Delivery
Nelson House, MB R0B 1A0
Fax: (204) 484-2392

Manitoba Hydro
Attention: General Counsel
~~3rd Floor – 820 Taylor~~360 Portage Avenue
Winnipeg, ~~MBR~~MB R3C ~~2P4~~0G8
Fax: (204) ~~474~~360-4947

SCHEDULE G

LIST OF SECURITY DOCUMENTS

1. TPC Security Agreement
2. Pledge of TPC's Units
3. Limited Power of Attorney granted by TPC respecting TPC's Units

SCHEDULE H

AUTHORIZATIONS – HYDRO

1. Order in Council as required pursuant to the provisions of the Hydro Act.

2. Such Additional Borrowing Authorizations required from time to time.

Document comparison by Workshare Compare on May-12-15 12:54:02 PM

Input:	
Document 1 ID	PowerDocs://TDSLAW/445350/24
Description	TDSLAW-#445350-v24-TPC_Financing_Agreement
Document 2 ID	file://C:/Users/nicolel/AppData/Roaming/OpenText/DM/Temp/TDSLAW-#1788643-v30-2014_Restated_TPC_Financing_Agreement_.docx
Description	TDSLAW-#1788643-v30-2014_Restated_TPC_Financing_Agreement_
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	453
Deletions	848
Moved from	15
Moved to	15
Style change	0
Format changed	0
Total changes	1331

SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

between

5022649 MANITOBA LTD.,

- and -

TASKINIGAHP POWER CORPORATION,

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD.

DATED ~~June 28, 2006.~~as of March 31, 2015

TABLE OF CONTENTS

~~~~SECOND AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

This Agreement made ~~on~~as of the ~~28th~~31st day of ~~June~~March, ~~2006.~~2015.

BETWEEN:

5022649 MANITOBA LTD.,

(hereinafter called the "**General Partner**"),

OF THE FIRST PART,

- and -

TASKINIGAHP POWER CORPORATION,

(hereinafter called "**Taskinigahp Power Corporation**"),

OF THE SECOND PART

- and -

THE MANITOBA HYDRO-ELECTRIC BOARD,

(hereinafter called "**Hydro**"),

OF THE THIRD PART.

WHEREAS the **General Partner** was incorporated under the laws of the Province of Manitoba on November 30, 2004;

AND WHEREAS a partnership agreement (the "**Initial Agreement**") was entered into on the 9th day of December, 2004, between the **General Partner** and the **Initial Limited Partner**;

AND WHEREAS under the **Initial Agreement**, the **General Partner** and the **Initial Limited Partner** formed a partnership known as the Wuskwatim Power Limited Partnership (the "**Partnership**") which was registered in accordance with the laws of the Province of Manitoba as a limited partnership on the 9th day of December 2004;

AND WHEREAS the **Initial Agreement** was amended and restated pursuant to an agreement dated the 28th day of June, 2006 between the **General Partner**, **Taskinigahp Power Corporation** and **Hydro ("First Amended and Restated Agreement");**

NOW THEREFORE in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

GENERAL INTERPRETATION

Definitions

1.01 For the purpose of this Agreement, the following terms shall be deemed to have the following meanings:

(a) "**Act**" means *The Partnership Act* (Manitoba);

(b) "**Affiliate**" has the meaning ascribed to affiliate or associate as those terms are defined in *The Securities Act* (Manitoba);

(c) "**Agreement**" means this Amended and Restated Limited Partnership Agreement and any amendments or modifications made thereto, including without limitation any schedules or appendices attached hereto;

(d) "**Allowable Operating Expenses**" means all expenses incurred directly or indirectly by the **General Partner** in managing the **Business** of the **Partnership**, including, without limiting the type of expenses, all administrative expenses, including the costs of holding meetings of the board of directors of the **General Partner** and preparing financial statements of the **General Partner** but, for greater certainty, shall not include any costs other than costs incurred in furtherance of the **Business** or which are properly allocated, in whole or in part, to the **Business**, and, without limiting the generality of the foregoing, shall not include any of the costs incurred by **Hydro** in building the project known as the Churchill River Diversion nor any of the costs incurred by **Hydro** and allocated to the operation of the project known as the Churchill River Diversion;

(e) "**Business**" shall have the meaning ascribed to it in section 2.05 hereof;

(f) "**Capital Contribution**" means, with respect to a **Partner**, the amount in cash or other property contributed to the **Partnership** by such **Partner**;

(g) "**Construction Agreement**" means the agreement to be entered into by the **Partnership** as owner and **Hydro** as project manager in substantially the same form as described in the **PDA**;

(h) "**Declaration**" means the declaration pursuant to the Act to be filed under *The Business Names Registration Act* of Manitoba;

(i) "**Debt Ratio**" ~~shall have the meaning ascribed thereto~~means for any particular day, the quotient of the Limited Partnership's Net Debt (as defined in the Project Financing Agreement~~;~~) on such day divided by the sum of: (i) the Limited Partnership's Net Debt on such day; and (ii) the Limited Partnership's Equity (as defined in the Project Financing Agreement) on such day, expressed as a percentage;

(j) "**Distributable Cash**" in respect of any distribution period, means **EBITDA** earned by the **Partnership** for such period, plus any additional cash on hand at the end of a distribution period and any additional amounts that the **General Partner** approves for distribution, less: (i) payments to satisfy debt service obligations (including principal, interest and deposits for debt retirement) incurred in such period under credit facilities of the **Partnership** (including under the **Project Financing Agreement**) or other agreements to which the **Partnership** is bound; (ii) payments to satisfy general and administrative expenses and other known expense obligations of the **Partnership**; and (iii) amounts retained in respect of the distribution period to cover (1) anticipated expenses, (2) reserves under section 6.06 of this **Agreement** and (3) the amount (if any) required to be held as equity in order to maintain the **Debt Ratio** in accordance with section 6.05;

(k) "**EBITDA**" for any period means earnings before interest, income taxes, depreciation and amortization, determined in accordance with **Generally Accepted Accounting Principles** ("earnings" for this purpose means the **Net Income** or **Net Loss**, as applicable, for that period);

(l) "**Final Closing Date**" has the meaning ascribed thereto in the **PDA**;

(m) "**Financial Statements**" shall mean the audited financial statements of the **Partnership** prepared in accordance with **Generally Accepted Accounting Principles**;

(n) "**Fiscal Year**" means the fiscal year of the **Partnership** as described in section 2.04;

(o) "**General Partner**" shall mean 5022649 Manitoba Ltd. or any other **Person** who may become the general partner of the **Partnership** in place of or substitution for 5022649 Manitoba Ltd. and is deemed to be the **General Partner** from time to time under the terms of this **Agreement**;

(p) "**Generally Accepted Accounting Principles**" means, at any time, accounting principles as recommended by the Canadian Institute of Chartered Accountants, or any successor **Person** at such time;

(q) "**Hydro**" means The Manitoba Hydro-Electric Board, a Crown corporation continued by The Manitoba Hydro Act, R.S.M. 1987, c.H190;

(r) "**Hydro Service Agreements**" means, collectively, the Management Agreement, the Project Financing Agreement, the Construction Agreement, the Power Purchase Agreement, the Operations and Maintenance Agreement, the Interconnection and Operating Agreement and the System Operations and Dispatch Agreement;

(s) "**Initial Agreement**" means the Limited Partnership Agreement between the **General Partner** and the **Initial Limited Partner** signed December 9, 2004;

(t) "**Initial Limited Partner**" means **Hydro**;

(u) "**Integrated Power System**" means **Hydro's** integrated system of hydraulic and thermal electric generation and power transmission facilities owned and operated by **Hydro** or in some circumstances, owned by **Hydro** in partnership with others, which system is interconnected with other power utilities. The **Wuskwatim Project** will be part of the **Integrated Power System**.

(v) "**Interconnection and Operating Agreement**" means the agreement entered into between **Hydro** (Transmission and Distribution Business Unit) and **Hydro** (Power Supply Business Unit) dated May 4, 2005, as amended, and to be subsequently assigned by **Hydro** (Power Supply Business Unit) to the **Limited Partnership**, whereby the **Wuskwatim Project** will be interconnected with the **Integrated Power System**;

(w) "**Limited Partner**" shall mean **Hydro** or **Taskinigahp Power Corporation** for so long as each is a holder of at least one **Unit**;

(x) "**Limited Partnership**" or "**Partnership**" means the Wuskwatim Power Limited Partnership formed pursuant to the **Initial Agreement**, as amended and restated by this **Agreement**, for the purpose of the **Business**;

(y) "**Management Agreement**" means the agreement entered into between the **Partnership** as owner and **Hydro** as contractor in substantially the same form as described in the **PDA**;

(z) "**NCN**" means the Nisichawayasihk Cree Nation;

(aa) "**NCN Adverse Effects Agreement**" means the agreement to be entered into by the **General Partner** on behalf of the **Partnership** and **NCN** and **Hydro** in substantially the same form as described in the **PDA**;

(bb) "**NCN Financing Agreement**" means the agreement to be entered into between **NCN, Taskinigahp Power Corporation** and **Hydro** in substantially the same form as described in the **PDA**;

(cc) "**Net Income**" or "**Net Loss**" in respect of any **Fiscal Year** means, respectively, the income or loss of the **Partnership** for such period determined in accordance with Section 6.07;

(dd) "**Operations and Maintenance Agreement**" means the agreement to be entered into between the **Partnership** as owner and **Hydro** as contractor in substantially the same form as described in the **PDA**;

(ee) "**Ordinary Resolution**" means a resolution passed by **Partners** holding, in the aggregate, a majority of the issued and outstanding **Units**, who, being entitled to do so, vote in person or by proxy at a duly convened meeting of **Partners** or any adjournment thereof or, alternatively, pass such a resolution unanimously in writing in lieu of a meeting;

(ff) "**Partner**" means the **General Partner** or any **Limited Partner** and "**Partners**" means all **Limited Partners** together with the **General Partner**;

(gg) "**Partnership Assets**" means all assets and property, whether tangible or intangible and whether real, personal or mixed, at any time owned legally or beneficially by the **Partnership**;

(hh) "**Person**" means and includes any individual, corporation, partnership, firm, trust or any other form of entity or organization;

(ii) "**Power Purchase Agreement**" means the agreement to be entered into between the **Partnership** as owner and **Hydro** in substantially the same form as described in the **PDA**;

(jj) "**PDA**" means the project development agreement entered into by **Hydro**, **NCN**, **Taskinigahp Power Corporation,** the **General Partner** and the **Partnership** regarding the planning, development and construction of the **Wuskwatim Project** and the operation of the **Business**;

(kk) "**Project Financing Agreement**" means the agreement to be entered into between the **Partnership** and **Hydro** in substantially the same form as described in the **PDA**;

(ll) "**Record of Limited Partners**" means the record required to be maintained by the **General Partner** at the principal place of business of the **Partnership** pursuant to The Business Names Registration Act, C.C.S.M. c. B110;

(mm) "**Refinancing**" means any borrowings made by the **Partnership** for any purpose other than operating purposes, which are secured by a mortgage or other charge on or against the **Partnership's** interest in the **Partnership Assets**;

(nn) "**Refinancing Proceeds**" means the net proceeds resulting from a **Refinancing**;

(oo) "**Registrar and Transfer Agent**" means the **General Partner** or an agent appointed thereby to keep a register of **Limited Partners** and a register of the transfer of **Units**;

(pp) "**Sale**" means the disposition of all or any part of the **Partnership Assets**, whether by way of sale, expropriation or otherwise;

(qq) "**Sale Proceeds**" means:

i) the proceeds resulting from a **Sale**, after deducting the amounts required to discharge or partially discharge any security relating thereto, and/or repay or partially repay loans incurred in respect of the acquisition of any asset of the **Partnership** for which the **Sale Proceeds** are received and all costs incurred as a result of such **Sale**; and

ii) the proceeds of any insurance to the extent not applied to repair, rebuild or replace some or all of the assets held by the **Partnership**;

(rr) "**Special Resolution**" means:

i) a resolution approved by all of the votes cast in person or by proxy at a duly constituted meeting of **Partners** who are entitled to vote or at any adjournment of that meeting, called in accordance with this Agreement; or

ii) a written resolution in one or more counterparts signed by Partners holding in the aggregate all of the **Units** held by those **Partners** who are entitled to vote on that resolution at a meeting;

(ss) "**Subscription Agreement**" means the subscription form and power of attorney attached hereto as Schedule "A", or as determined by the **General Partner** pursuant to section 5.04 of this **Agreement**;

(tt) "**Subscription Price**" means the price per **Unit** payable by a **Person** to purchase a **Unit** as set forth in section 5.04 of this **Agreement**;

(uu) "**System Operations and Dispatch Agreement**" means the agreement to be entered into between the **Partnership** and **Hydro** in substantially the same form as described in the **PDA**;

(vv) "**Taskinigahp Power Corporation Financing Agreement**" means the agreement to be entered into between **Taskinigahp Power Corporation** as borrower and **Hydro** as lender in substantially the same form as described in the **PDA**, in which it is defined as the TPC Financing Agreement;

(ww) "**Tax Act**" means the *Income Tax Act* (Canada) as amended from time to time;

(xx) "**Taxable Income**" and "**Tax Loss**", in respect of any tax year means, respectively, the amount of income or loss of the **Partnership** for such period determined in accordance with the provisions of the **Tax Act** (including the amount of taxable capital gains or allowable capital losses, recapture of capital cost allowance or terminal loss, resulting from the disposition of each capital property of the **Partnership** as determined by the **General Partner** in accordance with the provisions of the **Tax Act**);

(yy) "**Term**" has the meaning ascribed thereto in section 2.07 hereof;

(zz) "**Unit**" means one of the units of the **Partnership** representing an interest in the **Partnership** and "**Units**" means all of the units of the **Partnership**;

(aaa) "**Unit Certificate**" means the form of certificate issued by the **Limited Partnership** evidencing the number of **Units** owned by a **Partner** or any certificates issued in replacement thereof in accordance with the provisions of this **Agreement**;

(bbb) "**Wuskwatim Generating Station**" means the proposed hydro-electric generating station forming the **Wuskwatim Project** and consisting of a complex of structures, including the powerhouse, spillway, dam, dyke and transition structures, used in the production of electricity;

(ccc) "**Wuskwatim Project**" means the **Wuskwatim Generating Station** and all related works, excluding the **Wuskwatim Project Related Transmission Facilities**, but including, without limitation, all dams, dykes, channels, control structures, excavations, camps, storage areas, local roads and access road, to be located at Taskinigup Falls near Wuskwatim Lake which, if built, will contribute about 200 megawatts to the **Integrated Power System** through the **Wuskwatim Project Related Transmission Facilities**;

(ddd) "**Wuskwatim Project Related Transmission Facilities**" means the proposed complex of transmission and communication related facilities to be constructed as part of the **Wuskwatim Transmission Project**, including without limitation all transmission lines, switching and transformer stations and the construction power line;

(eee) "**Wuskwatim Transmission Project**" means **Hydro's** proposed project to develop the **Wuskwatim Project Related Transmission Facilities** and all related works.

Interpretation

1.02 For all purposes of this **Agreement** except as otherwise expressly provided or unless the context otherwise requires:

(a) headings are for convenience of reference only and do not form a part of this **Agreement**, nor are they intended to interpret, define or limit the scope, extent or intent of this **Agreement** or any provision hereof;

(b) all references to currency herein are references to Canadian currency unless otherwise stated;

(c) any reference to a statute shall include and shall be deemed to be a reference to such statute and the regulations made pursuant thereto, with amendments made thereto in force from time to time and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto;

(d) any reference to any entity shall include and shall be deemed to be a reference to any entity that is a successor to such entity;

(e) words importing the masculine gender include the feminine or neuter gender and words importing the singular include the plural and vice versa;

(f) the word "including" shall mean "including without limitation" and "includes" shall mean "includes without limitation";

(g) all accounting terms not specifically defined herein shall be construed in accordance with **Generally Accepted Accounting Principles**.

ARTICLE II

THE PARTNERSHIP

Continuation of Partnership

2.01 The **General Partner** and the **Limited Partners** acknowledge and confirm that the **Partnership** was formed pursuant to the **Initial Agreement** and that this **Agreement** is an amendment to and a restatement of the terms of the **Initial Agreement**. The **General Partner** and the **Limited Partners** agree to continue the **Partnership** under the laws of the Province of Manitoba and the **General Partner** agrees to prepare, complete and file the requisite "Change in a Limited Partnership Form" required pursuant to The Business Names Registration Act, C.C.S.M. c. B110 and to do all things and to execute and deliver all such documents, instruments and assurances as may be necessary to qualify, continue and keep in good standing the **Partnership** as a limited partnership. The **General Partner** shall take all necessary actions on the basis of information available to it in order to maintain the status of the **Partnership** as a limited partnership.

Name of the Partnership

2.02 The **Partnership** shall carry on business under the name "Wuskwatim Power Limited Partnership" (or such other name or names as the **General Partner** may from time to time adopt if required to comply with laws of the jurisdictions in which the **Partnership** may conduct business). The **General Partner** shall notify each **Limited Partner** of any change in the name of the **Partnership** within 10 days of such change. The **General Partner** shall hold the **Partnership** out as an entity separate from any other **Person**.

Maintaining Status of Partnership

2.03 The **General Partner** shall be the sole general partner of the **Partnership**, and shall do all things and shall cause to be executed, amended and filed such certificates, declarations, registers, instruments and documents as may be required to reflect the constitution of the **Partnership** and to carry on the **Business** of the **Partnership**, including, without limitation, the maintaining of a **Record of Limited Partners** stating for each **Limited Partner** the information prescribed by The Business

Names Registration Act, C.C.S.M. c. B110. The **General Partner** and each **Limited Partner** shall execute and deliver as promptly as possible any document that may be necessary or desirable to accomplish the purposes of this **Agreement** or to give effect to the formation and continuation of the **Partnership** under any and all applicable laws. The **General Partner** shall take all necessary action to reflect the constitution of the **Partnership**, on the basis of information available to it, in order to maintain the status of the **Partnership** as a limited partnership under the laws of the Province of Manitoba and to maintain the **Partnership** in compliance with the laws of any other governing authority having jurisdiction over the **Partnership**. The **General Partner** covenants and agrees that:

i) The **Partnership** will not carry on any business in any jurisdiction unless the **General Partner** has taken all steps which may be required by the laws of that jurisdiction for the **Limited Partners** to benefit from limited liability to the same extent that **Limited Partners** enjoy limited liability under the **Act**. The **Partnership** will not carry on business in any jurisdiction in which the laws do not recognize the liability of the **Limited Partners** to be limited unless, in the opinion of the **General Partner**, the risks associated with the possible absence of limited liability in that jurisdiction are not significant considering the relevant circumstances.

ii) The **Partnership** will carry on business in a manner so as to ensure to the greatest extent possible the limited liability of the **Limited Partners**, and the **General Partner** will register the **Partnership** in other jurisdictions where the **General Partner** considers it appropriate to do so.

Fiscal Year

2.04 The **Fiscal Year** of the **Partnership** shall begin on the 1st day of April and shall end on the 31st day of March in each and every year or on such other date as the **Limited Partners** may determine by **Ordinary Resolution**.

Business of the Partnership

2.05 The business of the **Partnership** (the “**Business**”) is the completion of the planning, construction, ownership, maintenance and operation of the **Wuskwatim Project** and the sale of energy generated by it and any activities incidental or related thereto with a view to making a profit therefrom.

Registered Office and Mailing Address

2.06 The registered office and mailing address of the **Partnership** and the registered office and mailing address of the **General Partner** shall be ~~820 Taylor~~**360 Portage** **Avenue, Winnipeg,** ~~Manitoba~~ **MB** **R3C** ~~2P4.~~**0G8.** The **General Partner** may not change the registered office or mailing address of the **Partnership** without the consent of all **Limited Partners**.

Term

2.07 The term of the **Agreement** (the "**Term**") shall be indefinite, unless the **Partnership** is dissolved in accordance with Article 10. For greater certainty, this **Agreement** is intended to preclude any **Partner** from dissolving the **Partnership** by giving notice to the other **Partners**, except in accordance with the provisions of Article 10.

Representations and Warranties of the General Partner

2.08 The **General Partner** represents and warrants to, and covenants with, each **Limited Partner** that:

(a) the **Partnership** is a valid limited partnership, duly formed under the laws of the Province of Manitoba;

(b) it is and shall continue to be a corporation incorporated and in good standing under the laws of the Province of Manitoba, or any other jurisdiction under which the **General Partner** may continue or under which a successor to the **General Partner** may be incorporated or continue;

(c) it will maintain all registrations in any jurisdiction where the **Business** of the **Partnership** requires such registration necessary for the conduct of the **Business** and, subject to the successful completion of all necessary regulatory reviews, will have and will continue to have all licenses and permits necessary to carry on the **Business** as **General Partner**;

(d) it has and will continue to have the capacity and corporate authority to act as the general partner of the **Partnership** and to perform its obligations under this **Agreement**, and such obligations do not and will not conflict with, nor do they or will they result in a breach of, its articles of incorporation, its by-laws, any resolutions of its directors or shareholders or any agreement to which it is a party or by which it is bound;

(e) the entering into of this **Agreement** by the **General Partner**, and the performance of its obligations under this **Agreement**, do not and will not require the approval or consent of, or any notice to or filing with, any governmental authority except such approvals and consents as: (i) have been obtained on or before the date hereof; or (ii) will be obtained by the **General Partner** prior to such consents and approvals being required in order for the **General Partner** to carry out its duties and covenants hereunder;

(f) it is not, and shall continue not to be, a non-resident of Canada within the meaning of the **Tax Act**;

(g) the **General Partner** has taken and will take all necessary corporate action to authorize the execution, delivery and performance of this **Agreement**, and this **Agreement** constitutes a valid and binding obligation of the **General Partner**, enforceable against the **General Partner** in accordance with the terms of this **Agreement**;

(h) no authorization, consent or approval of, or filing with, or notice to, any **Person** is required in connection with the execution, delivery or performance of this **Agreement** by the **General Partner,** except such authorizations, consents and approvals as: (i) have been obtained on or before the date hereof; or (ii) will be obtained prior to such authorizations, consents and approvals being required in order for the **General Partner** to carry out its duties and covenants hereunder;

(i) there are no actions, suits or proceedings pending or, to the knowledge of the **General Partner**, threatened, against or affecting the **General Partner** or any of its assets or undertaking at law or in equity or before any arbitrator or any governmental authority having jurisdiction which, if determined adversely, could affect adversely the **General Partner**, and the **General Partner** is not in default with respect to any law, regulation, order, writ, judgment, injunction or award of any competent governmental authority, court, arbitrator or instrumentality which would have such an effect.

Representations and Warranties of each Limited Partner

2.09 Each **Limited Partner** represents and warrants to each other **Limited Partner** and to the **General Partner** that it:

(a) is not and shall continue not to be a "non-resident" of Canada within the meaning of the **Tax Act**;

(b) is not and shall not become a "non-Canadian" within the meaning of the Investment Canada Act (Canada);

(c) is legally competent to execute this **Agreement** and all other agreements contemplated hereby and to take all actions required pursuant hereto, and further certifies that all necessary approvals of directors, shareholders, partners, members or otherwise have been given;

(d) shall promptly provide such evidence of its status as the **General Partner** may reasonably request; and

(e) is and shall continue to be a corporation incorporated and in good standing under its jurisdiction of incorporation, which is Manitoba in the case of **Hydro** and **Taskinigahp Power Corporation**.

Covenant on Representations and Warranties

2.10 Each **Limited Partner** covenants and agrees that it will not transfer or purport to transfer its **Units** to any **Person** which would be unable to make the representations and warranties in section 2.09 and will not change its status such that the above representations would at any time be untrue.

Compliance with Laws

2.11 Each **Limited Partner** shall, on request by the **General Partner**, immediately execute all certificates, declarations, instruments and documents necessary to comply with any applicable law or regulation in regard to the formation, continuance, operation or dissolution of the **Partnership** or in connection with the qualification of the **Partnership** to carry on the **Business** or to own the **Partnership Assets**.

Limitation on the Authority of Limited Partners

2.12 No **Partner**, other than the **General Partner**, shall or shall be entitled to:

(a) take part in the management of the **Business** or the **Partnership** or exercise any power in connection with that control or management or transact business on behalf of the **Partnership**;

(b) execute any document, other than those signed in connection with the **Partners** voting on a resolution of the **Partners**, which binds or purports to bind any other **Partner**, the **General Partner** or the **Partnership**;

(c) hold itself out as having the authority or power to bind any other **Partner**, the **General Partner** or the **Partnership**;

(d) have any authority or power to act for or undertake any obligation or responsibility on behalf of any other **Partner**, **General Partner** or the **Partnership**;

(e) bring any action for partition or sale or otherwise in connection with the **Partnership**, or any interest in any property of the **Partnership**, whether real, tangible or intangible, or file or register or permit to be filed, registered or remain undischarged any lien or charge in respect of any property of the **Partnership**;

(f) compel or seek a partition or sale, judicial or otherwise, of any of the assets of the **Partnership** distributed or to be distributed to the **Partners** in kind in accordance with this **Agreement**;

(g) bring any action for the dissolution of the **Partnership**; or

(h) take any action that will jeopardize or eliminate the status of the **Partnership** as a limited partnership or a "Canadian partnership" for the purposes of the **Tax Act**.

Authority of Hydro

2.13 Notwithstanding the provisions of section 2.12 or any other provision of this **Agreement,** but subject always to the receipt of such approvals as may be required under the **PDA** for **Hydro** or any **Affiliate** of **Hydro** to enter into any agreements with the **Partnership** other than the **Hydro Service Agreements**, **Hydro** shall be entitled to perform all acts and do all things necessary or desirable pursuant to the terms of any agreement between **Hydro** and the **Partnership,** including the **Hydro Service Agreements,** provided, however, that no such act or thing shall jeopardize or eliminate the status of the **Partnership** as a limited partnership or a "Canadian partnership" for the purposes of the **Tax Act**.

ARTICLE III

MANAGEMENT OF PARTNERSHIP

Authority of General Partner

3.01 The **General Partner**, subject to the terms of this **Agreement** and to all applicable laws, shall and is authorized to carry on the **Business** of the **Partnership**, with full power and authority to administer, manage, control and operate the **Business** of the **Partnership** and shall and is given all power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for and incidental to carrying on the **Business** of the **Partnership** for and on behalf of and in the name of the **Partnership**. The **General Partner** shall have unlimited liability for the debts, liabilities, obligations and losses of the **Partnership** to the extent that they exceed the assets of the **Partnership**, as required by the **Act**.

Powers of General Partner

3.02 Without limiting the generality of section 3.01 and subject to the terms of this **Agreement**, the **General Partner**, acting reasonably, shall carry out the objects, purposes and all of the activities of the **Partnership** and shall manage the **Business** of the **Partnership** and shall have full power and authority for and on behalf of and in the name of the **Partnership** to:

(a) provide overall management, financial and business planning as required in the operation of the **Business**;

(b) negotiate, execute and perform all agreements which require execution by or on behalf of the **Partnership** involving matters or transactions with respect to the **Business**;

(c) subject to any prior approval of the **Limited Partners** required pursuant to the terms of this **Agreement**, cause the **Partnership** to acquire, sell, transfer or otherwise dispose of, mortgage, pledge, encumber, hypothecate or exchange any or all of the **Partnership Assets**;

(d) use the **Partnership Assets** (including, without limitation, cash on hand) for the purpose of furthering the **Business** on such terms as it sees fit, including, without limitation, the financing of the **Business**, the repayment of obligations of the **Partnership**, the conduct of the **Business** and the purchase or acquisition, as

Partnership Assets, of any other assets or interests in properties, as may be deemed appropriate in its sole discretion in connection with the **Partnership's** operations;

(e) open and manage bank accounts in the name of the **Partnership** and spend the capital of the **Partnership** in the exercise of any right or power exercisable by the **General Partner** hereunder;

(f) borrow funds in the name of the **Partnership** from time to time, including without limitation from the **General Partner** or any affiliate of the **General Partner** provided that the rate of interest and any other expenses relative to those borrowings will not, under any circumstances, exceed that which the Partnership could obtain from a Canadian chartered bank with respect to similar borrowings;

(g) draw, make, execute and issue promissory notes, evidences of indebtedness and all other negotiable or non-negotiable instruments;

(h) mortgage, charge, assign, hypothecate, pledge or otherwise create a security interest in all **Partnership Assets**;

(i) subject to section 6.06, establish such reserves as shall be determined to be reasonable in connection with the operation and future needs of the **Business** in order to carry on prudently the **Business**;

(j) see to the sound management of the **Partnership** and to manage, control and develop all the activities of the **Partnership** and take all measures necessary or appropriate for the **Business** of the **Partnership** or ancillary thereto;

(k) maintain, improve, upgrade, expand, acquire or dispose of the **Partnership Assets** from time to time;

(l) incur and pay all costs and expenses in connection with the **Partnership**;

(m) allocate **Net Income** or **Net Losses** and distribute **Distributable Cash** to the **Partners** in accordance with the provisions of this **Agreement**;

(n) employ, retain, engage or dismiss from employment, individuals, agents, representatives or professionals or other persons with the powers and duties upon the terms and for the compensation as in the discretion of the **General Partner** may be necessary or advisable in the carrying on of the **Business**;

(o) engage agents to assist the **General Partner** to carry out its management obligations to the **Partnership** or subcontract administrative functions;

(p) establish advisory committees to provide to it such advice on such matters as it deems appropriate from time to time;

(q) invest cash assets of the **Partnership** that are not immediately required for the **Business** in investments which the **General Partner** considers appropriate;

(r) act as attorney in fact or agent of the **Partnership** in disbursing and collecting moneys for the **Partnership** and in paying debts and fulfilling the obligations of the **Partnership** and handling and settling any claims of the **Partnership**;

(s) commence or defend any action or proceeding in connection with the **Partnership**;

(t) file returns or other documents required by any governmental or like authority;

(u) make any election that may be made under the **Tax Act** or any other legislation;

(v) purchase, lease or otherwise acquire equipment and premises in connection with the **Business**;

(w) retain legal counsel, experts, advisors or consultants as the **General Partner** considers appropriate and rely upon the advice of such persons;

(x) purchase policies of insurance, as it considers appropriate, for the **Business** and to insure against any liabilities or potential liabilities of the **General Partner**, **Limited Partners** and the **Partnership** that arise or may arise from this **Agreement** or in law or in equity, including, without limiting the generality of the foregoing, relating to personal injury or property damage;

(y) execute and carry out the obligations of the **Limited Partnership** under the terms of the **PDA** and in such other agreements as are referred to in the **PDA** or as are otherwise necessary or desirable for the carrying on of the **Business**;

(z) do anything that is in furtherance of or incidental to the **Business** or that is provided for in this **Agreement** and execute, acknowledge and deliver the documents necessary to effectuate any or all of the foregoing or otherwise in connection with the **Business**; and

(aa) conduct business so that no **Persons** dealing with the **Partnership** will be required to enquire into the authority of the **General Partner** to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for or on behalf of or in the name of the **Partnership**. The **General Partner** will make all reasonable efforts to insert, and to cause agents of the **Partnership** to insert, the following clause in any contracts or agreements to which the **Partnership** is a party or by which it is bound (other than the **PDA**, the **Interconnection and Operating Agreement** and the **NCN Adverse Effects Agreement** provided that this exclusion from the requirement of inserting the following clause in these agreements shall not be construed as detracting from the limited liability of the **Limited Partners** hereunder or thereunder):

> "The parties hereto acknowledge that Wuskwatim Power Limited Partnership is a limited partnership formed under the laws of the Province of Manitoba, a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to the capital of the limited partnership and the limited partner's pro rata share of any undistributed income. The parties hereto acknowledge that the obligations of Wuskwatim Power Limited Partnership shall not be personally binding upon, nor shall resort be had to, the property of any of the limited partners, their heirs, successors and assigns, and that resort shall only be had to the property of the Wuskwatim Power Limited Partnership or the property of its general partner. 5022649 Manitoba Ltd. is the sole general partner of the limited partnership."

Covenants of General Partner

3.03 Subject to the provisions of this **Agreement**, the **General Partner** covenants that:

(a) it will exercise the powers and discharge its duties under this **Agreement** honestly, in good faith, and in the best interests of the **Partnership**;

(b) in carrying out its obligations under this **Agreement**, it will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(c) it will maintain the confidentiality of financial and other information and data which it may obtain through or on behalf of the **Partnership**, the disclosure of which may adversely affect the interests of the **Partnership** or of a **Limited Partner**, except to the extent that disclosure is permitted as provided in this **Agreement**, is required by law, is required by virtue of the fact that **Hydro** is a Crown Corporation and must present annual financial statements for public review, or is in the best interests of the **Partnership**;

(d) it shall not carry on any operations in addition to its activities as general partner of the **Partnership** and will devote its best efforts to, and for the benefit of, the **Partnership** and will devote as much time as is necessary for the conduct and prudent management of the activities and affairs of the **Partnership**; and

(e) it will do all things and take all actions as may be necessary to ensure and protect, to the extent reasonably possible, the limited liability of the **Limited Partners**.

Conflict of Interest

3.04 Notwithstanding sections 3.03 or 3.09 or any other provision of this **Agreement**, the **Parties** acknowledge that there is an inherent conflict of interest in **Hydro** entering into the **Hydro Service Agreements** with the **Partnership**. The parties agree that the entering into of the

Hydro Service Agreements and the performance by the **General Partner** on behalf of the **Partnership** and **Hydro** of their respective obligations thereunder in accordance with their respective terms shall not constitute a breach by the **General Partner** of its obligations, fiduciary, contractual or otherwise, to the **Partnership**. It is further acknowledged and agreed that, in accordance with the provisions of the **Operations and Maintenance Agreement** and the **System Operations and Dispatch Agreement**, **Hydro**, in performing its functions under the said two agreements only, is entitled to act and may act at any time as **Hydro** in its sole discretion acting in good faith deems advisable in the best interests of the **Integrated Power System** regardless of whether a particular act, or actions, taken by **Hydro** in the best interests of the **Integrated Power System** may be detrimental to the interests of the **Partnership** or constitute a breach by **Hydro** of an agreement between it and the **Partnership**. The parties agree that neither **Hydro** nor the **General Partner** shall be liable to any **Partner** nor to the **Partnership** for any loss or damage of whatever nature the latter may incur as a consequence of the **General Partner** having entered into the **Operations and Maintenance Agreement** and the **System Operations and Dispatch Agreement** or of **Hydro**, acting in good faith, having acted in the best interests of the **Integrated Power System** as described in this section, subject to section 3.08 hereof and the review processes set out in Articles XVIII and XIX, respectively, of the **PDA**.

Other Activities of General Partner, Shareholder or Affiliates

3.05 Notwithstanding any other provision of this **Agreement**, it is expressly understood and agreed that shareholders and **Affiliates** of the **General Partner** may engage in businesses which may be similar to or competitive with those in which the **Partnership** is or might be engaged and neither the **General Partner** nor its shareholders and affiliates shall be required to offer or make available to the **Partnership** any business, other than the **Business**, or investment opportunity which its shareholders and **Affiliates** may acquire or be engaged in for their own account. The validity of a transaction, agreement or payment involving the **Partnership** and the **General Partner's** shareholders or an **Affiliate** is not affected by reason of the relationship between the **General Partner** and its shareholders or **Affiliates** nor by reason of the approval or lack thereof of the transaction, agreement or payment by the directors of the **General Partner**, all or some of whom may be involved personally or as officers or directors of, or otherwise interested in or related to, the **General Partner's** shareholders or **Affiliates**. Subject always to the receipt of such approvals as may be required under section 2.19 of the **PDA** for **Hydro** or any **Affiliate** of **Hydro** to enter into any agreements with the **Partnership** (other than the **Hydro Service Agreements**), the **General Partner** may engage or retain its shareholders or **Affiliates** on behalf of the **Partnership** to provide goods or services to the **Partnership** and may, in its discretion, engage other **Persons** interested in or companies owned by, associated with or affiliated with the **General Partner**, to render on behalf of the **General Partner**, part or all of such generalized and specialized management functions or administrative services as are reasonably required to accomplish the **Business** of the **Partnership.** This section 3.05 is not intended to detract from or limit the fiduciary obligations of the **General Partner** to the **Partnership** and shall not be deemed to do so.

Title to Partnership Assets

3.06 Title to the **Partnership Assets** shall be deemed to be owned by the **Partnership** as an entirety, and no **Partner** individually shall have any ownership interest in the assets of the **Partnership** or any portion thereof. Title to any or all of the **Partnership's** assets shall be held in the name of the **General Partner** for the benefit of the **Partnership** or in such other names as the **General Partner** may determine from time to time. The **General Partner** declares and warrants that any assets of the **Partnership** of which legal title is held in the name of the **General Partner** shall be held by the **General Partner** as agent of the **Partnership** for the use and benefit of the **Partnership** in accordance with the provisions of this **Agreement**. All of the assets of the **Partnership** shall be recorded as the property of the **Partnership** on its books and records, irrespective of the name in which legal title to such assets is held.

Expenses of the General Partner

3.07 The **Partnership** shall be directly responsible for the payment of all **Allowable Operating Expenses** and shall reimburse the **General Partner** for them, to the extent that they are not otherwise recoverable from the revenues of the **Business**, on a monthly basis, or on any other basis as the **General Partner** may determine in its sole and complete discretion, provided that the **General Partner** is not in default of its duties in connection with such expenses.

Limitation of Liability

3.08 The **General Partner** and its officers, directors, shareholders, employees, agents and **Affiliates** shall not be liable to a **Limited Partner** for any act or omission that does not constitute actual fraud, gross negligence or willful misconduct, if the **General Partner** or the **Person** acted in good faith and in a manner the **General Partner**, or the **Person**, believed to be in the interests of the **Partnership** or not opposed to the interests of the **Partnership** or pursuant to section 3.04. The **General Partner** shall indemnify the **Partnership** and the **Limited Partners** for any costs, damages, liabilities or expenses (including legal fees and expenses) suffered or incurred by the **Partnership** or the **Limited Partners** for an act or omission other than in the circumstances where the **General Partner** is excluded from liability in accordance with the immediately preceding sentence or in circumstances wherein **Hydro**, its subsidiaries and employees are either exempt from liability, or liability is limited (in which instances no more than the amounts determined through application of the sections in question shall be paid), pursuant to the provisions of sections 4(4), 13, 23(4), 24(2), 24(3) and 25(5) of the *Hydro Act,* R.S.M. 1987, c. H190 and amendments thereto (in which instances no more than the amounts determined through application of the sections in question shall be paid).

Indemnity

3.09 The **Partnership** shall indemnify the **General Partner** and its officers, directors, shareholders, employees, agents and **Affiliates** for any costs, damages, liabilities or expenses (including legal fees and expenses) suffered or incurred by them arising out of or incidental to the furtherance of the **Business**, except where the **General Partner** is not entitled to indemnity by application of section 3.08 hereof. Nothing in this provision is intended to detract from the limited liability to which the **Limited Partners** are entitled hereunder and under the **Act**.

Limited Liability of Limited Partners

3.10 Subject to the **Act** and the applicable legislation of any other jurisdiction in which the **Partnership** carries on business, and subject further to any act taken or thing done by a **Limited Partner** contrary to the provisions of this **Agreement**, the liability of each **Limited Partner** for the debts, liabilities and obligations of the **Partnership** is limited to the **Limited Partner's Capital Contribution**, plus the **Limited Partner's** *pro rata* share of any undistributed income of the **Partnership**. Where **Limited Partners** have received the return of all or part of their **Capital Contribution**, the **Limited Partners** shall be liable to the **Partnership's** creditors for any amount, not in excess of the amount returned with interest, necessary to discharge the liabilities of the **Partnership** to all creditors who extended credit or whose claims otherwise arose before the return of the **Capital Contribution**. The **General Partner** will operate the **Partnership** to ensure to the greatest extent possible the limited liability of the **Limited Partners** and will indemnify and hold harmless each **Limited Partner** (including former **Limited Partners**) for all costs, expenses, damages or liabilities suffered or incurred by the **Limited Partner** if the limited liability of that **Limited Partner** is lost, but only if that **Limited Partner's** limited liability is lost as a result of the gross negligence, wilful misconduct or fraud of the **General Partner** in performing its duties and obligations under this **Agreement**. Each **Limited Partner** (the "**Breaching Limited Partner**") will indemnify and hold harmless each of the other **Limited Partners** (including former **Limited Partners**) for all costs, expenses, damages or liabilities suffered or incurred by any such other **Limited Partner** if the limited liability of such other **Limited Partner** is lost due to an act or omission of the **Breaching Limited Partner** that constitutes a breach of this **Agreement**, gross negligence, wilful misconduct or fraud.

Power of Attorney

3.11 In consideration of the sum of $10.00, the receipt and sufficiency of which is hereby acknowledged, each **Limited Partner** hereby irrevocably and unconditionally nominates, constitutes and appoints the **General Partner** with full power of substitution, as its true and lawful attorney and agent with full power and authority in its name, place and stead and for its use and benefit to do the following, namely:

(a) make, execute, swear to, sign, acknowledge, deliver and file, including filing for recording at the appropriate public offices, as, when and where required, any and all of the following:

(i) this **Agreement** and all declarations and other instruments necessary to form, qualify or continue and keep in good standing the **Partnership** as a limited partnership under the laws of the Province of Manitoba and any other jurisdiction in which any such documents may be required or desirable;

(ii) all instruments, declarations and certificates necessary to reflect any amendment to this **Agreement** (subject to such approvals as may be required hereunder) or to the constitution of the **Partnership**; and

(iii) all conveyances, agreements and other instruments necessary or desirable to reflect the dissolution and termination of the **Partnership** and the cancellation of any certificates or declarations, subject always to the provisions of this **Agreement**, including Article 10 hereof;

(b) execute and file with any government body or instrumentality thereof of the Government of Canada or a province in Canada or any other governmental authority having jurisdiction any documents necessary to be filed in connection with the **Business**, property, assets and undertaking of the **Partnership**;

(c) execute and deliver this **Agreement** and any amendments to it approved as required under this **Agreement**;

(d) execute and deliver all such other documents or instruments on behalf of and in the name of the **Partnership** and/or the **Limited Partners** as may be deemed necessary or desirable by the **General Partner** to carry out fully the provisions of this **Agreement** and the provisions of any agreements to which it is a party;

(e) prepare, execute and file all income tax, sales tax and other tax forms, returns and elections which the **Partnership** is required to file or which are deemed desirable to be filed by the **General Partner**; and

(f) prepare and execute assignments and transfers of **Units** when necessary or desirable in accordance with the terms of this **Agreement**.

To evidence the foregoing, each **Limited Partner**, in executing a **Subscription Agreement** or in executing the form of transfer of a **Unit**, will have executed a power of attorney containing substantially the same powers set forth above. Each **Limited Partner** hereby declares that the power of attorney granted herein is irrevocable, is a power coupled with an interest, will survive the insolvency of a **Limited Partner** and will survive the assignment (to the extent of the **Limited Partner's** obligations hereunder and with respect to such actions as are necessary to effect the substitution of the assignee as a limited partner in the **Partnership**) by the **Limited Partner** of the whole or any part of the interest of the **Limited Partner** in the **Partnership** and extends to the heirs, executors, administrators, successors and assigns of the **Limited Partner** and may be exercised by the **General Partner** executing on behalf of each **Limited Partner** any instrument with a single signature as attorney and agent for all of them.

This power of attorney shall not revoke any previous general or continuing power of attorney granted by the **Limited Partner** and will not itself be revoked by any future grant of a general or continuing power of attorney by the **Limited Partner**.

This power of attorney shall not be affected by the withdrawal, resignation or deemed resignation of the **General Partner** as general partner for the **Partnership** and, upon substitution therefore of a replacement **General Partner**, may be exercised by such replacement **General Partner** as if it were an original party to this **Agreement**.

Each **Limited Partner** agrees to be bound by any representations and actions made or taken in good faith by the **General Partner** pursuant to such power of attorney in accordance with the terms hereof, and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the **General Partner** taken in good faith under such power of attorney.

Restrictions on Authority of General Partner

3.12 The **General Partner's** powers and authorities do not extend to any powers, actions or authority enumerated in Section 9.11 unless and until the requisite **Special Resolution** is passed by the applicable **Partners**. The **General Partner** will not:

(a) commingle the funds of the **Partnership** with its own funds or the funds of any of its **Affiliates** or associates or any other **Person**;

(b) dissolve the affairs of the **Partnership**, except in accordance with the provisions of Article 10;

(c) sell, exchange or otherwise dispose of all or substantially all of the assets of the **Partnership**;

(d) except in accordance with Article 4, assign, transfer or otherwise dispose of its entire interest as **General Partner** without approval of the **Limited Partners**; and

(e) enter into any agreement on behalf of the **Partnership** with **Hydro** or an **Affiliate** of Hydro that requires prior approval in accordance with section 2.19 of the **PDA** until such approval is obtained.

ARTICLE IV

WITHDRAWAL OR REMOVAL OF GENERAL PARTNER

Withdrawal of General Partner

4.01 The **General Partner** may withdraw if such withdrawal is approved by **Special Resolution** of the **Limited Partners**.

Deemed Resignation of General Partner

4.02 The **General Partner** shall be deemed to have resigned as the general partner of the **Partnership** in the event of the bankruptcy, dissolution, liquidation or winding-up of the **General Partner** (or the commencement of any act or proceeding in connection therewith which is not contested in good faith by the **General Partner**) or by the appointment by a court of competent jurisdiction of a trustee, receiver or manager of the affairs of all or substantially all of the properties of the **General Partner**. The **General Partner** shall forthwith advise the **Limited Partners** by written notice of the occurrence of any event referred to in this section 4.02. In such circumstances, the **Limited Partners** shall have the right by **Ordinary Resolution,** after consultation, to designate a successor **General Partner**.

No Removal of General Partner

4.03 The **General Partner** may not be removed by the **Partners** as the **General Partner** except by **Special Resolution**. In such circumstances, the **Limited Partners,** after consultation, shall have the right by **Ordinary Resolution** to designate a successor general partner.

Effect of Withdrawal, Deemed Resignation or Removal of General Partner

4.04 In the event of the withdrawal, deemed resignation or the removal of the **General Partner**, as provided herein, the **General Partner** shall cease to be entitled to any allocation of **Net Income** or **Net Loss** provided for herein upon the effective date of such resignation, deemed resignation or removal, but shall be entitled to its share of any allocation of **Net Income** or **Net Loss** up to such date. The withdrawing, resigning or removed **General Partner** shall be, and shall remain liable for all obligations and liabilities incurred by the **Partnership** for which the **General Partner** was liable before such withdrawal, deemed resignation or removal became effective.

Successor General Partner

4.05 A **Special Resolution** recording the withdrawal or removal of the **General Partner** may provide for the nomination and appointment of a successor **General Partner**, and the resolution in that circumstance shall become effective only on the admission of the successor **General Partner** to the **Partnership** in accordance with the provisions of this **Agreement**. Upon the occurrence of the events described in this paragraph, the successor **General Partner** shall continue the **Business** of the **Partnership** without dissolution.

On the admission of a successor **General Partner** to the **Partnership** on the resignation or removal of the **General Partner**, the resigning or retiring **General Partner** will do all things and take all steps to transfer the administration, management, control and operation of the **Business** of the **Partnership** and the books, records and accounts of the **Partnership** to the successor **General Partner** and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer in a timely fashion.

On the resignation or removal of the **General Partner** and the admission of a successor **General Partner**, the resigning, or retiring, **General Partner**, at the cost of the **Partnership**, will transfer title to the **Partnership**’s property to such successor **General Partner** and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect such transfer in a timely fashion.

On the resignation or removal of the **General Partner**, the **Partnership** will release and hold harmless the **General Partner** resigning or being removed from any costs, expenses, damages or liabilities suffered or incurred by the **General Partner** as a result of or arising out of events which occur in relation to the **Partnership** after such resignation or removal.

A successor **General Partner** shall not be a “non-resident” of Canada within the meaning of the ***Tax Act*** and will become a party to this **Agreement** and will agree to be bound by all of the provisions of this **Agreement** and to assume the obligations, duties and liabilities of the **General Partner** from the date the new **General Partner** becomes a party to this **Agreement**.

General Partner's Interest

4.06 The **General Partner** shall transfer all, but not less than all, of its **General Partner** interest in the **Partnership** to a successor **General Partner** appointed in accordance with the provisions of this **Agreement** or otherwise with the unanimous consent of the **Limited Partners**, provided in each case that any transferee assumes the rights and duties of the **General Partner** and agrees to be bound by the provisions of this **Agreement**.

Continuity of Partnership

4.07 In the event of the bankruptcy, insolvency, dissolution, liquidation or winding up of the **General Partner**, the **Partnership** shall not terminate but shall be continued by the then newly appointed or admitted **General Partner**.

ARTICLE V

THE UNITS

Number of Units

5.01 Subject to this **Agreement**, the **Partnership** shall be divided into **Units.** Subject to section 5.02, the Units may be sub-divided into such classes as the **General Partner** may determine are necessary or appropriate provided that the prior consent is obtained from any **Limited Partner** owning **Units** at the time of such proposed sub-division. The **Partnership** shall be authorized to issue an unlimited number of **Units**. **Units** may be issued in fractions.

Nature of Unit

5.02 Each issued and outstanding **Unit** shall be equal to each other **Unit** with respect to voting rights, the right to receive distributions from the **Partnership** and otherwise. No **Unit** shall have any preference or right in any circumstances over any other **Unit**. Each **Unit** carries the right to one vote in respect of all matters to be decided by the **Limited Partners**. Holders of fractional **Units** shall be entitled to vote as hereinafter provided. **Units** have no preference, exchange, preemptive or redemption rights. Only registered holders of **Units** will be entitled to vote or receive distributions or otherwise to exercise or enjoy the rights of **Limited Partners**.

Unit Certificates

5.03 **Unit Certificates** shall be in such form as is from time to time approved by the **General Partner** and shall be signed by the **General Partner** for and on behalf of the **Partnership**.

Unit Subscription

5.04 For each **Unit** subscribed for a **Person** shall pay to the **Partnership** the sum of $1,000 per **Unit**. The **General Partner** shall subscribe for a nominal number of **Units**, not to exceed 0.01% of the issued **Units**. Unless the Parties otherwise agree, subscriptions for **Units** shall be accepted by the **General Partner** only if they are in compliance with this **Agreement** and the **PDA**. The **General Partner** shall subscribe for, and maintain at all times while it is the general partner of the **Partnership**, such number of **Units** equal to 0.01% of the issued **Units**.

Receipt by Limited Partner

5.05 The receipt of any money, securities or other property from the **Partnership** by a **Person** in whose name any **Units** are recorded, or if such **Units** are recorded in the names of more than one **Person**, the receipt thereof by any one of such **Persons**, or by the duly authorized agent of any such **Person** in that regard, shall be a sufficient and proper discharge for that amount of money, securities and other property payable or deliverable in respect of such **Units**.

Registrar and Transfer Agent

5.06 The **General Partner**, or such other **Person** as may be appointed from time to time by the **General Partner**, shall act as **Registrar and Transfer Agent** of the **Partnership** and shall maintain such books as are necessary to record the names and addresses of the **Limited Partners**, the number of **Units** held by each **Limited Partner** and particulars of the transfer of **Units**. The **General Partner** shall cause the **Registrar and Transfer Agent** to perform all duties usually performed by a registrar and transfer agent of certificates of shares in a corporation except as the same may be modified by reason of the nature of the **Units**.

For so long as the **General Partner** shall be **Registrar and Transfer Agent**, the register of **Limited Partners** will be kept by the **General Partner** at its registered office.

Inspection of Records

5.07 The **General Partner** shall cause the **Registrar and Transfer Agent** to make the records relating to the **Limited Partners** available for inspection by any **Limited Partner**, or his agent duly authorized in writing, at the expense of such **Limited Partner**. A copy of the register of the **Limited Partners** shall be provided to any **Limited Partner** on forty-eight [48] hours notice in writing to the **Registrar and Transfer Agent**, at the expense of the **Limited Partner** requesting same.

Transfer of Units

5.08 **Partners** shall not transfer any **Units** owned by them without the unanimous consent of all **Limited Partners**, which consent can be unreasonably withheld except, no consent shall be required in the case of transfers of **Units** between **Hydro** and **Taskinigahp Power Corporation** and transfers of **Units** from the **General Partner** to a successor **General Partner** appointed in accordance with the provisions of this **Agreement,** and the refusal to consent must be reasonable in the case of transfers from **Taskinigahp Power Corporation** to another wholly owned subsidiary of **NCN** or from **Hydro** to another entity wholly owned by **Hydro**. The **General Partner** shall effect any transfer of **Units** required pursuant to the exercise of any sale or purchase right conferred upon **Hydro** or Taskinigahp Power Corporation, as the case may be, in the **Taskinigaph Power Corporation Financing Agreement**.

Restriction on Pledge of Unit(s)

5.09 Save and except for the provisions of the **NCN Financing Agreement,** the **Taskinigahp Power Corporation Financing Agreement** and the **Revenue Advances Consolidation Agreement** as described in the **PDA, Limited Partners** shall not pledge, encumber or assign their **Units** or their interests in their respective capital accounts without the unanimous consent of all **Limited Partners,** which consent can be unreasonably withheld.

Parties Not Bound To See To Trust or Equity

5.10 Except where specific provision has been made therefore in this **Agreement** or a related agreement, including such related finance agreements as may be entered into between **Hydro** and **NCN** and/or **Taskinigahp Power Corporation**, the **Registrar and Transfer Agent** may not be bound to see to the execution of any trust, express, implied or constructive, or any charge, pledge or equity to which any **Unit** or any interest therein is subject or to ascertain or inquire whether any sale or transfer of any such **Unit** or interest therein by a **Limited Partner** or his personal representative is authorized by such trust, charge, pledge or equity, or to recognize any **Person** having any interest therein except for the **Person** or **Persons** recorded as such **Limited Partner**.

Insolvency or Bankruptcy

5.11 In the event of the incapacity, death, insolvency or bankruptcy of a **Limited Partner**, the remaining **Limited Partners** shall have the right, if they so elect, to purchase the **Units** of the **Limited Partner** so incapacitated, deceased, insolvent or bankrupt for a price equal to the fair market value of such **Units** less the amount of any outstanding indebtedness in respect of such **Units** which would have to be paid to obtain the full release of any security interest in such **Units** and after making such adjustments as are reasonable on account of the limited market for the sale of the **Units** and the fact that such sale, in some circumstances, would amount only to a disposition of the minority interest in the **Partnership**, all as determined by an independent third party with expertise in the generation and sale of electricity at the time of disposition.

Lost Unit Certificates

5.12 Where a **Limited Partner** claims that the **Unit Certificate** for its **Units** has been defaced, lost, apparently destroyed or wrongly taken, the **Registrar and Transfer Agent** shall cause a new **Unit Certificate** to be issued, provided that the **Limited Partner** files with the **Registrar and Transfer Agent** a proof of loss in a form satisfactory to the **General Partner** to protect the **Registrar and Transfer Agent** and the **Partnership** from any claimants producing the lost **Unit Certificate** and provided further that the **Limited Partner** satisfies all other reasonable requirements imposed by the **Registrar and Transfer Agent**.

ARTICLE VI

CONTRIBUTIONS, ALLOCATIONS AND DISTRIBUTIONS

Capital Contribution

6.01 The capital of the **Partnership** shall be the aggregate amount of the **Capital Contributions** made by all of the **Partners** from time to time.

Separate Capital Accounts

6.02 There shall be established on the books of the **Partnership** a separate capital account for each **Partner** and each **Partner** shall be credited with the amount of its **Capital Contribution** to the **Partnership**. The capital account of each **Partner** shall be increased by the **Partner's** share of **Net Income** for each **Fiscal Year** and any additional **Capital Contributions**, and shall be decreased by distributions to the **Partner** and **Partner's** share of **Net Loss** for any **Fiscal Year**. No **Partner** shall be entitled to withdraw any part of its capital account or to receive any distribution on return of its **Capital Contribution** except as provided in this **Agreement**. The interest of a **Partner** in the **Partnership** shall not terminate by reason of a negative balance in its capital account.

Additional Capital Contributions

6.03 The **General Partner** shall be entitled to call upon the **Partners** to make additional cash contributions by way of capital investment in the **Partnership** in pro rata amounts in accordance with the number of **Units** owned by each **Partner** on the date of such call. ~~The **General Partner** shall be entitled~~ In determining whether to make a call and the amount of the cash contribution required of the **Partners** in respect of that call the **General Partner** shall, acting honestly and in good faith, consider:

(i) the best interests of the **Partnership**;

(ii) the effect of the call and the amount of the cash contribution on each of the **Limited Partners** including the extent to which the call may dilute the interest of a **Partner**;

(iii) the current and desired **Debt Ratio** of the **Partnership**;

(iv) the amount of reserves currently being maintained by the **General Partner** for the **Partnership**, if any and the desired reserves;

(v) the cost of borrowing funds in the name of the **Partnership**; and

(vi) the amount of **Distributable Cash** of the **Partnership**, if any.

After considering the factors in clauses (i) to (vi), the **General Partner** shall decide whether to call for such additional cash contributions ~~at any time and from time to time~~ as the **General Partner**, ~~in its sole discretion,~~ acting reasonably, determines are necessary or desirable for the operation of the **Business**, including, without limiting the generality of the foregoing, cash for the costs of ~~construction of the **Wuskwatim Project**, cash for the costs of~~ operating and maintaining ~~and operating~~ the **Wuskwatim Project** ~~once it is constructed, and cash for maintaining the **Debt Ratio** of the **Partnership**~~.

If each **Partner** contributes its pro rata amount of any cash contribution demanded of it by the **General Partner** within 90 days of such demand having been received, such cash contribution will be allocated to each **Partner's** respective capital account and each **Partner** shall be issued additional **Units** in the **Partnership** in a number calculated by taking the amount contributed by such **Partner** within the 90-day period pursuant to the demand by the **General Partner** and dividing it by $1,000.00.

In the event that any **Partner** (the "**Defaulting Partner**") does not contribute the full amount demanded of it by the **General Partner** within 90 days of receiving such demand (provided that the amount demanded of such **Defaulting Partner** does not exceed an amount calculated by multiplying the aggregate amount demanded of all **Partners** by a fraction, the numerator of which is the number of **Units** owned by the **Defaulting Partner** prior to the demand, and the denominator of which is the total number of issued **Units** in the **Partnership** prior to the demand), then each of the **Partners** (including the **Defaulting Partner**) shall be issued additional **Units** in the **Partnership** in a number calculated by taking the amount contributed by such **Partner** within the 90-day period pursuant to the demand by the **General Partner** and dividing it by $1,000.00.

Hydro agrees that it shall ensure that at all times while there is one or more **Limited Partners** other than **Hydro** and the **General Partner** is a subsidiary or **Affiliate** of **Hydro**, **Hydro** shall cause the **General Partner** to make all of its **Capital Contributions** pursuant to any demand hereunder so as to maintain the **General Partner's** proportionate ownership of **Units** at a percentage not less than 0.01%.

No Interest Payable

6.04 No interest shall be payable to any **Partner** on account of its **Capital Contribution** by the **Partnership**.

Debt Ratio

6.05 ~~The~~Subject to section 6.03, the General Partner shall ~~at all times maintain the **Partnership** at a **Debt Ratio** of not greater than 75%, provided that, in the first ten years following the **Final Closing**, the **General Partner** will allow~~maintain the **Debt Ratio** of the **Partnership** ~~to increase to as high as 85% to reduce the amount of cash required to be invested by the **Partners** during those years.~~at the percentage the **General Partner**, acting reasonably, honestly and in good faith considers advisable. The **Debt Ratio** shall be calculated to the nearest full percentage point when decisions regarding the distribution of **Distributable Cash** and regarding cash calls are to be made. The amount of the reserves as determined in accordance with section 6.06 shall not be included in calculating the **Debt Ratio**.

Reserves

6.06 The **General Partner** may cause the **Partnership** to establish reserves for capital expenditures, decommissioning costs and other legitimate business purposes and may set aside such funds for reserves as the **General Partner** shall determine to be reasonable in connection with the current operation and the future needs of the **Partnership** in order to carry on prudently the **Business**. The **General Partner** shall have the right to establish reserves as long as the **General Partner** acts reasonably and in a manner that is consistent with prudent business practices having regard to the purposes for which the reserves were established. Funds set aside as reserves shall not be considered to be a cash distribution. Reserves will be funded only out of the income or capital of the **Partnership** and not by calls for additional cash contributions. Once reserves are established, the **General Partner** need not draw on reserves prior to making calls upon **Partners** for additional cash contributions except where expenditures are required for which the reserves were established. For greater certainty, the **General Partner** shall ensure that income used to fund reserves is allocated as between the **Partners** based on their respective pro rata shares of the **Units** of the **Partnership**. The **General Partner** shall provide the **Partners** within 120 days of the end of each **Fiscal Year** with a written report on how the amount of the reserves was determined, which shall include an estimate of capital expenditures and other costs. The reasonableness of the amount of reserves being held by the **Partnership** may be reviewed in the manner set forth in Article XX of the PDA.

Determination of Net Income and Net Loss

6.07 The **Partnership** shall calculate **Net Income** and **Net Loss** according to the application of **Hydro's** accounting policies and practices, in effect from time to time, in accordance with **Generally Accepted Accounting Principles** as evidenced by an unqualified audit opinion. In the event that the application of **Hydro's** accounting policies and practices results in an inability to get an unqualified audit opinion, then the policies and practices in question will not be followed for the **Partnership**.

Allocation of Net Income and Net Loss

6.08 **Net Income** and **Net Loss** shall be allocated between the **General Partner** and the **Limited Partners** pro rata in accordance with the number of **Units** owned by each of them as of the close of business on the last day of the **Fiscal Year** as determined by the **General Partner** from time to time.

Allocation of Taxable Income and Tax Loss

6.09 In respect of each **Fiscal Year**, **Taxable Income, Tax Losses** and any tax credits due to the **Partnership** shall be allocated among the **Partners** in the same proportion as the allocation of **Net Income** and **Net Loss** as determined in accordance with section 6.08.

Distributions

~~6.10~~ 6.10 Within 120 days of the end of each **Fiscal Year**, the **General Partner** shall provide the **Partners** with a written report showing the **General Partner's** determination of **EBITDA** and

Distributable Cash together with its supporting calculations thereof in reasonable detail. The written report shall include disclosure of the amount of cash held by the **Partnership** and the deductions therefrom in accordance with the definition of **Distributable Cash** to arrive at the **Distributable Cash** for the relevant period. Subject to sections 6.05 and 6.06, ~~and subject to the proviso that there shall be no distributions of **Distributable Cash** at any time prior to the **Final Closing Date** without the unanimous consent of the **Partners**,~~ the **General Partner** shall distribute to the **Partners** the amount of **Distributable Cash** shown on such report within 10 business days of having provided such statement to the **Partners**. Without limiting the **General Partner's** obligation to report on, and distribute, **Distributable Cash** not less than once annually as herein contemplated, the **General Partner** may calculate the amount of and make a distribution thereof in such amounts and at such other time or times as the **General Partner** may determine from time to time, subject always to sections 6.05 and 6.06 ~~and subject to the proviso that there shall be no distributions of **Distributable Cash** at any time prior to the **Final Closing Date** without the unanimous consent of the **Partners**.~~
Each **Partner** shall receive its pro rata share of distributions of **Distributable Cash** made by the **General Partner**, calculated as the amount determined by multiplying the total amount of the distribution by a fraction, in which the numerator is the number of **Units** owned by the **Partner** on the last day of the period for which such distribution is made and the denominator is the total number of **Units** owned by all **Partners** on the same date. Distributions shall not be made subject to any withholding taxes except as may be required by law.

Distributions payable pursuant to this provision will be made by electronic transfer of funds and, in the event of the failure of electronic payment methods, by cheque. Any payment by the **General Partner** to a **Partner** pursuant to this **Agreement** will be deemed to have been made upon the date of the electronic withdrawal of funds from the **General Partner's** bank account or upon the date the cheque clears the **General Partner's** bank account. Upon such payment, the **General Partner** will be discharged from all liability to the Partner in respect of such payment; provided, however, that if the electronic payment fails to deposit funds in a **Partner's** bank account or a cheque is lost or destroyed, then, upon the presentation of evidence satisfactory to the **General Partner** of such failure or loss, together with such indemnity as the **General Partner** may reasonably require, the **General Partner** will make a further electronic transfer or issue a replacement cheque to the **Partner**.

Adjustments

6.11 Any financial statements prepared and certified by the auditors of the **Partnership** as provided in this **Agreement** shall be final, binding and conclusive among the **Partners**, provided that any error or omission therein of which notice is given by any **Partner** to the **General Partner** within 180 days after the receipt of a copy thereof by such **Partner** shall be rectified and all proper adjustments made.

Return of Capital

6.12 The **Partners** shall not be entitled to a return of all or a portion of their **Capital Contributions** except as determined by the **General Partner**.

ARTICLE VII

BOOKS, RECORDS AND FINANCIAL INFORMATION

Books and Records

7.01 The **General Partner** will keep and maintain, or cause to be kept and maintained on behalf of the **Partnership** at its principal place of business, full, complete and accurate books of account and records of the business and affairs of the **Partnership** which will, without limitation, include:

(a) capital accounts for the **Partners**;

(b) **Capital Contributions** of the **Partners**;

(c) a register to record the names and addresses of the **Partners**, the number of **Units** held by each **Partner** and the particulars of registration and assignment of **Units**; ~~and~~

(d) a copy of this **Agreement** and any amendments to it~~.~~; and

(e) a record of all payments made to Taskinigahp Trust.

Inspection by Limited Partners

7.02 Each **Limited Partner** and the duly authorized representative of each **Limited Partner** shall have the right, at any reasonable time during regular business hours and without charge, to obtain from the **General Partner**:

(a) a current list of the name and last known business or mailing address of each **Partner**;

(b) a copy of this **Agreement** and the **Declaration** and all amendments to either of them, together with executed copies of any Powers of Attorney pursuant to which this **Agreement**, and all amendments to it, have been executed;

(c) true and full information regarding the amount of cash and the description and statement of any other property and services contributed by each **Partner** and which each **Partner** has agreed to contribute in the future and the date on which each **Partner** became a **Partner**;

(d) the **Record of Limited Partners**;

(e) copies of all minutes of meetings of the **Partners** and all resolutions in writing of the **Partners** in lieu of meetings; and

(f) any other information regarding the affairs of the **Partnership** as is just and reasonable.

Financial Information

7.03 The **General Partner**, or its agent in that behalf, shall be responsible for the preparation and maintenance of internal financial records and retaining auditors with respect to the preparation of annual **Financial Statements** of the **Partnership** at the end of each **Fiscal Year**. Within five days after the receipt of audited **Financial Statements**, the **General Partner** will forward to each **Partner** appearing in the register as a **Partner** at the end of the **Fiscal Year** an annual report for the **Fiscal Year** containing:

(a) **Financial Statements** for the **Partnership** as at the end of the **Fiscal Year** with comparative **Financial Statements** as at the end of, and for the immediately preceding **Fiscal Year**;

(b) a report of the auditor on the **Financial Statements**;

(c) a report on allocations and distributions to **Partners**;

(d) the amount of reserves being maintained by the **General Partner** for the **Partnership**, and each **Partner's** allocation of such reserves;

(e) the current **Debt Ratio**; and

(f) any other information as is material to the **Business**, in the opinion of the **General Partner** (including any management letter).

The **General Partner** shall cause unaudited, monthly financial statements (also including year-to-date financial information), together with a monthly report providing month-end and year-to-date information in respect of the matters outlined in clauses (c) to (e) above) to be prepared within fifteen [15] days of the end of each month and shall forward copies of them to each **Limited Partner** appearing in the **Record of Limited Partners** as a limited partner at the end of the month to which they relate.

No later than 120 days after the end of each **Fiscal Year** of the **Partnership**, **Financial Statements** shall be prepared and certified by the auditors of the **Partnership**, for and as of the end of such **Fiscal Year**, and such **Financial Statements** shall show the assets and the liabilities of the **Partnership**, all incomes and revenues received and receivable, and all expenses, costs, and charges incurred and paid or payable by the **Partnership** in respect of such **Fiscal Year**, with the resulting **Net Income** or **Net Loss** of the **Partnership** in respect of such **Fiscal Year**, and shall also show the amounts standing to the credit of each of the **Partners** in respect of its capital account and separately in respect of the **Net Income** and **Net Loss** of the **Partnership** which has been allocated to each such **Partner** (which amount shall be set out in an account for such **Partner** called its "current account"), all in accordance with the provisions contained in this **Agreement**. The auditors of the **Partnership** shall be the auditors of **Hydro**.

The cost of preparing all such reports shall be at the **Partnership's** expense. Subject to section 7.04, each **Partner** shall be solely responsible for filing its income tax returns and reporting its share of the **Partnership's Taxable Income** or **Tax Loss**, as the case may be.

In addition to the foregoing reporting, the **General Partner** agrees to provide to each **Limited Partner** copies of the written statements provided monthly by **Hydro** to the **Partnership** in accordance with Section 5.13 of the **Project Financing Agreement**, copies of any notices and statements provided by **Hydro** to the **Partnership** pursuant to the **Project Financing Agreement,** the Access Road User Easement as described in the **PDA**, the Transmission Lease as described in the **PDA** and copies of such other business and financial information as the **General Partner** determines to be reasonable in the circumstances with the objective of keeping the **Limited Partners** informed as to matters of a material nature affecting the **Business** of the **Partnership**.

Tax Matters

7.04 The **Partnership** shall be treated as a limited partnership for federal, provincial and municipal income tax and other tax purposes. The **General Partner** shall prepare, or cause to be prepared, any federal, provincial and municipal tax or information returns required to be filed by the **Partnership** and all financial statements required by each **Partner** to enable the filing of any tax or information return which is required to be filed by such **Partner**.

ARTICLE VIII

AMENDMENTS

Amendments to be Adopted Solely by the General Partner

8.01 The **General Partner** (pursuant to the **General Partner's** Powers of Attorney from the **Limited Partners** described in section 3.07), without the consent or approval at the time of any **Limited Partner** (each **Limited Partner**, by acquiring a **Unit**, being deemed to consent to any amendment pursuant to this section 8.01), may amend any provision of this **Agreement** or the **Declaration**, and execute, swear to, acknowledge, deliver, file and record all documents required or desirable in connection with it to reflect:

(a) the omission, substitution, termination or withdrawal of any **Partner** in accordance with this **Agreement**;

(b) a change that is necessary to qualify the **Partnership** as a limited partnership or a partnership in which the **Limited Partners** have limited liability under the laws of any province or state;

(c) a change that is:

(i) of an inconsequential nature and does not adversely affect the **Limited Partners** (or any of them) in any material respect; or

(ii) required or specifically contemplated by this **Agreement** to be accomplished by the **General Partner** acting alone;

(d) a change in any provision of this **Agreement** which requires any action to be taken by or on behalf of the **General Partner** or the **Partnership** pursuant to the requirements of applicable law if the provisions of applicable law are amended, modified or revoked so that the taking of action is no longer required. The authority set forth in this paragraph shall specifically include the authority to make amendments to this **Agreement** and to the **Declaration** as the **General Partner** deems necessary or desirable in the event the **Act** is amended to eliminate or change any provision now in effect.

Notwithstanding the foregoing, the unanimous consent of all of the **Partners** shall be required for any amendments to this **Agreement** that: (i) alter the ability of the **Limited Partners** to remove the **General Partner** involuntarily; (ii) change the limited liability of any **Limited Partner**; (iii) change the right of a **Limited Partner** to vote at any meeting; (iv) change the **Partnership** from a limited partnership to a general partnership; (v) reduce the percentage of net income allocable to the **Limited Partners** to below 99.99%;~~ or~~ (vi) adversely affect the rights and obligations of any particular **Limited Partner** without similarly affecting the rights and obligations of all other **Limited Partners**~~.~~ (vii) change the factors to be considered pursuant to Section 6.05 when determining whether a cash contribution is required of the **Partners** or (viii) establishes a fixed **Debt Ratio**.

The **General Partner** shall notify the **Limited Partners** of the full details of any amendment to this **Agreement** that does not require the approval of the **Limited Partners** within 10 days of the effective date of such amendment.

Amendment Procedures

8.02 Except as specifically provided in the preceding paragraph, all amendments to this **Agreement** shall be made solely in accordance with the following procedures:

(a) any amendments to this **Agreement** must be proposed by either:

(i) the **General Partner**, by submitting the text of the proposed amendment to all **Limited Partners** in writing; or

(ii) any **Limited Partner** submitting the text of the proposed amendment in writing to the **Partners**.

(b) The **General Partner** shall, within 10 days after the receipt of any proposed amendment or as soon thereafter as is reasonably practicable, submit the text of the proposed amendment to all **Limited Partners**. The **General Partner** may include in the submission its recommendation as to the proposed amendment.

(c) If any amendment is proposed pursuant to this section the **General Partner** shall seek the written consent of the **Partners** to the amendment or shall call a meeting of the **Partners** in accordance with the provisions of this **Agreement** to consider and vote on the proposed amendment. A proposed amendment shall be effective only if approved by **Special Resolution**, unless a greater or different percentage vote of the **Partners** is required by law or any other provision of this **Agreement**. The **General Partner** shall notify all **Partners** upon final adoption or rejection of any proposed amendment.

ARTICLE IX

MEETINGS

Meetings Called by General Partner

9.01 The **General Partner** may call a meeting of the **Partnership** subject to sections 9.03 and 9.04 at such time and place as it considers appropriate in its absolute discretion for the purpose of considering any matters set forth in the notice of meeting.

Meetings Called by Limited Partners

9.02 Any **Limited Partner** may give to the **General Partner** notice, accompanied by the information required to be provided under paragraph 9.04(b), signed by it requesting a meeting of the **Partnership**. The **General Partner** will, within 30 days of receipt of such notice, convene a meeting, and if it fails to do so, the **Limited Partner** requesting the meeting may convene the meeting by giving notice to the **Partners** in accordance with this **Agreement**, signed by such **Person** as the **Limited Partner** requesting the meeting specifies. Every meeting, however convened, will be conducted in accordance with this **Agreement** and the **Act**.

Place of Meeting

9.03 The annual meeting will be held on a rotational basis, unless otherwise unanimously agreed by the **Partners**, at convenient locations in northern Manitoba and southern Manitoba. Meetings can be attended by telephone conference.

Notice of Meetings

9.04 Notice of any meeting will be given to each **Partner** by prepaid ordinary mail or by personal delivery not less than fourteen [14] days (nor more than forty-five [45] days) prior to such meeting, and will state:

(a) the time, date and place of such meeting; and

(b) in general terms, the nature of the business to be transacted at the meeting in sufficient detail to enable the **Partners** to make a reasoned judgment concerning each matter to be considered at the meeting. A copy of the text of any proposed resolution shall accompany the notice of the meeting.

Corporations and Proxies

9.05 A **Partner** which is a corporation shall appoint by resolution an officer, director or other authorized person as its representative to attend, vote and act on its behalf at a meeting of **Partners**. Any **Limited Partner** entitled to vote at a meeting of **Partners** may vote by proxy if a form of proxy has been received by the **General Partner** or the chairperson of the meeting for verification prior to the time fixed by the **General Partner** preceding the meeting, or any adjournment of the meeting. A proxy purporting to be executed by or on behalf of a **Limited Partner** will be considered to be valid unless challenged at the time of or prior to its exercise. The **Person** challenging the proxy will have the burden of proving to the satisfaction of the chairperson of the meeting that the proxy is invalid and any decision of the chairperson concerning the validity of a proxy will be final. Every proxy will be substantially in the form as may be approved by the **General Partner** or as may be satisfactory to the chairperson of the meeting at which it is sought to be exercised. A vote cast in accordance with the terms of an instrument of proxy will be valid notwithstanding the previous death, incapacity, insolvency or bankruptcy of the **Limited Partner** giving the proxy or the revocation of the proxy unless written notice of that death, incapacity, insolvency, bankruptcy or revocation has been received by the chairperson of the meeting prior to the commencement of the meeting.

Attendance of Others

9.06 Any officer or director of the **General Partner** will be entitled to attend and receive notice of any meeting of **Partners**.

Chairperson

9.07 The **General Partner** may nominate an individual (including an officer, director or shareholder of the **General Partner** and who need not be a **Partner**) to be chairperson of a meeting of **Partners** and the individual nominated by the **General Partner** will be chairperson of such meeting unless the **Partners** elect a chairperson by **Ordinary Resolution**. The position of chairperson at the annual meeting of the **Partners** shall rotate annually between a nominee proposed by **Taskinigahp Power Corporation** and a nominee proposed by **Hydro**.

Quorum

9.08 The quorum for a meeting of **Partners** will consist of all **Partners** being present in person or by proxy; provided however, that if within half an hour after the time fixed for the holding of any meeting of **Partners**, all **Partners** are not present, the meeting, will be held at the same time, and, if available, the same place, not fewer than 10 days nor more than 21 days later (or if that date is not a business day, the first business day after that date), and the **Partner** which requested the meeting will give at least 7 days notice to all **Partners** of the date of the reconvening of the adjourned meeting. Such notice need not set forth the matters to be considered unless they are different from those for which the original meeting was called. At such reconvened meeting the quorum for the meeting will consist of one **Limited Partner** present in person or by proxy holding not less than 50% of the outstanding **Units**. Nothing herein shall detract from the requirement of all **Partners** being present in person or by proxy at any meeting (whether original or adjourned) at which a **Special Resolution** will be proposed for consideration and vote of the **Partners**. **Partners** can attend meetings by telephone conference.

Voting

9.09 Each question submitted to a meeting will be decided on a show of hands unless a **Partner** demands a ballot be executed by each **Partner**, in which case ballots shall be prepared and signed by each **Partner** present in person or by proxy and entitled to vote and such ballots shall be preserved. The Chairperson will be entitled to vote in respect of any **Units** pursuant to which he or she may have been appointed to vote. On any vote at a meeting of **Partners**, a declaration of the chairperson concerning the result of the vote will be conclusive absent demonstrable error.

Subject as hereinafter provided, each **Partner** present at the meeting will have one vote for each **Unit** of which it is registered as the **Unit** holder. A holder of a fractional **Unit** is entitled to one vote upon a show of hands at all meetings at which holders of that class of **Units** is entitled to vote but if a ballot is demanded, the vote of the holder of the fractional **Unit** shall only be counted as a fractional vote in the same fraction as the **Unit** held by it.

A vote requested or required concerning the election of a chairperson or an adjournment will be taken immediately on request and any other matter will be managed at the meeting or an adjournment of the meeting in such manner as the chairperson directs.

Resolutions Binding

9.10 Any resolution passed in accordance with this **Agreement** will be binding on all the **Partners** and their respective heirs, executors, administrators, successors and assigns, whether or not any such **Partner** was present in person or voted against any resolution so passed.

Powers Requiring Special Resolution

9.11 The following powers shall only be exercisable by the **General Partner** upon the Special Resolution of the **Partners**:

(a) selling, exchanging or otherwise disposing of all or substantially all of the assets of the **Partnership**;

(b) continuing the **Partnership** in the event that the **Partnership** is terminated by operation of law;

(c) changing or terminating the business of the **Partnership**;

(d) issuing to any party other than **Hydro** or **Taskinigahp Power Corporation**, or a wholly owned subsidiary of **Hydro** or **NCN**, additional **Units**;

(e) changing the auditors except in the event of a change to Manitoba **Hydro's** auditors;

(f) any amendment of this **Agreement**, except as expressly provided for herein or any amendment, alteration, modification or repeal of any **Special Resolution** previously passed by the **Partners**;

(g) dissolving or terminating the **Partnership**, other than as provided for in this **Agreement**;

(h) a merger or consolidation involving the **Partnership**;

(i) a consolidation, subdivision or reclassification of any **Units**;

(j) adding to, changing or removing any right, privilege, restriction or condition attaching to the **Units** which may reasonably be considered materially adverse to any one or more of the holders of the **Units**;

(k) any change to Article VI, provided that where **Partners** are unable to agree on a proposed change to any part of Article VI, such dispute may be referred to arbitration in accordance with the provisions of this **Agreement** and the **PDA**;

(l) requiring the **General Partner** on behalf of the **Partnership** to enforce any obligation or covenant on the part of any **Limited Partner**; ~~and~~

(m) consenting to any judgment in favour of **Hydro** entered in a court of competent jurisdiction against the **Partnership**~~.~~; and

(n) establishing a fixed **Debt Ratio,** but for greater certainty, this Section 9.11(n) shall not be interpreted as requiring a Special Resolution before the General Partner can request the Partners to make additional cash contributions pursuant to Section 6.03.

Powers Exercisable by Ordinary Resolution

9.12 Any other matters not expressly stated in this **Agreement** (including in section 9.11) to be determined by **Special Resolution** and effected by the **General Partner** or stated in section 8.01 to be effected solely by the General Partner shall be determined by **Ordinary Resolution**.

Minutes

9.13 The **General Partner** will cause minutes to be kept of all proceedings and resolutions passed at every meeting, with copies of any resolutions of the **Partnership** to be made and entered in books to be kept for that purpose, and any minutes, if signed by the chairperson of the meeting, will be deemed to be evidence of the matters stated in them and such meeting will be deemed to have been duly convened and held and all resolutions and proceedings shown in them will be deemed to have been duly passed.

Additional Rules and Procedures

9.14 To the extent that the rules and procedures for the conduct of a meeting of the **Partners** are not prescribed in this **Agreement**, the rules and procedures will be determined by the chairperson of the meeting in accordance with *Robert's Rules of Order*.

Authorized Attendance

9.15 The **General Partner** has the right to authorize the presence of any **Person** at a meeting regardless of whether the **Person** is a **Partner**, providing that **Persons** who are not **Partners** are attending the meeting in connection with the **Business**. With the approval of the **General Partner** that **Person** is entitled to address the meeting. When requested by a **Limited Partner**, the **General Partner** shall authorize the attendance of legal counsel for the **Limited Partner** at any meeting of the **Partners**.

Consent Without Meeting

9.16 Any matter which may be addressed by the **Partners** at a meeting may be addressed by written resolution signed by all of such **Partners** in lieu of holding such meeting. In addition, any action required or permitted by this **Agreement** or any provision of law to be taken at a meeting of the **Partners**, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the **Partners** holding all of the **Units** then issued and outstanding and entitled to vote thereon. Such consent shall have the same effect as a vote of such **Partners** and may be stated as such in any certificate or document.

ARTICLE X

DISSOLUTION AND LIQUIDATION

Events of Dissolution

10.01 The **Partnership** shall be dissolved upon the earliest to occur of any one of the following events:

(a) subject to section 4.02 of this **Agreement**, the bankruptcy, dissolution, liquidation or winding up of the **General Partner**, unless a successor **General Partner** is elected in accordance with this **Agreement** in such manner so as to preserve the on-going limited liability of the **Limited Partners**;

(b) withdrawal or resignation of the **General Partner** unless a successor **General Partner** is elected in accordance with this **Agreement** in such manner so as to preserve the on-going limited liability of the **Limited Partners**;

(c) the removal of the **General Partner** in accordance with section 4.03 and the failure to elect a successor **General Partner** in such manner so as to preserve the on-going limited liability of the **Limited Partners**;

(d) except as otherwise provided in this **Agreement**, any other event which would cause a dissolution under the **Act**;

(e) after the passing of a resolution requiring unanimous consent in accordance with paragraph 9.11 (g);

(f) the dissolution of the **Partnership** by operation of law; and

(g) the conversion or reconstitution of the **Partnership** into another form of entity under circumstances permitted by this **Agreement**.

Appointment of Receiver

10.02 Upon the occurrence of an event described in section 10.01, the **General Partner** shall act as the Receiver (the "Receiver") of the **Partnership**. If the **General Partner** is unable or unwilling to act as the Receiver or if the event causing dissolution is set out in section 10.01(a), (b) or (c), the **Partners** shall, by **Ordinary Resolution**, appoint some other appropriate person to act as Receiver. Subject to section 10.03, the Receiver shall proceed diligently to wind up the affairs of the **Partnership** and to liquidate the **Partnership Assets** and to distribute the net proceeds from the sale of the **Partnership Assets** in the priority set out herein unless otherwise required by mandatory provisions of applicable law. During the course of such liquidation, the Receiver shall operate the **Business** and in so doing shall be vested with all the powers and authority of the **General Partner** in relation to the **Partnership** under the terms of this **Agreement**. A Receiver which is not the **General Partner** shall be paid reasonable fees and disbursements incurred in carrying out such duties.

Sale of Partnership Assets

10.03 In the event of dissolution, any sale, liquidation, distribution or other disposition of the **Partnership Assets** shall only be to **Hydro**. Not later than 120 days from a decision by the Receiver to liquidate the **Partnership Assets**, the Receiver shall sell the **Partnership Assets** to **Hydro** and **Hydro** shall purchase the **Partnership Assets** from the Receiver for an amount equal to the fair market value of such assets after making such adjustments as are reasonable on account of the limited market for the sale of the assets, all as determined by an independent third party with expertise in the generation and sale of electricity at the time of sale.

Distribution Upon Dissolution

10.04 In the event of the dissolution of the **Partnership**, the Receiver shall distribute the net proceeds from the sale of the **Partnership Assets** as follows:

(a) first, to pay the expenses of liquidation and the creditors of the **Partnership**;

(b) secondly, to provide such reserves as the Receiver considers necessary for any contingent liabilities, including the costs of foreseeable environmental requirements, of the **Partnership**;

(c) thirdly, to return the balance to the **Partners**, pro rata among them according to the capital accounts of each of them at the time.

Events Not Causing Dissolution

10.05 To the maximum extent permitted by the laws of the Province of Manitoba and notwithstanding any rule of law or equity to the contrary, the **Partnership** shall not be dissolved or terminated by admission of any new **General Partner** or **Limited Partner** or the removal, actual or deemed resignation, death, incompetence, bankruptcy, insolvency, other disability or incapacity, dissolution, liquidation, winding-up or receivership, or the admission, resignation or withdrawal of the **General Partner**, the **Limited Partners** or any **Limited Partner**, except in accordance with this **Agreement**.

Deferring Liquidation

10.06 Subject to section 10.03, upon the occurrence of an event described in section 10.01, the Receiver may defer the liquidation of the **Partnership Assets** or may distribute any of the **Partnership Assets** in kind if the **General Partner** or the Receiver determines that a sale would be impractical or would cause undue loss to the **Limited Partners**.

Reasonable Time for Winding Up

10.07 A reasonable time shall be allowed for the orderly winding up of the **Business** and affairs of the **Partnership** and the liquidation of the **Partnership Assets** pursuant to section 10.02 in order to minimize any losses otherwise attendant upon a winding up.

ARTICLE XI

MISCELLANEOUS

Notices

11.01 Any notice or other written communication which must be given or sent under this **Agreement** shall be deemed to have been validly given and received on the third business day following its sending by first class ordinary mail to the address of the **General Partner** and the **Limited Partners** as follows:

(a) in the case of the **General Partner**, at ~~P.O. Box 815, 820 Taylor~~360 Portage Avenue, Winnipeg, Manitoba R3C ~~2P4 (Fascimile~~0G8 (Facsimile No. 204-474-4947) or any new address as the **General Partner** may give notice of; and

(b) in the case of the **Limited Partners** to the address appearing on the register maintained by the **Registrar and Transfer Agent,** which shall include, where available, a mailing address, facsimile number and electronic mail address for each such **Limited Partner** (a **Limited Partner** may give notice to the **Registrar and Transfer Agent** of a new address for such **Limited Partner**, and the **Registrar and Transfer Agent** shall update the register accordingly).

Notices may be personally delivered or delivered by facsimile or other electronic communication and shall be deemed to be received on the day delivered or, if transmitted, as evidenced by confirmed transmission report.

Further Acts

11.02 The parties hereto agree to execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this **Agreement** and every part thereof.

Binding Effect

11.03 Subject to the restrictions on assignment and transfer herein contained, this **Agreement** shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

Severability

11.04 Each provision of this **Agreement** is intended to be severable. If any provision hereof is illegal or invalid, such illegality or invalidity shall not affect the validity of the remainder hereof.

Counterparts

11.05 This **Agreement** may be executed in any number of counterparts (either originally or by facsimile) with the same effect as if all parties hereto had signed the same document. This **Agreement** may also be adopted in any subscription and assignment forms or similar instruments signed by a **Partner**, with the same effect as if such **Partner** had executed a counterpart of this **Agreement**. All counterparts and adopting instruments shall be construed together and shall constitute one and the same agreement.

Time

11.06 Time shall be of the essence.

Governing Law

11.07 This **Agreement** shall be governed by and construed in accordance with the laws of the Province of Manitoba and the laws of Canada applicable therein.

Dispute Resolution

11.08 The parties each agree that any disputes or claims arising out of this **Agreement** (other than a review of reserves established by the **General Partner** under section 6.06 hereof, which shall be carried out in accordance with the process set out in Article XX of the **PDA**), including, for greater certainty, any dispute about whether the General Partner has breached its fiduciary obligations to the **Partnership**, shall be determined solely in accordance with the dispute resolution process set out in Article XXI of the **PDA** and they shall not bring any action, other than pursuant to Article XXI of the **PDA**, against any other party or against the **Limited Partnership.** The parties each agree that they shall not bring any action against any officer or director of the **General Partner**, except where such officer or director has committed fraud or has, by act or omission, done anything in respect of which such officer or director would not be entitled to indemnity from the **General Partner** under The Corporations Act (Manitoba), The Manitoba Hydro Act or such other legislation as may be applicable.

[Execution page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused it to be executed on their behalf by their duly authorized signing officers as of the day and year first above written.

5022649 MANITOBA LTD.

Per: ______________________________

Name: ~~Ken R. F. Adams~~
Title: ~~Chairman~~

TASKINIGAHP POWER CORPORATION

Per: ______________________________

Name: ~~Jerry Primrose~~
Title: ~~President~~

Per: ______________________________

Name: ~~William Elvis Thomas~~
Title: ~~Vice-President~~

Per: ______________________________

Name: ~~Shirley L. Linklater~~
Title: ~~Secretary-Treasurer~~

THE MANITOBA HYDRO-ELECTRIC BOARD

Per: ______________________________

Name: ~~Robert B. Brennan~~
Title: ~~President and Chief Executive Officer~~

Per: ______________________________

Name: ~~Robert D. Bettner~~
Title: ~~Assistant Corporate Secretary~~

SCHEDULE A

WUSKWATIM POWER LIMITED PARTNERSHIP SUBSCRIPTION FORM AND POWER OF ATTORNEY

TO: WUSKWATIM POWER LIMITED PARTNERSHIP

The undersigned hereby subscribes for ____________ **Unit**(s) of Wuskwatim Power Limited Partnership (the "Limited Partnership") on the terms and as described in the Second Amended and Restated Limited Partnership Agreement, receipt of which is hereby acknowledged and tenders herewith its cheque in the amount of____________ in full payment of the aggregate subscription price for the said **Unit**(s). The undersigned agrees to be bound, as a party to and as limited partner in the **Partnership**, by the terms and conditions of the Second Amended and Restated Limited Partnership (the "**Agreement**"), as same may be amended from time to time in accordance with its terms, as if the undersigned had executed the **Agreement**.

The undersigned hereby represents, warrants and declares that:

(a) the undersigned is a "resident" of Canada within the meaning of *The Income Tax Act* (Canada);

(b) the undersigned is purchasing the **Units** as principal for its own account and not for the benefit of any other person; and

(c) this subscription agreement has been duly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of, the undersigned.

The undersigned hereby irrevocably constitutes and appoints the **General Partner** of the **Partnership**, with full power of substitution, as his or its true and lawful attorney and agent, with full power and authority in his name, place and stead to:

(a) execute, deliver, swear to and record in the appropriate public offices any and all of the following:

(i) the **Agreement**, all declarations and declarations of change required under *The Partnership Act* (Manitoba), *The Business Names Registration Act* (Manitoba) and elsewhere as may be required, and any other instruments and amendments thereto which the **General Partner** deems appropriate or necessary to form, qualify, continue and keep in good standing the **Partnership** as a limited partnership in compliance with the laws of the Province of Manitoba or elsewhere as may be required;

(ii) any instruments, certificates and any amendments thereto necessary to reflect any amendment to the Amended and Restated Limited Partnership Agreement properly approved as required pursuant to the terms of the Amended and Restated Limited Partnership Agreement; and

(iii) any conveyances, agreements and other instruments which the **General Partner** deems appropriate or necessary to reflect the dissolution and termination of the **Partnership** pursuant to the terms of the **Agreement** to be entered into on behalf of each **Partner**, including cancellation of any declarations;

(b) execute and file with any governmental body or instrumentality of the Government of Canada or of a province any documents necessary to be filed in connection with the business, property, assets and undertaking of the **Partnership**;

(c) execute and deliver such documents on behalf of and in the name of the **Partnership** and for the **Partners** as may be necessary to give effect to the purposes of the **Partnership** as described in the **Agreement**;

(d) prepare, execute and file all income tax, sales tax and other tax forms, returns and elections which the **Partnership** is required to file or which are deemed desirable to be filed by the **General Partner**; and

(e) prepare and execute assignments and transfers of **Units** when necessary or desirable in accordance with the terms of the **Agreement**.

The power of attorney granted herein is irrevocable and is a power coupled with an interest and is executed under seal and will survive the legal incapacity or mental incompetence of the undersigned and extend to the heirs, executors, administrators, successors and assigns of the undersigned. The undersigned agrees to be bound by any representation or action made or taken by the **General Partner** pursuant to this power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm any action of the **General Partner** taken in good faith under this power of attorney.

IN WITNESS WHEREOF the undersigned has executed this subscription form and power of attorney at Winnipeg, in the Province of Manitoba, this day of , ~~2005.~~20
.

____
Witness Subscriber

IN WITNESS WHEREOF the Wuskwatim Power Limited Partnership has accepted this subscription form and power of attorney by its **General Partner**, 5022649 Manitoba Ltd., having caused its duly authorized proper officer to execute this subscription form and power of attorney this ____ day of , ~~2005.~~20___.

WUSKWATIM POWER LIMITED PARTNERSHIP
by its **General Partner**, 5022649 Manitoba Ltd.

Per:

Document comparison by Workshare Compare on May-12-15 1:10:40 PM

Input:	
Document 1 ID	PowerDocs://TDSLAW/443635/20
Description	TDSLAW-#443635-v20-Limited_Partnership_Agreement
Document 2 ID	file://C:/Users/nicolel/AppData/Roaming/OpenText/DM/Temp/TDSLAW-#1907766-v15-Amended_and_Restated_Limited_Partnership_Agreement.doc
Description	TDSLAW-#1907766-v15-Amended_and_Restated_Limited_Partnership_Agreement
Rendering set	Standard

Legend:	
Insertion	
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Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	153
Deletions	153
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	306