

**RESPONSE TO DIRECTIVE #14 – BOARD ORDER 73/15**

For the Quarter Ended December 31, 2016

14. *Manitoba Hydro shall file quarterly updates regarding its Operation, Maintenance & Administration (OM&A) expenditures and the actual OM&A expenditures compared to Manitoba Hydro's target.*

Manitoba Hydro's Operating and Administrative (O&A) expenses for Electric Operations for the third quarter of 2016/17 was \$396.2 million, an increase of \$3.0 million or 0.8% over the third quarter of 2015/16. This nominal increase reflects that Manitoba Hydro continues to ensure O&A expenditures remain within reasonable levels. All business units continue to review existing processes and initiatives with the primary focus being to contain costs while realizing efficiencies where possible. As discussed in the 2014/15 & 2015/16 GRA and the 2016/17 Supplemental Filing, Manitoba Hydro committed to a reduction of 330 operational positions over the three year period 2014/15 through 2016/17. As of December 31, 2016, Manitoba Hydro has achieved a cumulative reduction of approximately 428 operational positions.

Cumulative O&A expenses for the nine-month period ending December 31, 2016 were \$11.0 million or 2.7% lower than forecast. The primary drivers for the favourable variance continue to be vacancies and an overall focus on cost containment. In addition, there were lower overall consulting engagements, including the deferral of the bio-physical monitoring at Wuskwatim and the security assessment program, as well as lower advertising costs primarily for the Power Smart program.

The following table provides a summary of Manitoba Hydro's actual and forecast O&A expenditures by cost element.

**ELECTRIC OPERATIONS**  
**OPERATING & ADMINISTRATIVE COSTS BY COST ELEMENT**  
**FOR THE NINE MONTH PERIOD ENDING DECEMBER 31**  
(in Thousands of Dollars)

	<b>2015/16 Actual</b>	<b>2016/17 Actual</b>	<b>2016/17 Forecast</b>	<b>Favourable (Unfavourable) Variance</b>
Wages & Salaries	\$378 676	\$390 141	\$398 977	\$8 836
Overtime	50 576	55 417	56 253	836
Employee Benefits	115 159	117 530	121 309	3 779
Employee Training & Safety	3 880	3 145	4 104	959
Travel Expenses	21 655	21 951	23 356	1 404
Motor Vehicles	20 854	21 299	21 787	489
Materials & Tools	19 646	20 223	20 174	(50)
Consulting & Professional Fees	10 740	10 967	12 073	1 106
Construction & Maintenance Services	12 028	13 337	13 515	178
Building & Property Costs	20 589	20 852	20 318	(534)
Equipment Maintenance & Rentals	13 699	14 469	14 127	(342)
Consumer Services	4 009	4 021	4 008	(14)
Collections Costs	3 202	3 057	3 163	106
Customer & Public Relations	1 384	1 049	1 988	939
Sponsored Memberships	1 127	1 156	1 179	23
Office Expenses	6 116	6 210	6 510	300
Computer Services	813	741	845	104
Communication Systems	1 244	1 259	1 528	269
Research & Development Costs	1 483	1 220	1 545	325
Administrative Services	4 588	4 676	4 845	169
Donations, Sponsorships & Grants	1 879	1 597	1 761	163
Miscellaneous Expense	360	1 093	0	(1 093)
Contingency & Planning	0	0	190	190
Corporate Recoveries	0	(496)	(537)	(41)
Operating Expense Recovery	(10 799)	(10 729)	(10 649)	80
Less: Capital Order Activities	(220 096)	(241 194)	(248 514)	(7 320)
Less: Capitalized Overhead	(18 127)	(16 584)	(16 850)	(266)
Less: O&A Charged to Gas Operations	(51 486)	(50 216)	(49 833)	383
<b>Total Electric O&amp;A</b>	<b>393 202</b>	<b>396 192</b>	<b>407 169</b>	<b>10 977</b>