

Surplus Energy Program Quarterly Report February 1, 2017 through April 30, 2017

SEP Weekly Rates

Manitoba Hydro's Surplus Energy Program ("SEP") rates are approved weekly by way of an interim ex-parte application filed with the Public Utilities Board of Manitoba ("PUB"). The Corporation files an application with the PUB on Wednesday of each week for rates to be effective on the following Monday through Sunday, inclusive. Upon receiving an Order approving the rates, Manitoba Hydro transmits those rate schedules to SEP customers via email or fax. This procedure is outlined in more detail in Schedule SEP-2 of the SEP Terms and Conditions.

Factors Influencing SEP Pricing

SEP pricing reflects Manitoba Hydro's short-run marginal cost to supply electricity in Manitoba. The main factors that influence how SEP prices are set by Manitoba Hydro include water supply conditions (i.e. reservoir levels and river flows), extra-provincial market prices, availability of transmission capacity to neighboring electricity markets, Manitoba electricity demand, and export contract commitments.

Export market prices in MISO are volatile, and as a result, actual export market prices will vary from the weekly SEP rates that are forecast, and approved by the PUB. The volatility in MISO prices can be attributed to factors such as the level of natural gas prices, changes in MISO wind generation and changes in ambient temperatures which affect load demand. Forced outages of large generators or major regional transmission lines can also cause market prices to fluctuate. Factors that contribute to variations in SEP prices from market prices include unexpected outages on the U.S. interconnection, fluctuations in Manitoba electrical demand and changed water conditions on Manitoba waterways.

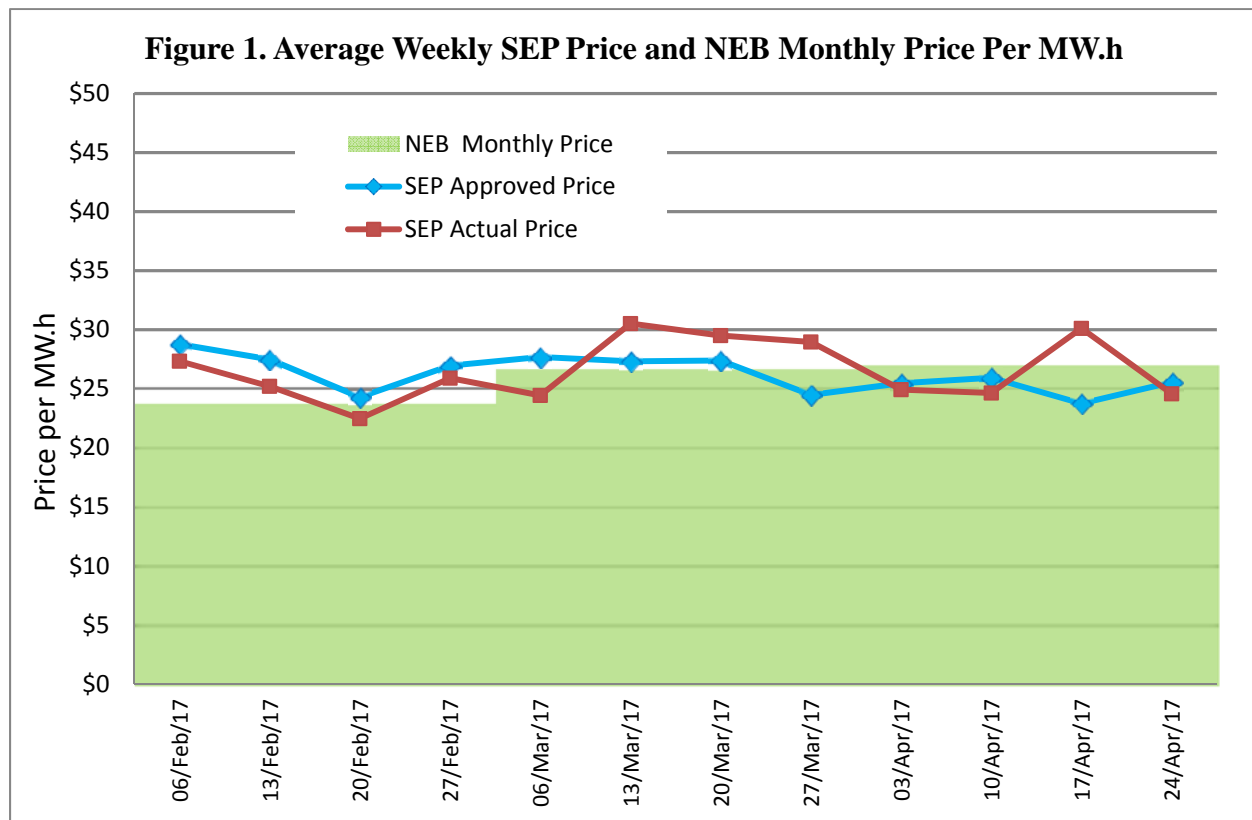
In addition to market price volatility, changing supply and demand conditions in Manitoba can result in volatility to SEP prices. Under certain water and Manitoba load conditions, transmission to neighbouring markets can be fully utilized (either in the export or import direction). If these conditions develop relatively quickly and were not originally forecast, actual SEP prices may diverge considerably from forecast prices.

Manitoba Hydro reports to the National Energy Board (NEB) all electricity exported (physically delivered) to the U.S. These reports are required under export permits issued by the NEB and include the quantity exported (MWh) and associated revenue (\$Cdn). From the data reported under NEB Permit 404, the average price (\$Cdn/MWh) of MISO opportunity exports can be calculated.

Explanation of Historic Average Weekly SEP Rate Variation

Figure 1 below provides a comparison of weekly PUB approved SEP prices, actual weekly average SEP prices and the monthly average MISO prices reported to the NEB under Permit 404.

Note that, in addition to day ahead and real time transactions, NEB Permit 404 may include bilateral term contracts and therefore may not reflect short term market prices.



Note: The April 2017 NEB price is a preliminary value.

Table 1 below shows the SEP Approved and SEP Actual prices for all weeks during the reporting period. An explanation of factors that have influenced SEP pricing are provided for those weeks where the SEP Approved and SEP Actual prices differed by 20% or more.

Table 1. SEP Approved vs. SEP Actual Prices For the three months ended April 2017				
Week Beginning	SEP Approved	SEP Actual	Difference	Variance Explanation (for differences >20%)
06-Feb-17	\$28.77	\$27.33	\$1.44	
13-Feb-17	\$27.48	\$25.21	\$2.27	
20-Feb-17	\$24.28	\$22.47	\$1.81	
27-Feb-17	\$26.96	\$25.89	\$1.07	
06-Mar-17	\$27.68	\$24.43	\$3.25	
13-Mar-17	\$27.32	\$30.52	-\$3.20	
20-Mar-17	\$27.39	\$29.50	-\$2.11	
27-Mar-17	\$24.48	\$28.96	-\$4.48	
03-Apr-17	\$25.46	\$24.92	\$0.54	
10-Apr-17	\$25.93	\$24.64	\$1.29	
17-Apr-17	\$23.74	\$30.11	-\$6.37	Higher than expected generation maintenance in MISO caused market to clear higher than forecast.
24-Apr-17	\$25.55	\$24.57	\$0.98	

Surplus Energy Program Quarterly Report November 1, 2016 through January 31, 2017

SEP Weekly Rates

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Export market prices in MISO are volatile, and as a result, actual export market prices will vary from the weekly SEP rates that are forecast, and approved by the PUB. The volatility in MISO prices can be attributed to factors such as the level of natural gas prices, changes in MISO wind generation and changes in ambient temperatures which affect load demand. Forced outages of large generators or major regional transmission lines can also cause market prices to fluctuate. Factors that contribute to variations in SEP prices from market prices include unexpected outages on the U.S. interconnection, fluctuations in Manitoba electrical demand and changed water conditions on Manitoba waterways.

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include the quantity exported (MWh) and associated revenue (\$Cdn). From the data reported under NEB Permit 404, the average price (\$Cdn/MWh) of MISO opportunity exports can be calculated.

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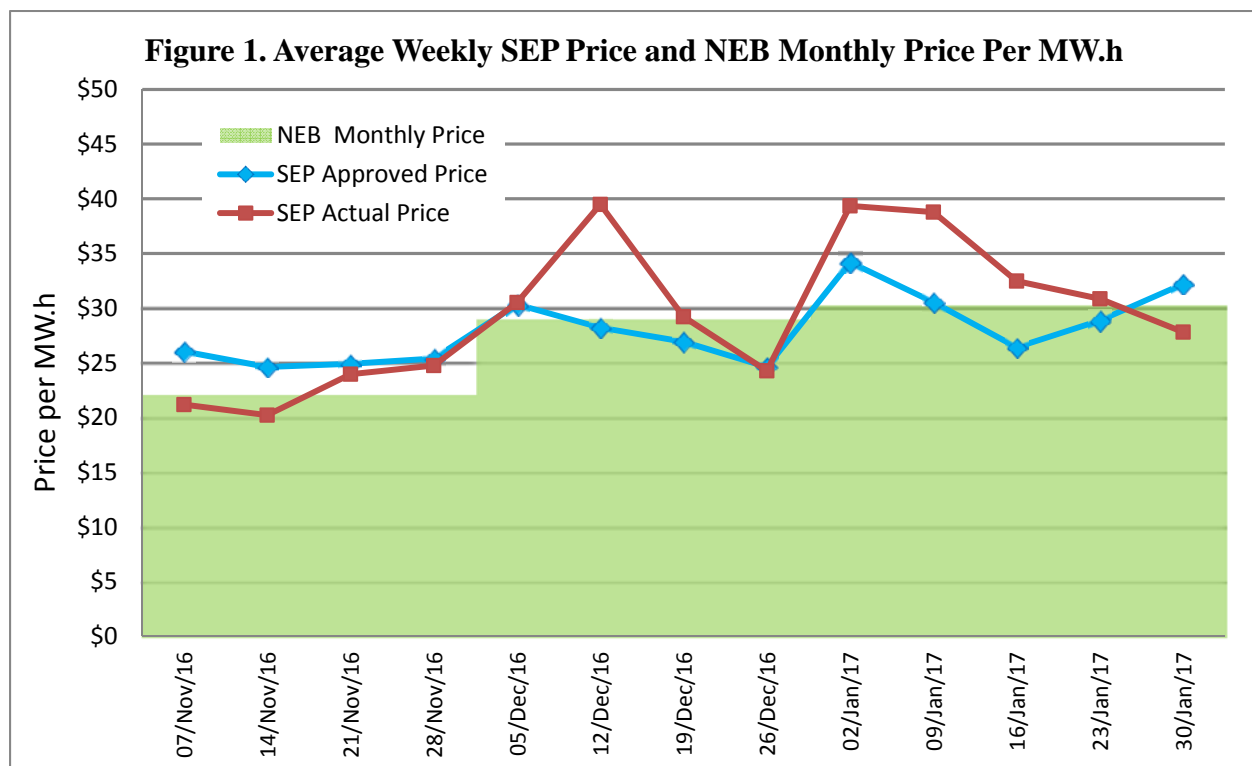


Table 1 below shows the SEP Approved and SEP Actual prices for all weeks during the reporting period. An explanation of factors that have influenced SEP pricing are provided for those weeks where the SEP Approved and SEP Actual prices differed by 20% or more.

Table 1. SEP Approved vs. SEP Actual Prices For the three months ended January 2017				
Week Beginning	SEP Approved	SEP Actual	Difference	Variance Explanation (for differences >20%)
07-Nov-16	\$26.04	\$21.19	\$4.85	
14-Nov-16	\$24.63	\$20.22	\$4.41	
21-Nov-16	\$24.92	\$23.97	\$0.95	
28-Nov-16	\$25.40	\$24.76	\$0.64	
05-Dec-16	\$30.34	\$30.52	-\$0.18	
12-Dec-16	\$28.22	\$39.49	-\$11.27	Colder than forecast temperatures in Central and Northern MISO caused market to clear higher than forecast.
19-Dec-16	\$26.94	\$29.22	-\$2.28	
26-Dec-16	\$24.63	\$24.27	\$0.36	
02-Jan-17	\$34.20	\$39.36	-\$5.16	
09-Jan-17	\$30.55	\$38.79	-\$8.24	Colder than forecast temperatures in Northern MISO caused market to clear higher than forecast.
16-Jan-17	\$26.43	\$32.48	-\$6.05	Low wind generation in MISO caused market to clear higher than forecast.
23-Jan-17	\$28.88	\$30.85	-\$1.97	
30-Jan-17	\$32.22	\$27.81	\$4.41	

Surplus Energy Program Quarterly Report August 1, 2016 through October 31, 2016

SEP Weekly Rates

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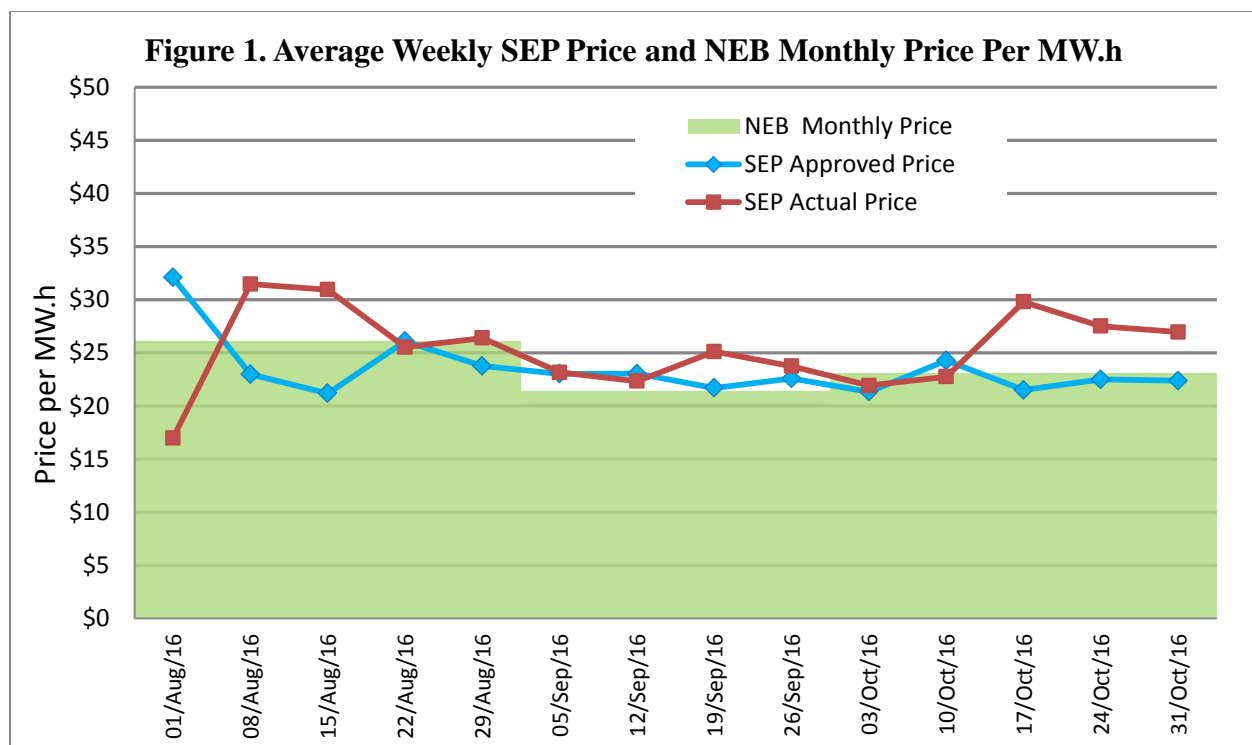
Manitoba Hydro reports to the National Energy Board (NEB) all electricity exported (physically delivered) to the U.S. These reports are required under export permits issued by the NEB and

include the quantity exported (MWh) and associated revenue (\$Cdn). From the data reported under NEB Permit 404, the average price (\$Cdn/MWh) of MISO opportunity exports can be calculated.

Explanation of Historic Average Weekly SEP Rate Variation

Figure 1 below provides a comparison of weekly PUB approved SEP prices, actual weekly average SEP prices and the monthly average MISO prices reported to the NEB under Permit 404.

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Note: The October 2016 NEB price is a preliminary value.

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Week Beginning	SEP Approved	SEP Actual	Difference	Variance Explanation (for differences >20%)
01-Aug-16	\$32.09	\$16.99	\$15.10	Transmission outage in MISO caused actual marginal cost at the MH node to be lower than forecast.
08-Aug-16	\$22.98	\$31.48	(\$8.50)	Lower marginal costs were forecast due to spill conditions but major work on MH DC system reduced available generation for export.
15-Aug-16	\$21.18	\$30.94	(\$9.76)	Lower marginal costs were forecast due to spill conditions but major work on MH DC system reduced available generation for export.
22-Aug-16	\$26.09	\$25.54	\$0.55	
29-Aug-16	\$23.76	\$26.39	(\$2.63)	
05-Sep-16	\$23.03	\$23.16	(\$0.13)	
12-Sep-16	\$23.04	\$22.33	\$0.71	
19-Sep-16	\$21.70	\$25.11	(\$3.41)	
26-Sep-16	\$22.59	\$23.75	(\$1.16)	
03-Oct-16	\$21.34	\$21.92	(\$0.58)	
10-Oct-16	\$24.27	\$22.76	\$1.51	
17-Oct-16	\$21.51	\$29.80	(\$8.29)	Warmer than normal temperatures and generation maintenance in MISO caused market to clear higher than forecast.
24-Oct-16	\$22.50	\$27.51	(\$5.01)	Warmer than normal temperatures and generation maintenance in MISO caused market to clear higher than forecast.
31-Oct-16	\$22.37	\$26.95	(\$4.58)	Warmer than normal temperatures and generation maintenance in MISO caused market to clear higher than forecast.

Surplus Energy Program Quarterly Report May 1, 2016 through July 31, 2016

SEP Weekly Rates

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Export market prices in MISO are volatile, and as a result, actual export market prices will vary from the weekly SEP rates that are forecast, and approved by the PUB. The volatility in MISO prices can be attributed to factors such as the level of natural gas prices, changes in MISO wind generation and changes in ambient temperatures which affect load demand. Forced outages of large generators or major regional transmission lines can also cause market prices to fluctuate. Factors that contribute to variations in SEP prices from market prices include unexpected outages on the U.S. interconnection, fluctuations in Manitoba electrical demand and changed water conditions on Manitoba waterways.

In addition to market price volatility, changing supply and demand conditions in Manitoba can result in volatility to SEP prices. Under certain water and Manitoba load conditions, transmission to neighbouring markets can be fully utilized (either in the export or import direction). If these conditions develop relatively quickly and were not originally forecast, actual SEP prices may diverge considerably from forecast prices.

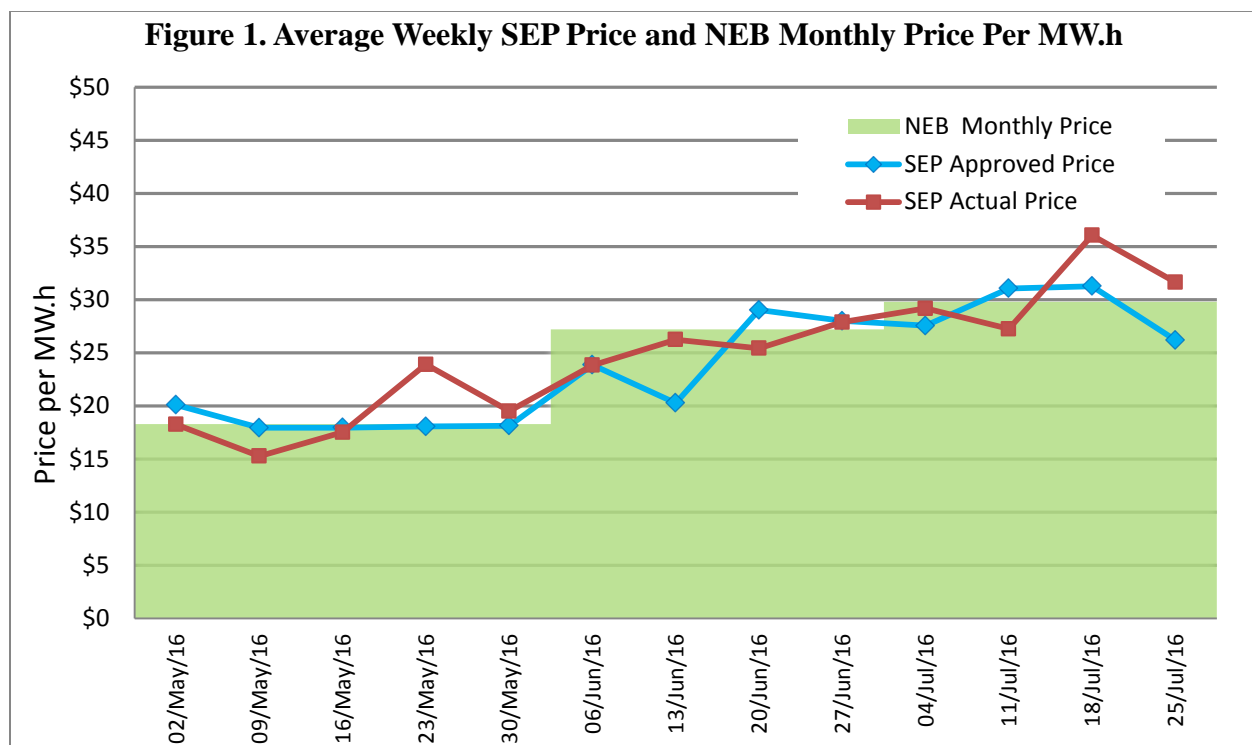
Manitoba Hydro reports to the National Energy Board (NEB) all electricity exported (physically delivered) to the U.S. These reports are required under export permits issued by the NEB and

include the quantity exported (MWh) and associated revenue (\$Cdn). From the data reported under NEB Permit 404, the average price (\$Cdn/MWh) of MISO opportunity exports can be calculated.

Explanation of Historic Average Weekly SEP Rate Variation

Figure 1 below provides a comparison of weekly PUB approved SEP prices, actual weekly average SEP prices and the monthly average MISO prices reported to the NEB under Permit 404.

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Note: The July 2016 NEB price is a preliminary value.

Table 1 below shows the SEP Approved and SEP Actual prices for all weeks during the reporting period. An explanation of factors that have influenced SEP pricing are provided for those weeks where the SEP Approved and SEP Actual prices differed by 20% or more.

Table 1. SEP Approved vs. SEP Actual Prices For the three months ended April 2016				
Week Beginning	SEP Approved	SEP Actual	Difference	Variance Explanation (for differences >20%)
02-May-16	\$20.10	\$18.26	\$1.84	
09-May-16	\$17.95	\$15.29	\$2.66	
16-May-16	\$17.96	\$17.53	\$0.43	
23-May-16	\$18.07	\$23.91	-\$5.84	Warmer than forecast temperatures in MISO causing higher than forecast MISO market prices.
30-May-16	\$18.15	\$19.52	-\$1.37	
06-Jun-16	\$23.87	\$23.83	\$0.04	
13-Jun-16	\$20.29	\$26.24	-\$5.95	Warmer than forecast temperatures in northern MISO causing higher than forecast MISO market prices.
20-Jun-16	\$29.04	\$25.44	\$3.60	
27-Jun-16	\$28.01	\$27.89	\$0.12	
04-Jul-16	\$27.55	\$29.18	-\$1.63	
11-Jul-16	\$31.06	\$27.26	\$3.80	
18-Jul-16	\$31.28	\$36.07	-\$4.79	
25-Jul-16	\$26.20	\$31.65	-\$5.45	Low wind generation in MISO causing higher than forecast MISO market prices.

Surplus Energy Program Quarterly Report February 1, 2016 through April 30, 2016

SEP Weekly Rates

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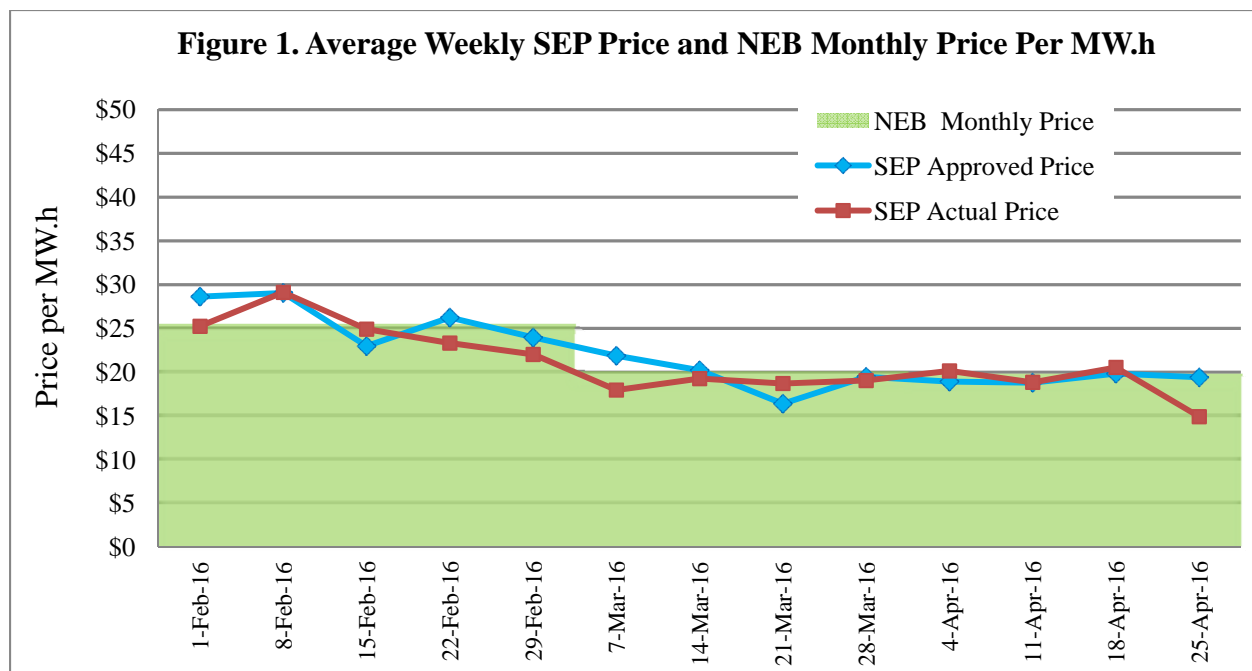
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08-Feb-16	\$29.06	\$29.12	-\$0.06	
15-Feb-16	\$22.98	\$24.92	-\$1.94	
22-Feb-16	\$26.24	\$23.33	\$2.91	

Table 1. SEP Approved vs. SEP Actual Prices For the three months ended April 2016				
Week Beginning	SEP Approved	SEP Actual	Difference	Variance Explanation (for differences >20%)
29-Feb-16	\$23.96	\$22.03	\$1.93	
07-Mar-16	\$21.88	\$17.96	\$3.92	
14-Mar-16	\$20.22	\$19.27	\$0.95	
21-Mar-16	\$16.40	\$18.71	-\$2.31	
28-Mar-16	\$19.47	\$19.05	\$0.42	
04-Apr-16	\$18.93	\$20.15	-\$1.22	
11-Apr-16	\$18.80	\$18.84	-\$0.04	
18-Apr-16	\$19.84	\$20.54	-\$0.70	
25-Apr-16	\$19.41	\$14.92	\$4.49	Spill conditions and stranded assets (due to a transmission outage) resulted in a lower weekly average than forecasted.

Surplus Energy Program Quarterly Report November 1, 2015 through January 31, 2016

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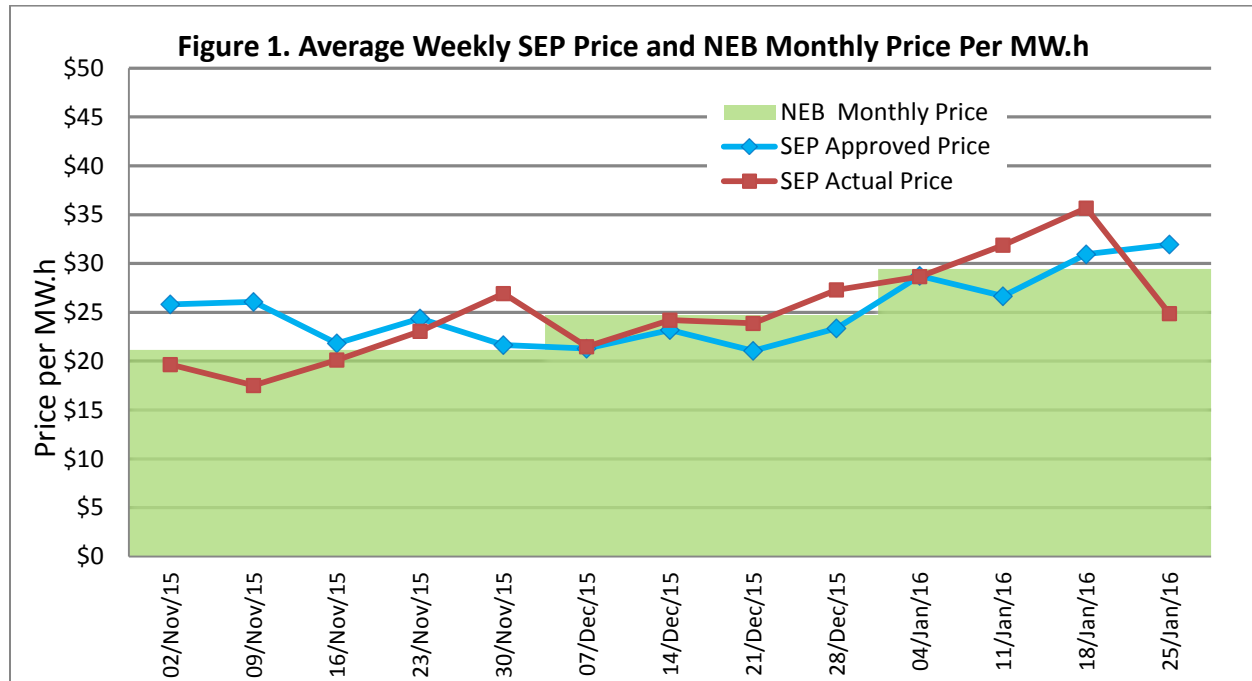
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02-Nov-15	\$25.82	\$19.65	\$6.17	Higher than average wind generation in MISO as well as weather warmer than forecast in northern MISO resulting in lower marginal pricing in MISO (more generation and less heating demand).
09-Nov-15	\$26.07	\$17.51	\$8.56	Higher than average wind generation in MISO as well as weather warmer than forecast in northern MISO resulting in lower marginal pricing in MISO (more generation and less heating demand).
16-Nov-15	\$21.83	\$20.12	\$1.71	
23-Nov-15	\$24.37	\$23.06	\$1.31	
30-Nov-15	\$21.65	\$26.92	(\$5.27)	Some days had low wind generation in MISO coupled with lower than forecasted temperatures in central MISO resulting in higher prices than forecast.
07-Dec-15	\$21.28	\$21.48	(\$0.20)	
14-Dec-15	\$23.19	\$24.20	(\$1.01)	
21-Dec-15	\$21.06	\$23.87	(\$2.81)	
28-Dec-15	\$23.36	\$27.30	(\$3.94)	
04-Jan-16	\$28.74	\$28.66	\$0.08	
11-Jan-16	\$26.65	\$31.88	(\$5.23)	
18-Jan-16	\$30.94	\$35.67	(\$4.73)	
25-Jan-16	\$31.95	\$24.87	\$7.08	Actual temperatures much higher than historical normal temperatures as well as 7 day out forecasted temperatures in northern and central MISO, resulting in lower heating demand,. and lower prices than forecast.

Surplus Energy Program Quarterly Report August 1, 2015 through October 31, 2015

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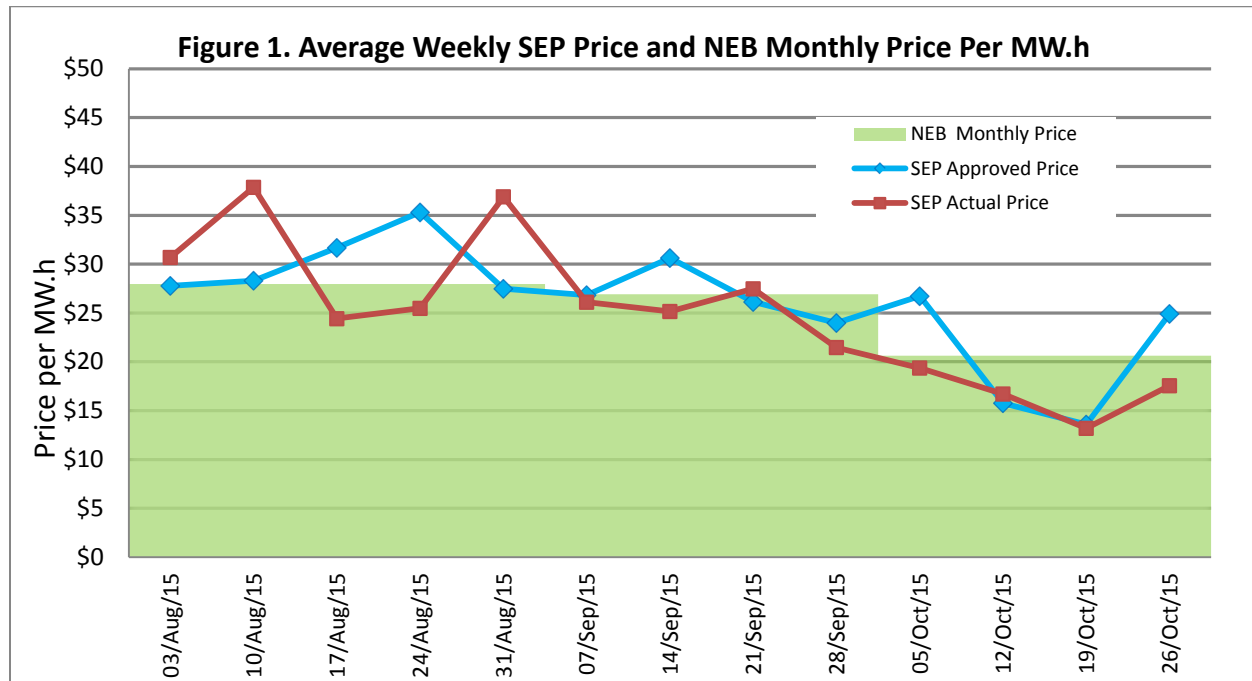
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03-Aug-15	\$27.78	\$30.69	-\$2.91	
10-Aug-15	\$28.31	\$37.87	-\$9.56	Low actual wind generation in MISO; Weather warmer than 7 day out forecast resulting in higher cooling demand.
17-Aug-15	\$31.67	\$24.42	\$7.25	Weather cooler than forecast resulting in less cooling demand and higher wind generation in MISO resulting in more generation.
24-Aug-15	\$35.30	\$25.48	\$9.82	Weather cooler than 7 day out forecast resulting in lower cooling demand.
31-Aug-15	\$27.48	\$36.90	-\$9.42	Warmer weather than 7 day out forecast resulting in higher cooling demand.
07-Sep-15	\$26.83	\$26.11	\$0.72	

Table 1. SEP Approved vs. SEP Actual Prices For the three months ended October 2015				
Week Beginning	SEP Approved	SEP Actual	Difference	Variance Explanation (for differences >20%)
14-Sep-15	\$30.63	\$25.16	\$5.47	
21-Sep-15	\$26.13	\$27.48	-\$1.35	
28-Sep-15	\$23.98	\$21.47	\$2.51	
05-Oct-15	\$26.72	\$19.37	\$7.35	Weather warmer than forecast resulting in less heating demand.
12-Oct-15	\$15.77	\$16.71	-\$0.94	
19-Oct-15	\$13.58	\$13.20	\$0.38	
26-Oct-15	\$24.91	\$17.56	\$7.35	High wind generation in MISO resulting in more generation and weather warmer than forecast resulting in less heating demand.