

**COALITION MFR 1**

**Corporate Overview**

**With respect to the PUB's Corporate Overview MFR #7 and MFR #68, please supplement with an explanation regarding the current revenue/profit sharing arrangements with NCN and KCN.**

Please see the response to PUB MFR 68.

**COALITION MFR 2**

**Financial Information**

**With respect to the PUB's Financial Information MFR #10, please also provide a comparison with respect to IFF14 which was the forecast underpinning MH's last rate full approval (Order 73/15).**

The following table outlines the changes in projected results from MH14 to MH16. The main drivers of change are consistent with those outlined in PUB MFR 10:

- Lower interest rates result in significantly lower finance expense;
- Manitoba Hydro's cost reduction program results in significantly lower operating and administrative expenses;
- MH16 contains the financial reporting implications of PUB Order 73/15 including the establishment of a regulatory deferral account balance pertaining to \$20 million per year in ineligible overhead and the difference between the Equal Life Group (ELG) and Average Service Life (ASL) depreciation methodologies and the amortization of these balances through net movement;
- Lower forecast Manitoba demand results in lower Manitoba revenues;
- Lower export prices and the delay in Keeyask in-service result in lower export revenues; and,
- Higher Bipole III and Keeyask projected costs result in higher carrying costs (interest charges and depreciation).

MH16 financial statement presentation is consistent with International Financial Reporting Standards (IFRS) whereas MH14 was consistent with Canadian Generally Accepted Accounting Principles (CGAAP). Impacts of the change in presentation include:

- Customer Contributions are recognized over the life of the asset in Other Revenue in MH16 compared to Depreciation & Amortization in MH14.
- Under IFRS, the financial reporting requirements for regulatory deferral account balances for costs such as DSM, site remediation, regulatory costs, and the ineligible overhead and the differences between depreciation methodologies as noted above, specifies that net income above net movement be presented in a manner that does not include the impacts of rate-regulation. As a result, MH16 recognizes additions to

regulatory balances through other expenses and amortizes regulatory account balances through net movement.

- The Conawapa Generating Station \$380 million unamortized balance of costs to December 31, 2016 is recognized in other expenses in 2020 in MH16 and recorded in a regulatory deferral account. The regulatory deferral account is amortized over 30 years through net movement. In MH14, the Conawapa costs were charged to a regulatory deferral account in 2018 and amortized over 30 years through depreciation expense.

Other changes in financial statement presentation include:

- The amortization of the BPIII Reserve account was recognized in depreciation & amortization in MH14, in other revenue in MH15 and in the Bipole III reserve account in domestic revenues in MH16.

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**Increase/(Decrease)**  
 (millions of \$)

	<b>2017-2017</b>		
	MH16	MH14	Variance
Domestic Revenues (MH16 at MH15 Rate Increases)	21,115	22,066	(951)
Extraprovincial	6,961	8,474	(1,512)
Other*	358	171	188
<b>Total Revenues</b>	<b>28,435</b>	<b>30,710</b>	<b>(2,275)</b>
Operating and Administrative	5,899	6,693	(795)
Finance Expense	9,903	12,007	(2,103)
Finance Income	(232)	-	(232)
Depreciation and Amortization	6,536	7,019	(484)
Water Rentals and Assessments	1,361	1,364	(3)
Fuel and Power Purchased	1,564	2,662	(1,098)
Capital and Other Taxes	1,741	1,637	104
Other Expenses	1,301	90	1,211
Corporate Allocation	89	29	60
<b>Total Expenses</b>	<b>28,161</b>	<b>31,501</b>	<b>(3,340)</b>
<b>Net Income before Net Movement in Reg. Deferral</b>	<b>274</b>	<b>(791)</b>	<b>1,065</b>
Net Movement in Regulatory Deferral	684	-	684
<b>Net Income (at MH15 Rate Increases)</b>	<b>957</b>	<b>(791)</b>	<b>1,749</b>
Additional Domestic Revenue (over MH15 Rate Increases)	2,530	-	2,530
Financing and Capital Tax Savings	544	-	544
Net Income (at MH16 Rate Increases)	4,032	(791)	4,823
<b>Net Income Attributable to:</b>			
<b>Manitoba Hydro</b>	<b>4,011</b>	<b>(771)</b>	<b>4,782</b>
Non-controlling Interest	21	(20)	41
<b>Equity Ratio (MH16 at 7.9% Rate Increases)</b>	<b>25%</b>	<b>10%</b>	

**COALITION MFR 3**

**Financial Information**

**With respect to the PUB's Financial Information MFR #17, please reconcile the values used in the determination of the forecast financial ratios with the values in the IFF.**

**Figures 1 through 4** from PUB MFR 17 have been reproduced below with an index as to where the particular components of the ratios can be found on the expanded projected financial statements attached in **Figure 5**.

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**Figure 1. Debt Ratio Calculations**

<b>Debt Ratio</b>																
<b>Manitoba Hydro (Electric only)</b>																
(\$ millions)																
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	(K-L+M-N)	
					(A-B-C-D)			(F-G)							(E+H+I+J+K-L+M-N)	
Fiscal Year Ended	Retained Earnings Consolidated	Retained Earnings Gas	Retained Earnings Subs	Adjustments and Eliminations	Retained Earnings	Unamortized Customer Contributions Consolidated	Unamortized Customer Contributions Gas	Unamortized Customer Contributions	Accumulated Other Comprehensive Income	Non-Controlling Interest	Long-Term Debt	Sinking Fund Investment	Short-Term Debt	Cash and Cash Equivalents	Debt Ratio	
2012	2,450	34	26		2,390	318	33	285	327	100	9,084	372	-	42	0.74	
2013	2,542	42	32		2,468	340	33	307	299	95	9,690	352	-	24	0.75	
2014	2,716	62	39		2,615	381	42	339	96	73	10,563	111	-	131	0.77	
2015	2,779	66	48	6	2,659	457	42	415	(720)	120	12,375	114	-	482	0.83	
2016	2,828	65	57	10	2,696	534	45	489	(776)	140	14,187	-	-	944	0.84	
2017					2,730			640	(761)	169	15,908	-	-	559	0.85	
2018					2,841			776	(714)	202	18,921	246	-	428	0.85	
2019					3,083			793	(665)	253	21,473	450	-	496	0.86	
2020					3,427			751	(616)	301	23,060	498	-	534	0.85	
2021					3,921			702	(600)	340	23,575	478	-	262	0.84	
2022					4,594			641	(562)	375	23,310	34	-	308	0.82	
2023					5,094			580	(522)	85	23,185	96	-	419	0.81	
2024					5,466			566	(521)	96	22,886	287	-	393	0.80	
2025					5,898			577	(520)	99	22,466	203	-	601	0.78	
2026					6,265			588	(520)	101	21,703	310	-	193	0.77	
2027					6,705			599	(520)	104	21,317	320	-	333	0.75	
2028					7,193			610	(520)	107	21,160	402	-	679	0.73	
2029					7,759			619	(520)	108	21,092	575	-	1,089	0.71	
2030					8,411			629	(520)	104	19,425	370	-	378	0.68	
2031					9,138			639	(520)	102	18,622	224	-	521	0.66	
2032					9,979			649	(520)	100	17,803	425	-	429	0.62	
2033					10,929			660	(520)	98	16,984	596	-	474	0.59	
2034					12,002			671	(520)	96	16,588	797	-	1,054	0.55	
2035					13,200			682	(520)	94	16,162	991	-	1,674	0.50	
2036					14,470			694	(520)	92	15,871	923	-	2,762	0.45	

**References for MH16 Values:**

- Col E: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Retained Earnings
- Col H: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Deferred Revenue plus Bipole III Reserve Account
- Col I: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Accumulated Other Comprehensive Income
- Col J: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Non-Controlling Interests
- Col K: Figure 2, Column G
- Col L: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Sinking Fund Investments
- Col N: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Cash and Cash Equivalents

**Figure 2. Long-Term Debt Calculations**

**Calculation of Long-Term Debt for input into Debt:Equity Ratio**

Fiscal Year Ended	A	B	C (A-B)	D	E	F (D-E)	G (C+F)
	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
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	12,303	305	11,998	377	0	377	12,375
2016	14,201	340	13,861	326	0	326	14,187
2017	15,948	370	15,578	330	0	330	15,908
2018	18,320	400	17,920	1,002	0	1,002	18,921
2019	21,567	410	21,157	336	20	316	21,473
2020	22,202	420	21,782	1,278	0	1,278	23,060
2021	22,984	430	22,554	1,020	0	1,020	23,575
2022	23,321	440	22,881	449	20	429	23,310
2023	23,365	460	22,905	290	10	280	23,185
2024	22,934	460	22,474	412	0	412	22,886
2025	22,256	470	21,786	715	35	680	22,466
2026	21,010	485	20,525	1,178	0	1,178	21,703
2027	21,662	495	21,167	150	0	150	21,317
2028	21,625	505	21,120	50	10	40	21,160
2029	18,217	515	17,702	3,450	60	3,390	21,092
2030	15,574	525	15,049	4,386	10	4,376	19,425
2031	17,205	535	16,670	1,982	30	1,952	18,622
2032	16,625	545	16,080	1,763	40	1,723	17,803
2033	16,829	565	16,264	750	30	720	16,984
2034	16,903	585	16,318	340	70	270	16,588
2035	16,512	605	15,907	265	10	255	16,162
2036	16,416	625	15,791	140	60	80	15,871

References for MH16 Values:

Col C: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Long-Term Debt

Col F: Figure 5, Electric Operations Projected Balance Sheet, pages 8-9: Current Portion of Long-Term Debt

**Figure 3. Interest Coverage Ratio Calculation**

**EBIDTA Interest Coverage  
Electric  
(\$ millions)**

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	(D+I+M+N)/(I+N)	
				(A-B-C)				(E-F-G-H)						(J-K-L)		(D+I+M+N)/(I+N)
Fiscal Year Ended	Consolidated Net Income	Gas Net Income	Subs Net Income	Electric Net Income	Consolidated Finance Expense	Gas Finance Expense	Corporate Allocation	Subs Finance Expense	Electric Finance Expense*	Consolidated Depreciation Expense	Gas Depreciation Expense	Subs Depreciation Expense	Electric Depreciation Expense*	Electric Capitalized Interest	Electric EBITDA Interest Coverage	
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	8	146	470	16	12		443					142	1.25	
2015	136	11	9	111	551	19	12	(2)	496	378	22	1	355	148	1.72	
2016	49	(1)	9	37	620	20	12	(1)	566	394	23	2	369	180	1.54	
2017				34					601				393	245	1.50	
2018				111					565				412	353	1.57	
2019				242					648				491	313	1.76	
2020				344					700				552	315	1.88	
2021				494					754				599	329	2.01	
2022				673					804				646	289	2.21	
2023				500					1,017				738	55	2.16	
2024				372					1,062				825	19	2.11	
2025				432					1,042				840	19	2.20	
2026				367					1,018				856	18	2.18	
2027				440					988				870	20	2.30	
2028				488					969				885	20	2.39	
2029				565					942				897	24	2.51	
2030				652					916				910	22	2.67	
2031				728					898				922	23	2.79	
2032				841					854				939	19	3.04	
2033				950					817				956	18	3.28	
2034				1,073					769				974	19	3.60	
2035				1,198					718				992	21	3.96	
2036				1,270					666				1,011	24	4.30	

\*Presented gross of corporate allocation

References for MH16 Values:

Col D: Figure 5, Electric Operations Projected Operating Statement, pages 6-7: Net Income Attributable to Manitoba Hydro

Col I: Figure 5, Electric Operations Projected Operating Statement, pages 6-7: Finance Expense less Finance Income plus Finance Expense Corporate Allocation

Col M: Figure 5, Electric Operations Projected Operating Statement, pages 6-7: Depreciation and Amortization plus Depreciation Corporate Allocation plus Depreciation in Net Movement

Col N: Figure 5, Electric Operations Projected Operating Statement, pages 6-7: Capitalized Interest



**Figure 4. Capital Coverage Ratio Calculation**

<b>Capital Coverage Ratio Excluding Major Generation Electric (\$ millions)</b>							
	<b>A</b>	<b>B</b>	<b>C (A-B)</b>	<b>D</b>	<b>E</b>	<b>F (D-E)</b>	<b>C/F</b>
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
2012	567	49	518	503	31	472	1.10
2013	589	35	554	472	34	438	1.26
2014	691	29	662	511	35	476	1.39
2015	665	4	661	557	27	525	1.26
2016	791	75	716	579	40	534	1.34
2017			569			529	1.08
2018			689			526	1.31
2019			770			517	1.49
2020			871			516	1.69
2021			1077			511	2.11
2022			1298			499	2.60
2023			1214			521	2.33
2024			1253			544	2.30
2025			1338			616	2.17
2026			1282			640	2.00
2027			1379			659	2.09
2028			1438			671	2.14
2029			1529			697	2.19
2030			1621			688	2.36
2031			1712			727	2.35
2032			1847			734	2.52
2033			1972			748	2.64
2034			2121			760	2.79
2035			2263			835	2.71
2036			2352			852	2.76

Col C: Figure 5, Electric Operations Projected Cash Flow Statement, pages 10-11: Cash Flow from Operating Activities

Col F: IFF16, Appendix 3.1, page 55: Electric Business Operations Capital Total

**Figure 5. MH16 Financial Statements**

**ELECTRIC OPERATIONS (MH16)**  
**PROJECTED OPERATING STATEMENT**  
(In Millions of Dollars)

*For the year ended March 31*

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>REVENUES</b>											
Domestic Revenue											
at approved rates	1 517	1 569	1 561	1 552	1 551	1 552	1 559	1 567	1 577	1 584	1 593
additional*	-	88	255	397	551	717	766	817	870	923	979
BPIII Reserve Account	(96)	(119)	9	71	71	71	71	24	-	-	-
Extraprovincial	468	454	432	455	578	696	795	818	844	707	714
Other	27	30	31	31	33	33	34	34	35	35	36
	<u>1 915</u>	<u>2 022</u>	<u>2 287</u>	<u>2 507</u>	<u>2 784</u>	<u>3 069</u>	<u>3 225</u>	<u>3 260</u>	<u>3 325</u>	<u>3 250</u>	<u>3 321</u>
<b>EXPENSES</b>											
Operating and Administrative	535	518	501	511	513	524	536	548	559	571	583
<i>Gross Finance Expense</i>	<i>858</i>	<i>927</i>	<i>975</i>	<i>1 036</i>	<i>1 103</i>	<i>1 118</i>	<i>1 104</i>	<i>1 092</i>	<i>1 076</i>	<i>1 051</i>	<i>1 018</i>
<i>Capitalized Interest</i>	<i>(245)</i>	<i>(353)</i>	<i>(313)</i>	<i>(315)</i>	<i>(329)</i>	<i>(289)</i>	<i>(55)</i>	<i>(19)</i>	<i>(19)</i>	<i>(18)</i>	<i>(20)</i>
Finance Expense	613	574	662	721	774	829	1 049	1 072	1 057	1 033	999
Finance Income	(18)	(16)	(20)	(27)	(27)	(32)	(38)	(17)	(21)	(22)	(17)
Depreciation and Amortization	384	396	471	515	554	597	689	714	725	739	751
Water Rentals and Assessments	131	124	112	113	114	117	127	128	131	131	131
Fuel and Power Purchased	130	135	166	146	162	149	140	138	141	128	129
Capital and Other Taxes	118	132	144	154	161	165	173	174	174	174	174
Other Expenses	60	115	109	481	94	92	71	64	67	71	76
<i>Finance Expense</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>
<i>Depreciation Expense</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Other Revenues</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Corporate Allocation	8	8	8	8	8	8	8	8	8	8	8
	<u>1 962</u>	<u>1 987</u>	<u>2 153</u>	<u>2 623</u>	<u>2 354</u>	<u>2 449</u>	<u>2 755</u>	<u>2 828</u>	<u>2 841</u>	<u>2 832</u>	<u>2 833</u>
Net Income before Net Movement in Reg. Deferral	(47)	35	134	(116)	430	620	470	432	484	418	488
<i>Operating and Administrative</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>20</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Depreciation and Amortization</i>	<i>(7)</i>	<i>(15)</i>	<i>(18)</i>	<i>(35)</i>	<i>(43)</i>	<i>(48)</i>	<i>(49)</i>	<i>(111)</i>	<i>(114)</i>	<i>(117)</i>	<i>(118)</i>
<i>Other Expenses</i>	<i>56</i>	<i>62</i>	<i>104</i>	<i>477</i>	<i>92</i>	<i>89</i>	<i>69</i>	<i>62</i>	<i>64</i>	<i>68</i>	<i>73</i>
Net Movement in Regulatory Deferral	69	68	106	462	69	61	40	(49)	(49)	(48)	(45)
<b>Net Income</b>	<u>22</u>	<u>102</u>	<u>241</u>	<u>346</u>	<u>499</u>	<u>681</u>	<u>510</u>	<u>383</u>	<u>435</u>	<u>369</u>	<u>443</u>
<b>Net Income Attributable to:</b>											
<b>Manitoba Hydro</b>	<b>34</b>	<b>111</b>	<b>242</b>	<b>344</b>	<b>494</b>	<b>673</b>	<b>500</b>	<b>372</b>	<b>432</b>	<b>367</b>	<b>440</b>
Non-controlling Interest	(12)	(9)	(1)	2	5	8	9	11	3	2	3

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**ELECTRIC OPERATIONS (MH16)**  
**PROJECTED OPERATING STATEMENT**  
(In Millions of Dollars)

*For the year ended March 31*

	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>
<b>REVENUES</b>									
Domestic Revenue at approved rates	1 599	1 608	1 623	1 639	1 667	1 698	1 730	1 762	1 796
additional*	1 034	1 093	1 158	1 225	1 304	1 389	1 478	1 571	1 669
BP/III Reserve Account	-	-	-	-	-	-	-	-	-
Extraprovincial	708	721	733	744	745	743	739	732	654
Other	36	37	38	38	39	40	40	40	41
	<b>3 378</b>	<b>3 458</b>	<b>3 551</b>	<b>3 647</b>	<b>3 756</b>	<b>3 869</b>	<b>3 987</b>	<b>4 106</b>	<b>4 161</b>
<b>EXPENSES</b>									
Operating and Administrative	595	607	620	633	646	660	674	688	702
<i>Gross Finance Expense</i>	<i>1 009</i>	<i>997</i>	<i>960</i>	<i>936</i>	<i>890</i>	<i>853</i>	<i>810</i>	<i>773</i>	<i>736</i>
<i>Capitalized Interest</i>	<i>(20)</i>	<i>(24)</i>	<i>(22)</i>	<i>(23)</i>	<i>(19)</i>	<i>(18)</i>	<i>(19)</i>	<i>(21)</i>	<i>(24)</i>
<i>Figure 3 Column N</i>									
<i>Figure 3 Column I</i>									
Finance Expense	989	973	938	913	871	835	791	752	712
<i>Figure 3 Column I</i>	(26)	(38)	(25)	(16)	(18)	(19)	(23)	(35)	(47)
<i>Figure 3 Column M</i>									
Depreciation and Amortization	764	775	790	804	822	840	856	871	887
Water Rentals and Assessments	131	132	132	132	133	133	133	134	134
Fuel and Power Purchased	129	131	135	145	151	159	167	178	172
Capital and Other Taxes	174	175	176	177	178	179	180	181	187
Other Expenses	79	84	87	87	89	91	92	95	96
<i>Figure 3 Column I</i>	<i>6</i>	<i>6</i>	<i>3</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Figure 3 Column M</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>
<i>Other Revenues</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Corporate Allocation	8	8	5	2	2	2	2	2	2
	<b>2 843</b>	<b>2 848</b>	<b>2 857</b>	<b>2 878</b>	<b>2 874</b>	<b>2 879</b>	<b>2 873</b>	<b>2 865</b>	<b>2 846</b>
Net Income before Net Movement in Reg. Deferral	535	610	694	769	882	990	1 114	1 241	1 315
<i>Operating and Administrative</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Figure 3 Column M</i>	<i>(120)</i>	<i>(121)</i>	<i>(119)</i>	<i>(117)</i>	<i>(117)</i>	<i>(116)</i>	<i>(117)</i>	<i>(120)</i>	<i>(123)</i>
<i>Depreciation and Amortization</i>	<i>76</i>	<i>81</i>	<i>84</i>	<i>85</i>	<i>86</i>	<i>88</i>	<i>89</i>	<i>92</i>	<i>93</i>
<i>Other Expenses</i>	<i>(43)</i>	<i>(40)</i>	<i>(35)</i>	<i>(33)</i>	<i>(31)</i>	<i>(28)</i>	<i>(28)</i>	<i>(28)</i>	<i>(30)</i>
Net Movement in Regulatory Deferral	(43)	(40)	(35)	(33)	(31)	(28)	(28)	(28)	(30)
<b>Net Income</b>	<b>491</b>	<b>570</b>	<b>659</b>	<b>737</b>	<b>851</b>	<b>963</b>	<b>1 086</b>	<b>1 213</b>	<b>1 285</b>
<b>Net Income Attributable to:</b>									
<i>Figure 3 Column D</i>	<b>488</b>	<b>565</b>	<b>652</b>	<b>728</b>	<b>841</b>	<b>950</b>	<b>1 073</b>	<b>1 198</b>	<b>1 270</b>
<b>Manitoba Hydro</b>									
Non-controlling Interest	4	5	7	9	11	12	14	15	15

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**ELECTRIC OPERATIONS (MH16)**  
**PROJECTED BALANCE SHEET**  
(In Millions of Dollars)

For the year ended March 31

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>ASSETS</b>											
Plant in Service	13 256	13 881	19 254	19 876	20 938	26 363	30 693	31 222	31 858	32 522	33 133
Accumulated Depreciation	(985)	(1 319)	(1 749)	(2 197)	(2 634)	(3 143)	(3 724)	(4 347)	(4 961)	(5 625)	(6 231)
Net Plant in Service	12 272	12 562	17 505	17 679	18 304	23 219	26 969	26 876	26 897	26 897	26 902
Construction in Progress	6 943	9 308	6 596	7 378	7 870	3 693	224	312	276	272	269
Figure 1 Column N <i>Cash and Cash Equivalents</i>	559	428	496	534	262	308	419	393	601	193	333
<i>Other Current Assets</i>	581	600	621	645	667	687	706	726	745	765	784
Figure 1 Column L <i>Sinking Fund Investments</i>	-	246	450	498	478	34	96	287	203	310	320
<i>Other Non-Current Assets</i>	581	635	708	774	832	888	505	516	527	539	551
Current and Other Assets	1 721	1 909	2 275	2 451	2 239	1 917	1 727	1 921	2 075	1 806	1 989
Goodwill and Intangible Assets	270	485	725	869	1 271	1 225	1 180	1 135	1 092	1 049	1 007
Total Assets before Regulatory Deferral	21 206	24 264	27 101	28 377	29 684	30 054	30 099	30 244	30 340	30 024	30 168
Regulatory Deferral Balance	459	526	633	1 094	1 163	1 225	1 265	1 216	1 167	1 118	1 074
	21 665	24 790	27 734	29 471	30 847	31 279	31 364	31 461	31 507	31 143	31 242
<b>LIABILITIES AND EQUITY</b>											
Figure 2 Column C Long-Term Debt	15 578	17 920	21 157	21 782	22 554	22 881	22 905	22 474	21 786	20 525	21 167
Figure 2 Column F <i>Current Portion of Long-Term Debt</i>	330	1 002	316	1 278	1 020	429	280	412	680	1 178	150
<i>Other Current Liabilities</i>	1 317	1 066	1 062	774	774	777	781	782	779	770	773
Figure 1 Column J <i>Non-Controlling Interests</i>	169	202	253	301	340	375	85	96	99	101	104
<i>Other Non-Current Liabilities</i>	1 598	1 635	1 672	1 713	2 075	2 086	2 103	2 127	2 151	2 178	2 206
Current and Other Liabilities	3 415	3 905	3 303	4 067	4 209	3 666	3 249	3 417	3 708	4 226	3 232
Provisions	19	19	19	18	17	16	16	15	14	14	14
Figure 1 Column H Deferred Revenue	444	460	486	515	537	546	556	566	577	588	599
Figure 1 Column H BPIII Reserve Account	196	316	307	236	165	94	24	(0)	(0)	(0)	(0)
Figure 1 Column E Retained Earnings	2 730	2 841	3 083	3 427	3 921	4 594	5 094	5 466	5 898	6 265	6 705
Figure 1 Column I Accumulated Other Comprehensive Income	(761)	(714)	(665)	(616)	(600)	(562)	(522)	(521)	(520)	(520)	(520)
Total Liabilities and Equity before Regulatory Deferral	21 621	24 747	27 691	29 428	30 804	31 236	31 321	31 417	31 463	31 099	31 198
Regulatory Deferral Balance	44	44	44	44	44	44	44	44	44	44	44
	21 665	24 790	27 734	29 471	30 847	31 279	31 364	31 461	31 507	31 143	31 242

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**ELECTRIC OPERATIONS (MH16)**  
**PROJECTED BALANCE SHEET**  
 (In Millions of Dollars)

*For the year ended March 31*

	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>ASSETS</b>									
Plant in Service	33 741	34 487	35 147	35 978	36 754	37 549	38 293	39 095	40 163
Accumulated Depreciation	(6 924)	(7 621)	(8 329)	(9 059)	(9 806)	(10 595)	(11 384)	(12 186)	(12 993)
Net Plant in Service	26 817	26 866	26 817	26 919	26 948	26 955	26 909	26 909	27 170
Construction in Progress	351	313	348	258	232	224	264	319	115
Figure 1 Column N <i>Cash and Cash Equivalents</i>	679	1 089	378	521	429	474	1 054	1 674	2 762
<i>Other Current Assets</i>	804	825	845	865	886	907	928	950	971
Figure 1 Column L <i>Sinking Fund Investments</i>	402	575	370	224	425	596	797	991	923
<i>Other Non-Current Assets</i>	564	578	588	592	596	600	603	605	606
Current and Other Assets	2 450	3 067	2 180	2 203	2 336	2 578	3 382	4 219	5 263
Goodwill and Intangible Assets	967	928	890	852	814	777	740	703	667
Total Assets before Regulatory Deferral	30 584	31 173	30 236	30 232	30 330	30 533	31 295	32 151	33 215
Regulatory Deferral Balance	1 030	990	955	923	892	864	836	807	777
	31 614	32 163	31 191	31 155	31 222	31 397	32 130	32 958	33 992
<b>LIABILITIES AND EQUITY</b>									
Figure 2 Column C Long-Term Debt	21 120	17 702	15 049	16 670	16 080	16 264	16 318	15 907	15 791
Figure 2 Column F <i>Current Portion of Long-Term Debt</i>	40	3 390	4 376	1 952	1 723	720	270	255	80
<i>Other Current Liabilities</i>	772	771	761	753	749	742	742	738	733
Figure 1 Column J <i>Non-Controlling Interests</i>	107	108	104	102	100	98	96	94	92
<i>Other Non-Current Liabilities</i>	2 235	2 272	2 312	2 351	2 391	2 432	2 478	2 527	2 577
Current and Other Liabilities	3 154	6 545	7 564	5 170	4 976	4 006	3 602	3 631	3 499
Provisions	14	14	14	14	14	14	14	14	14
Figure 1 Column H Deferred Revenue	610	619	629	639	649	660	671	682	694
Figure 1 Column H BP/III Reserve Account	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Figure 1 Column E Retained Earnings	7 193	7 759	8 411	9 138	9 979	10 929	12 002	13 200	14 470
Figure 1 Column I Accumulated Other Comprehensive Income	(520)	(520)	(520)	(520)	(520)	(520)	(520)	(520)	(520)
Total Liabilities and Equity before Regulatory Deferral	31 571	32 120	31 147	31 111	31 178	31 354	32 087	32 914	33 948
Regulatory Deferral Balance	44	44	44	44	44	44	44	44	44
	31 614	32 163	31 191	31 155	31 222	31 397	32 130	32 958	33 992

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**ELECTRIC OPERATIONS (MH16)**  
**PROJECTED CASH FLOW STATEMENT**  
(In Millions of Dollars)

*For the year ended March 31*

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>OPERATING ACTIVITIES</b>											
Cash Receipts from Customers	2,007	2,131	2,268	2,425	2,701	2,986	3,141	3,224	3,313	3,237	3,308
Cash Paid to Suppliers and Employees	(876)	(917)	(881)	(880)	(903)	(908)	(923)	(937)	(954)	(952)	(964)
Interest Paid	(569)	(529)	(628)	(695)	(737)	(797)	(1,013)	(1,042)	(1,035)	(1,017)	(974)
Interest Received	7	5	12	21	17	17	9	8	14	14	10
	569	689	770	871	1,077	1,298	1,214	1,253	1,338	1,282	1,379
<b>FINANCING ACTIVITIES</b>											
Proceeds from Long-Term Debt	2,743	3,370	3,590	1,970	1,790	790	360	(10)	(10)	(50)	790
Sinking Fund Withdrawals	146	0	0	182	303	767	173	50	330	131	224
Retirement of Long-Term Debt	(1,030)	(330)	(1,002)	(336)	(1,278)	(1,020)	(449)	(290)	(412)	(715)	(1,178)
Other	10	(10)	(10)	(11)	(11)	(11)	11	(5)	(5)	(5)	(5)
	1,868	3,029	2,578	1,805	804	525	95	(255)	(97)	(639)	(169)
<b>INVESTING ACTIVITIES</b>											
Property, Plant and Equipment, net of contributions	(2,609)	(3,553)	(3,015)	(2,351)	(1,742)	(1,352)	(880)	(700)	(704)	(732)	(756)
Sinking Fund Payment	(146)	(246)	(210)	(244)	(282)	(334)	(235)	(241)	(246)	(238)	(235)
Other	(68)	(51)	(55)	(44)	(128)	(91)	(84)	(83)	(83)	(80)	(79)
	(2,822)	(3,850)	(3,280)	(2,639)	(2,152)	(1,777)	(1,199)	(1,024)	(1,033)	(1,050)	(1,070)
<b>Net Increase (Decrease) in Cash</b>	(384)	(131)	68	37	(272)	46	111	(26)	208	(408)	140
<b>Cash at Beginning of Year</b>	944	559	428	496	534	262	308	419	393	601	193
<b>Cash at End of Year</b>	559	428	496	534	262	308	419	393	601	193	333

Figure 4 Column C

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**ELECTRIC OPERATIONS (MH16)**  
**PROJECTED CASH FLOW STATEMENT**  
 (In Millions of Dollars)

*For the year ended March 31*

	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>OPERATING ACTIVITIES</b>									
Cash Receipts from Customers	3,365	3,444	3,538	3,633	3,741	3,855	3,973	4,092	4,147
Cash Paid to Suppliers and Employees	(976)	(990)	(1,007)	(1,030)	(1,050)	(1,071)	(1,094)	(1,118)	(1,132)
Interest Paid	(973)	(966)	(930)	(902)	(857)	(832)	(790)	(763)	(727)
Interest Received	22	40	19	10	13	20	32	52	64
	1,438	1,529	1,621	1,712	1,847	1,972	2,121	2,263	2,352
<b>FINANCING ACTIVITIES</b>									
Proceeds from Long-Term Debt	(10)	(20)	1,780	3,580	1,160	940	350	(90)	(30)
Sinking Fund Withdrawals	150	60	445	361	0	30	0	10	275
Retirement of Long-Term Debt	(150)	(50)	(3,450)	(4,386)	(1,982)	(1,763)	(750)	(340)	(265)
Other	(5)	(5)	(5)	(5)	(5)	(7)	(4)	(4)	(5)
	(15)	(15)	(1,230)	(450)	(828)	(800)	(404)	(424)	(25)
<b>INVESTING ACTIVITIES</b>									
Property, Plant and Equipment, net of contributions	(767)	(798)	(793)	(832)	(840)	(857)	(870)	(948)	(966)
Sinking Fund Payment	(232)	(233)	(240)	(215)	(201)	(201)	(200)	(204)	(208)
Other	(78)	(72)	(70)	(71)	(70)	(69)	(68)	(66)	(65)
	(1,077)	(1,104)	(1,102)	(1,118)	(1,112)	(1,127)	(1,138)	(1,218)	(1,239)
<b>Net Increase (Decrease) in Cash</b>	346	410	(711)	144	(92)	45	579	621	1,088
<b>Cash at Beginning of Year</b>	333	679	1,089	378	521	429	474	1,054	1,674
<b>Cash at End of Year</b>	679	1,089	378	521	429	474	1,054	1,674	2,762

Figure 4 Column C

**COALITION MFR 4**

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**Please provide an updated version (with actuals through to 2015/16 & the forecast based on the latest IFF along with a comparison to IFF14) of PUB I-31 c) from the 2015-16 GRA.**

Three separate tables have been provided in this response as follows:

**Table A** below shows the actual OM&A per customer results for the fiscal periods 2009-2014 under CGAAP.

**TABLE A:  
 ACTUALS 2009-2014**

	Actual - CGAAP					
	2009	2010	2011	2012	2013	2014
OM&A expense 'electric only' (in millions of \$)	364	378	397	412	463	481
# of Customers*	527 472	532 359	537 299	542 681	548 774	555 760
OM&A per customer (in dollars)	691	709	739	759	844	865
OM&A expense 'electric only' (in millions of \$)	364	378	397	412	463	481
<b><u>CGAAP Changes</u></b>						
Intangible assets	5	4	4	4	4	4
Overhead Capitalized	5	9	29	29	60	61
Change in Pension & Benefits (e.g. Discount rate)	-	-	-	3	14	25
Subtotal CGAAP Changes	10	13	33	37	78	91
<b><u>IFRS Changes</u></b>						
Administrative Overhead	-	-	-	-	-	-
Meter Compliance, Exchange and Sampling	-	-	-	-	-	-
Pension	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-
Subtotal IFRS Changes	-	-	-	-	-	-
Total OM&A Accounting Changes	10	13	33	37	78	91
OM&A expense 'electric only' net of Accounting Changes	355	364	364	375	385	390
# of Customers*	527 472	532 359	537 299	542 681	548 774	555 760
OM&A per customer (in dollars) net of Accounting Changes	672	684	678	692	701	701

\* Based on the March 31 customer count (as presented in the Manitoba Hydro annual report)

**Table B** below compares the actual 2014/15 CGAAP and IFRS OM&A per customer balances to the forecast MH14 OM&A per customer balances. The actual IFRS balances reflect the restatements made by Manitoba Hydro upon its 2015/16 transition to IFRS. Notably, MH14 did not recognize the impacts of IFRS on individual income statement items for the 2014/15 fiscal period as such amounts were recognized with opening 2015/16 (transition year to IFRS) Retained Earnings adjustments; consistent with the approach used in previous IFFs. As demonstrated in Table B under CGAAP, Manitoba Hydro's OM&A of \$480 million is less than the \$486 million projected in MH14 as Manitoba Hydro has exceeded previous targeted reductions in operational positions.



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**TABLE B:**  
**ACTUALS 2014/15**

	Actual - CGAAP 2015	Actual - IFRS 2015
OM&A expense 'electric only' (in millions of \$)	480	538
# of Customers*	561 869	561 869
OM&A per customer (in dollars)	854	958
OM&A expense 'electric only' (in millions of \$)	480	538
<b><u>CGAAP Changes</u></b>		
Intangible assets	5	5
Overhead Capitalized	62	62
Change in Pension & Benefits (e.g. Discount rate)	30	30
Subtotal CGAAP Changes	97	97
<b><u>IFRS Changes</u></b>		
Administrative Overhead		57
Meter Compliance, Exchange and Sampling		(1)
Pension		(5)
Employee Benefits		6
Subtotal IFRS Changes	-	57
Total OM&A Accounting Changes	97	154
OM&A expense 'electric only' net of Accounting Changes	383	384
# of Customers*	561 869	561 869
OM&A per customer (in dollars) net of Accounting Changes	683	684

\* Based on the March 31 customer count (as presented in the Manitoba Hydro annual report)

**FORECAST MH14**

	Frcst- CGAAP 2015	Frcst - IFRS 2015
OM&A expense 'electric only' (in millions of \$)	486	N/A
# of Customers**	558 871	558 871
OM&A per customer (in dollars)	869	N/A
OM&A expense 'electric only' (in millions of \$)	486	N/A
<b><u>CGAAP Changes</u></b>		
Intangible assets	5	-
Overhead Capitalized	62	-
Change in Pension & Benefits (e.g. Discount rate)	27	-
Subtotal CGAAP Changes	94	-
<b><u>IFRS Changes</u></b>		
Administrative Overhead	-	-
Meter Compliance, Exchange and Sampling	-	-
Pension	-	-
Employee Benefits	-	-
Subtotal IFRS Changes	-	-
Total OM&A Accounting Changes	94	-
OM&A expense 'electric only' net of Accounting Changes	392	N/A
# of Customers*	558 871	558 871
OM&A per customer (in dollars) net of Accounting Changes	701	N/A

\*\* Based on the 2014 Electric Load Forecast (average customers)

<b>Difference (in millions of dollars)</b>	<b>2015</b>	<b>2015</b>
OM&A per customer (in dollars)	(15)	N/A
OM&A per customer (in dollars) net of Accounting Changes	(19)	N/A

**Table C** below compares the OM&A per customer balances between MH16 (actual 2016 and forecast) and MH14 (forecast only) under IFRS for the periods 2016-2029. Notably, prior year's responses included projected CGAAP and IFRS related accounting changes in the comparison as a means to demonstrate the potential impacts on OM&A from the transition to IFRS. Given that Manitoba Hydro has now fully transitioned to IFRS and the actual impacts of the transition on OM&A are known, the comparison provided in Table C is based on actual and projected IFRS based OM&A balances only.

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**TABLE C:  
 ACTUAL 2015/16 AND FORECAST MH16 2017-2029**

	Actual - IFRS	Frcst IFRS---->													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
OM&A expense 'electric only' (in millions of \$)	543	535	518	501	511	513	524	536	548	559	571	583	595	607	
# of Customers*	567 634	570 601	576 469	582 352	588 211	593 945	599 535	605 060	610 535	615 954	621 352	626 745	632 125	637 462	
OM&A per customer (in dollars)	957	938	899	860	869	864	874	886	898	908	919	930	941	952	

**FORECAST MH14 2016-2029**

	Frcst IFRS---->													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OM&A expense 'electric only' (in millions of \$)	542	552	557	571	585	601	607	619	631	644	657	669	683	697
# of Customers*	565 222	572 144	579 324	586 385	593 280	599 963	606 345	612 393	618 119	623 594	628 837	633 827	638 582	643 150
OM&A per customer (in dollars)	958	964	962	974	987	1 001	1 001	1 011	1 022	1 033	1 044	1 056	1 069	1 083

**DIFFERENCE (MH16 Less MH14)**

(in millions of dollars)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
OM&A per customer (in dollars)	(2)	(27)	(63)	(113)	(118)	(138)	(127)	(125)	(124)	(125)	(125)	(126)	(128)	(131)

Further to the above, the go forward balances of CGAAP and IFRS related accounting changes used in prior year's responses (e.g. PUB/MH I-31c) were escalated from the expected IFRS transition year (e.g. fiscal 2015/16). The 'escalation only' method was consistent with Manitoba Hydro's approach to setting targets with respect to the annual growth in OM&A. More recently, however, Manitoba Hydro has taken a significantly more aggressive approach to accelerate cost reductions in OM&A by implementing initiatives to reduce senior management and to reduce its workforce by approximately 900 full time employees. These reductions are expected to result in annual OM&A savings of approximately \$70 million over the next five years totaling approximately \$350 million to 2021/22. As such, an escalation of the 2014/15 accounting impacts to OM&A for MH16 would no longer be appropriate. MH16 incorporates these aggressive cost reductions and as demonstrated in Table C, the OM&A cost per customer (as determined under IFRS) is lower in MH16 compared to MH14 for each year of the forecast.

**COALITION MFR 5**

**Financial Information**

Please provide the full Berkeley Research Group report, as referred to in Manitoba Hydro's 2015 Financial Target Review Report, page 9 and Appendix B, pages 22-24 (available online:

[https://www.hydro.mb.ca/regulatory\\_affairs/pdf/electric/supplemental\\_filing\\_2015/08\\_attachment\\_6\\_mh\\_financial\\_target\\_review.pdf](https://www.hydro.mb.ca/regulatory_affairs/pdf/electric/supplemental_filing_2015/08_attachment_6_mh_financial_target_review.pdf)).

The Berkeley Research Group report has been provided as Appendix 4.3 to Tab 4 of this Application.

**COALITION MFR 6**

**Export & Domestic Revenue**

**With respect to the PUB's Export and Domestic Revenues MFR #24, please extend back to 2013/14 to ensure continuity with Appendix 11.19 from the last GRA. Please explain any differences between the export revenues reported here versus those in IFF15 & MFR #28 (for forecast values) or MFR #23 (for actual values).**

The Actual Average Price Calculations have been extended back to 2013/14 in the attached table. As well, non-volume related export revenues have been added to the table so that Total Export Revenue reconciles to PUB MFR 23.

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 Export & Domestic Revenue

**ACTUAL AVERAGE PRICE CALCULATION**

<b>VOLUMES (in GW.h)</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
Firm Export Sales to Canada	0	0	61
Opportunity Export Sales to Canada	722	970	719
<b>Total Export Sales to Canada</b>	<b>722</b>	<b>970</b>	<b>780</b>
Firm Export Sales to USA	3479	3133	2640
Opportunity Export Sales to USA	6336	5907	6861
<b>Total Export Sales to USA</b>	<b>9815</b>	<b>9040</b>	<b>9501</b>
<b>Purchased Energy</b>	<b>1823</b>	<b>1382</b>	<b>938</b>
<b>REVENUE/COST (in millions of dollars)</b>			
Firm Export Revenues to Canada	0.000	0.000	5.194
Opportunity Export Revenues to Canada	20.352	38.207	23.109
<b>Total Export Revenues to Canada</b>	<b>20.352</b>	<b>38.207</b>	<b>28.303</b>
Firm Export Revenues to USA	181.674	182.737	200.666
Opportunity Export Revenues to USA	182.353	162.795	177.851
<b>Total Export Revenues to USA</b>	<b>364.027</b>	<b>345.532</b>	<b>378.517</b>
<b>Total Export Sales to USA (includes net Trans &amp; Enviro charges)</b>	<b>339.392</b>	<b>225.635</b>	<b>341.353</b>
<b>Total Export Sales to Canada &amp; USA</b>	<b>384.379</b>	<b>383.739</b>	<b>406.820</b>
<b>Non-Volume Related Revenues:</b>			
Net Merchant	13.054	(4.561)	2.505
Transmission Credits	0.699	2.290	3.648
Environmental Credits	3.494	2.818	2.055
<b>Total Extraprovincial Revenues</b>	<b>401.626</b>	<b>384.286</b>	<b>415.028</b>
<b>Total Import Energy</b>	<b>98.031</b>	<b>84.442</b>	<b>66.104</b>
<b>AVERAGE PRICE (\$/MW.h)</b>			
Firm Export Sales to Canada	0.00	0.00	85.67
Opportunity Export Sales to Canada	40.11	39.25	26.61
<b>Total Export Sales to Canada</b>	<b>40.11</b>	<b>39.25</b>	<b>31.21</b>
Firm Export Sales to USA	52.22	58.34	76.00
Opportunity Export Sales to USA	27.63	26.56	25.21
<b>Total Export Sales to USA</b>	<b>36.46</b>	<b>37.67</b>	<b>39.33</b>
<b>Total Export Sales</b>	<b>36.71</b>	<b>37.82</b>	<b>38.71</b>
<b>Import Energy Including Wind</b>	<b>58.92</b>	<b>65.82</b>	<b>69.87</b>

**COALITION MFR 7**

**Export & Domestic Revenue**

**With respect to the PUB's Export and Domestic Revenues MFR #28 we assume the related reference is Attachment 31 {not 21} from the 2016/17 Interim Application. Please include updates to Tables 8-11 in the same Attachment. Please explain any differences between the Fuel and Purchased Power values reported here versus those in IFF15 (for forecast values) or MFR #23 (for actual values).**

Please see PUB MFR 28 for updates to Tables 8-11 of Attachment 31 from the 2016/17 Supplemental Filing.

The differences between PUB MFR 28 versus IFF15 and PUB MFR 23 relating to Fuel and Power Purchased information can be explained as follows. Fuel and Power Purchased related information in PUB MFR 28 includes Merchant Purchases. In IFF15 and PUB MFR 23, Merchant Purchases are netted from Merchant Revenues which are included in the Extraprovincial Revenues line.

**COALITION MFR 8**

**Capital Expenditures**

**Please provide copies of the Quarterly Reports on major capital projects and OM&A that MH was directed to file with the PUB per Order 73-15, directives #13 and #14.**

Major Capital Projects Quarterly Reports:

The Quarterly Major New Generation & Transmission Capital Report for the quarter ended September 30, 2015 was filed as Attachment 45 of Manitoba Hydro's 2016/17 Supplemental Filing and can be found at the link below:

[https://www.hydro.mb.ca/regulatory\\_affairs/pdf/electric/supplemental\\_filing\\_2015/47\\_attachment\\_45\\_response\\_to\\_directive\\_13\\_of\\_Order\\_73\\_15.pdf](https://www.hydro.mb.ca/regulatory_affairs/pdf/electric/supplemental_filing_2015/47_attachment_45_response_to_directive_13_of_Order_73_15.pdf)

The detailed reports for the Manitoba-Minnesota Transmission Project and the Great Norther Transmission Line for the quarter ended September 30, 2015, were filed as part of the response to PUB/MH I-37, and can be found as an attachment to this MFR.

Please see Appendix 10.10 of Tab 10 for Manitoba Hydro's Quarterly Reports for the quarters ended December 31, 2015 and March 31, 2016.

The Quarterly Reports for fiscal year 2016/17 have been filed in strict confidence with the PUB due to the commercially sensitive nature of the information contained within. However, Manitoba Hydro has provided an update on its Major New Generation & Transmission Capital Projects in Section 5.2 of Tab 5.

Operating & Administrative Expense Quarterly Reports:

The Operating & Administrative ("O&A") Quarterly Report for the quarter ended September 30, 2015 was filed as Attachment 8 of Manitoba Hydro's 2016/17 Supplemental Filing and can be found at the link below:

[https://www.hydro.mb.ca/regulatory\\_affairs/pdf/electric/supplemental\\_filing\\_2015/10\\_attachment\\_8\\_o\\_and\\_a\\_expenditures\\_actual\\_vs\\_forecast\\_september\\_30\\_2015.pdf](https://www.hydro.mb.ca/regulatory_affairs/pdf/electric/supplemental_filing_2015/10_attachment_8_o_and_a_expenditures_actual_vs_forecast_september_30_2015.pdf)



Manitoba Hydro 2017/18 & 2018/19 General Rate Application  
COALITION MFR 8  
Capital Expenditures

Please find attached the O&A Quarterly Report for the quarter ended December 31, 2015, filed in response to Information Request PUB/MH I-25c during the 2016/17 Supplemental Filing.

Please see Appendix 10.11 of Tab 10 for the Quarterly Reports for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016. Please see Appendix 6.5 of Tab 6 for the Quarterly Report for the quarter ended December 31, 2016.



<b>Section:</b>	PUB/MH I-72 2014/15 & 2015/16 GRA; Attachment 8 Supp. Filing; PUB/MH I-70b 2014/15 & 2015/16 GRA	<b>Page No.:</b>	
<b>Topic:</b>	Operating & Administrative Expense		
<b>Subtopic:</b>			
<b>Issue:</b>	Cost Containment Measures		

**PREAMBLE TO IR (IF ANY):**

MH has indicated that it has achieved 315 EFT position reductions by September 2015. This is 16 EFT less than the 331 EFT forecast to be achieved by the end of 2016/17 with full savings realized in 2017/18. MH appears to be on pace to meet its targeted reductions early, yet the Corporation has not adjusted its OM&A forecast.

**QUESTION:**

- a) Please explain why MH has not forecast a change to the OM&A expense for the 2015/16 fiscal year given the \$5.5 million positive variance at September 30, 2015.
- b) Provide an update to Attachment 8 Supplementary Filing for the 9 month period ending December 31, 2015 comparing the actual OM&A by cost element with that forecast for 2015/16.
- c) Please provide an update to PUB/MH I-72 from Manitoba Hydro's 2014/15 & 2015/16 GRA comparing the OM&A by cost element for the nine months ending December 31, 2015 with the prior year period and explain any material changes.

**RATIONALE FOR QUESTION:**

To assess the reasonableness of forecast OM&A expense in light of changes to EFT counts.



**RESPONSE:**

- a) Please see Manitoba Hydro's response to PUB-MH I-21d.
  
- b) Manitoba Hydro is tracking to achieve the annual Operating & Administrative (O&A) target of \$541.7 million as projected in IFF15 for the 2015/16 fiscal year. To the end of December 2015, total O&A expenditures are \$392.2 million which is \$8.0 million lower than the forecast of \$401.2 million. The under expenditure reflects ongoing cost saving measures including reductions in operational positions, lower overtime and other staffing related expenses including travel and office & administration costs. Other factors contributing to the overall variance include lower fuel costs and the timing of maintenance expenditures, partially offset by storm restoration activities. The following table compares actual and forecast O&A by cost element for the nine month period ended December 31, 2015.



**ELECTRIC OPERATIONS**  
**OPERATING AND ADMINISTRATIVE COSTS BY COST ELEMENT**  
**FOR THE NINE MONTH PERIOD ENDED DECEMBER 31, 2015**  
**(in Thousands of Dollars)**

	<b>Annual Forecast*</b>	<b>YTD Actual</b>	<b>YTD Forecast</b>	<b>Favorable (Unfavorable) Variance</b>
Wages & Salaries	\$525,103	\$378,676	\$392,322	\$13,646
Overtime	71,099	50,576	52,909	2,333
Employee Benefits	160,329	115,159	116,238	1,079
Employee Safety & Training	5,197	3,880	3,891	11
Travel Expenses	29,652	21,655	22,233	578
Motor Vehicle	29,700	20,854	22,243	1,389
Materials & Tools	26,100	19,442	19,611	169
Consulting & Professional Fees	13,430	10,740	10,273	(467)
Construction & Maintenance Services	18,665	12,028	14,524	2,496
Building & Property Services	28,650	20,589	20,927	338
Equipment Maintenance & Rentals	16,210	13,699	12,207	(1,492)
Consumer Services	5,323	4,009	4,044	35
Collection Costs	4,078	3,202	3,058	(144)
Customer & Public Relations	5,308	3,263	4,027	764
Sponsored Memberships	1,581	1,127	1,183	56
Office & Administration	15,709	10,704	11,646	942
Computer Services	1,069	813	733	(80)
Communication Systems	1,928	1,244	1,446	202
Research & Development Costs	2,747	1,483	1,847	364
Miscellaneous Expense	-	344	-	(344)
Contingency Planning	(414)	-	(245)	(245)
Operating Expense Recovery	(13,703)	(10,799)	(10,268)	531
Strategic Initiative Funding	3,640	-	2,831	2,831
Less: Capital Order Activities	(318,427)	(223,939)	(238,498)	(14,559)
Less: Capitalized Overhead	(24,541)	(18,127)	(18,566)	(439)
Less: O&A Charged to Gas Operations	(66,691)	(47,420)	(49,384)	(1,964)
<b>Total Electric OM&amp;A</b>	<b>541,740</b>	<b>393,202</b>	<b>401,233</b>	<b>8,030</b>

\* Forecast is based on IFF15



**2016/17 Supplemental Filing  
 PUB/MH-I-25a-c**

- c) Attached is a schedule comparing O&A by cost element for the nine months ended December 31, 2015 with the nine months ended December 31, 2014. Variances of \$500,000 and 5% are explained in a subsequent table.

**MANITOBA HYDRO  
 OPERATING AND ADMINISTRATIVE COSTS BY COST ELEMENT**  
 (000's)

*Nine Months Ended  
 December 31*

	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>%</b>	<b>Ref</b>
Wages & Salaries	\$ 378,676	\$ 370,234	\$ 8,443	2%	
Overtime	50,576	53,195	(2,619)	-5%	1
Employee Benefits	115,159	99,903	15,256	15%	2
Employee Safety & Training	3,880	3,573	307	9%	
Travel Expenses	21,655	22,504	(849)	-4%	
Motor Vehicle	20,854	22,912	(2,058)	-9%	3
Materials & Tools	19,442	18,406	1,036	6%	4
Consulting & Professional Fees	10,740	10,856	(115)	-1%	
Construction & Maintenance Services	12,028	13,101	(1,073)	-8%	5
Building & Property Services	20,589	21,622	(1,033)	-5%	6
Equipment Maintenance & Rentals	13,699	12,470	1,229	10%	7
Consumer Services	4,009	3,475	535	15%	8
Collection Costs	3,202	3,138	64	2%	
Customer & Public Relations	3,263	3,769	(506)	-13%	9
Sponsored Memberships	1,127	1,061	66	6%	
Office & Administration	10,704	10,351	354	3%	
Computer Services	813	779	35	4%	
Communication Systems	1,244	1,258	(14)	-1%	
Research & Development Costs	1,483	1,073	411	38%	
Miscellaneous Expense	344	152	192	100%	
Operating Expense Recovery	(10,799)	(12,568)	1,769	14%	10
Less: Capital Order Activities	(223,939)	(224,793)	854	0%	
Less: Capitalized Overhead	(18,127)	(18,047)	(79)	0%	
Less: O&A Charged to Gas Operations	(47,420)	(48,826)	1,407	3%	
<b>Total Electric OM&amp;A</b>	<b>393,202</b>	<b>369,595</b>	<b>23,608</b>	<b>6%</b>	



**MANTOBA HYDRO**  
**OPERATING & ADMINISTRATIVE COSTS BY COST ELEMENT**  
**YEAR-OVER -YEAR CHANGE EXPLANATIONS**

<b>Ref</b>	<b>Cost Element</b>	<b>Change Inc/(dec)</b>	<b>Explanation</b>
1	Overtime	(2,619)	Lower overtime requirements primarily due to position reductions and cost constraint measures, partially offset by greater requirements on projects such as Keeyask and Bipole III. In addition, 2014 had additional overtime associated with the Jenpeg protest occupation lock-out.
2	Employee Benefits	15,256	Higher expenditures due to the increase in current service costs for pensions as a result of a lower market driven discount rate. In addition, there was an increase in pensionable earnings.
3	Motor Vehicle	(2,058)	Mainly due to lower fuel costs.
4	Materials & Tools	1,036	Primarily due to a higher requirement for maintenance activities at Dorsey C.S. and an increase in material and bulk oil purchases at various Apparatus Maintenance shops, partly offset by decreased spending at various generating stations as a result of cost containment.
5	Construction & Maintenance Services	(1,073)	Primarily due to less special maintenance requirements at various generating stations. In addition, there were fewer site visits required for Churchill River and Nelson River Hydrometric surveys.
6	Building & Property Services	(1,033)	Primarily due to lower staffhouse, camp and townsite costs as a result of a reduction in occupancy levels, in addition to the implementation of cost containment measures. These reductions were partly offset by higher insurance premiums for additional boiler and machinery coverage.
7	Equipment Maintenance & Rentals	1,229	Higher Information Technology software and hardware maintenance costs related to new and upgraded system purchases.
8	Consumer Services	535	Higher external meter exchange services.
9	Customer & Public Relations	(506)	Lower spending in the Neighbours Helping Neighbours program and reduced advertising costs associated with Power Smart programs. In addition, there were fewer corporate donations as a result of cost containment measures.
10	Operating Expense Recovery	1,769	Lower staffhouse and camp occupancy levels primarily at Kettle, Kelsey and Wuskwatim due to a lower accommodation requirement for various capital projects such as Keeyask, Keewatinohk, and Kelsey Re-running.



<b>Section:</b>	Attachment 45	<b>Page No.:</b>	p. 7
<b>Topic:</b>	Quarterly Reports on Major New G&T Projects		
<b>Subtopic:</b>	Individual Contract Budgets		
<b>Issue:</b>	Insufficient Details/No Q1 Report		

**PREAMBLE TO IR (IF ANY):**

**QUESTION:**

- a) Provide 2015/16 Q1/Q2/Q3 reports on new G&T project capital expenditures itemized by individual contracts >\$100M for:
- Bipole III
  - Expanded US-Intertie
  - Great Northern Transmission
  - Keeyask G.S.
- b) Provide a listing of all substantial (>\$100M) contracts showing fixed and variable price components within each.

**RATIONALE FOR QUESTION:**

To obtain required seasonal spending information.

**RESPONSE:**

Manitoba Hydro is filing both a public and confidential response to this Information Request. This Information Request discloses contract information that is commercially sensitive and confidential. Therefore, information on capital expenditures by contract to date for Bipole III and Keeyask Generating Station is being filed in confidence under Rule 13 of the Public Utilities Board's Rules of Practice and Procedure.

Please find as Attachment 1 to this response the quarterly report for the Manitoba-Minnesota Transmission Line (“MMTP”) for the period July to September 2015, which provides additional information on project budget and current status. Please also find as Attachment 2 to this response the quarterly report for the Greater Northern Transmission Line (“GNTL”) for the period July to September 2015, which provides additional information on the current status of the project. As noted in Attachment 2, Manitoba Hydro requires consent from Minnesota Power to release information on project costs to date related to the GNTL. There are no contracts over \$100 million associated with the MMTP or the GNTL to date, and as such, this information has not been included in Attachments 1 and 2.

Actual financial results for December 31, 2015 are not yet available. Manitoba Hydro intends to provide the third quarterly report pursuant to Directive 13 of Order 73/15 in February 2016, to cover the period October to December 2015.

Manitoba Hydro has not prepared a quarterly report on its Major New Generation & Transmission Projects for the period April to June 2015, given that the information has been superseded by the information on actual project costs to the end of September 30, 2015 that was provided in the quarterly reports filed as Attachment 45 to the 2016/17 Supplemental Filing and as part of the confidential response to this Information Request.



# MANITOBA – MINNESOTA TRANSMISSION PROJECT

Q2 Update ending September 30, 2015

## MMTP Project Description

Manitoba Hydro is proposing to construct and operate a new 500kV Transmission Line between Winnipeg and Duluth, Minnesota to transport power to the United States to meet sales contracts, improve reliability of the transmission system, and bring electricity to Canada from the United States in emergency situations.

The transmission line will originate at Dorsey Converter station located near Rosser, northwest of Winnipeg and extend 213 km south around Winnipeg to the Manitoba-Minnesota border, near Piney. This portion of the project is known as Manitoba-Minnesota Transmission Line (MMTP). The MMTP project also includes associated upgrades at Dorsey, Riel and Glenboro stations.

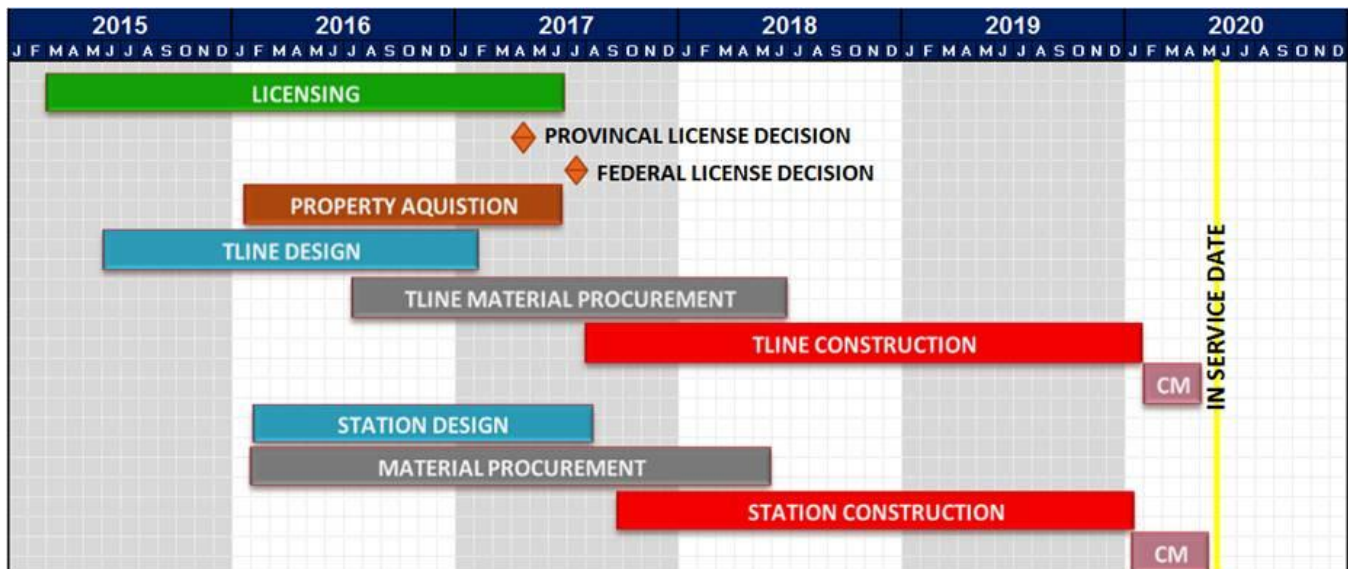
The 500 kV line will continue from the border and terminate at Blackberry Station northwest of Duluth, Minnesota. This portion of the project is known as the Great Northern Transmission Line (GNL), and will be constructed by Minnesota Power.

## MMTP Budget

Item #	Item	Control Budget	Actuals to Sept 30, 2015
1.1	Licensing & Environmental	\$ 28.0M	\$ 10.8M
1.2	500 kV Transmission Line	\$ 173.1M	\$ 1.9M
1.3	Station Upgrades	\$ 116.4M	\$ 0.5M
1.4	Contingency	\$ 36.1M	\$ 0
1.5	<b>Total</b>	<b>\$ 353.6M</b>	<b>\$ 13.2M</b>

## MMTP Project Schedule

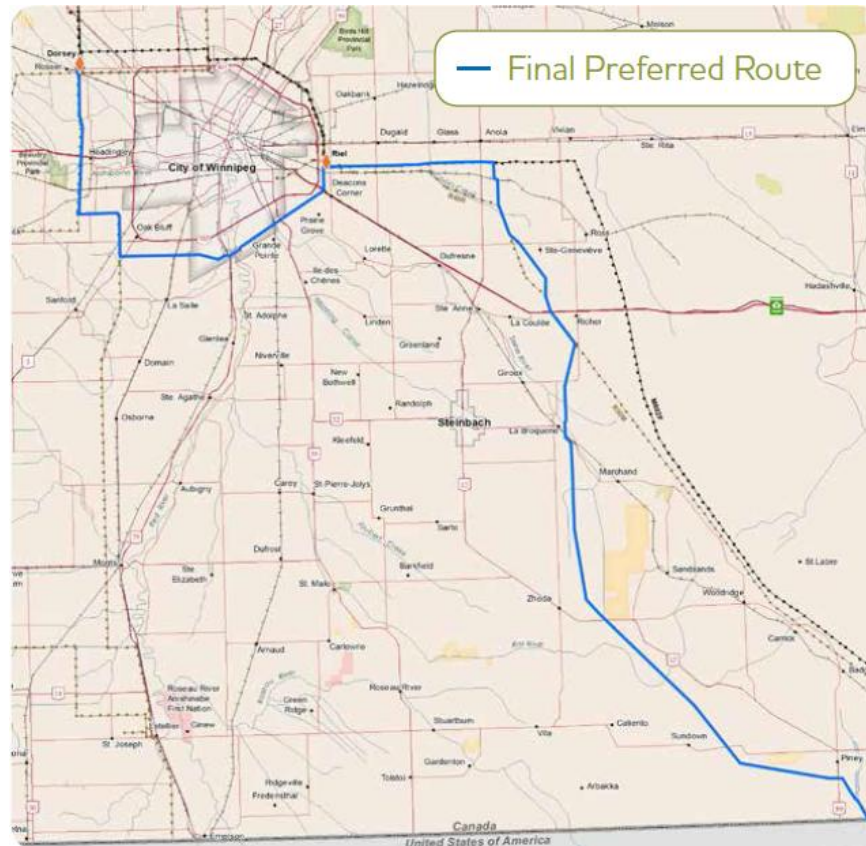
In Service Date: June, 2020



## MANITOBA – MINNESOTA TRANSMISSION PROJECT Q2 Update ending September 30, 2015

### MMTP Project Update

- The final preferred route for the 500 kV transmission line was selected after three rounds of engagement with the public, First Nation, Metis, Aboriginal organizations, stakeholders, providing input to the assessment.



MMTP Final Preferred Route

- The Environmental Impact Statement (EIS) was filed in September 2015 after extensive environmental assessment studies were completed. The EIS was submitted to Manitoba Conservation and Water Stewardship for an Environment Act License.
- Preliminary transmission line design activities are underway to support project planning and environmental assessment activities.
- Transmission line tower material and substation equipment procurement plans are being developed by meeting with internal stakeholders to review project requirements.

## GREAT NORTHERN TRANSMISSION PROJECT

### Q2 Update ending September 30, 2015

#### GNTL Project Description

The U.S. portion of the new 500 kV interconnection connecting southeastern Manitoba to northeastern Minnesota is known as the Great Northern Transmission Line (GNTL), and will be constructed by Minnesota Power. Manitoba Hydro's Subsidiary and Minnesota Power agreed to share the GNTL costs.

GNTL also includes a new Iron Range Station, a new Warroad Series Compensation Station and various minor system improvements to facilitate operation of the line.

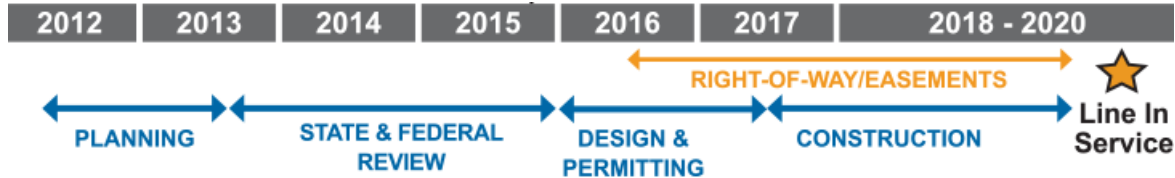
The plan is to increase the export and import transfer capability between Manitoba and the Midcontinent Independent System Operator (MISO), fulfill the transmission requirements of long term U.S. sale and purchase agreements, and improve reliability of the system.

#### GNTL Budget Common Use Upgrades Cost Summary

The current capital cost estimate for the GNTL is U.S. \$677M (2013\$). Minnesota Power will fund 46% (U.S. \$311 M) of the capital cost of the project while Manitoba Hydro's Subsidiary will fund 54% (U.S. \$366 M). Consent is required from Minnesota Power to publicly share actual project costs spent to date.

#### GNTL Project Schedule

In Service Date: June, 2020



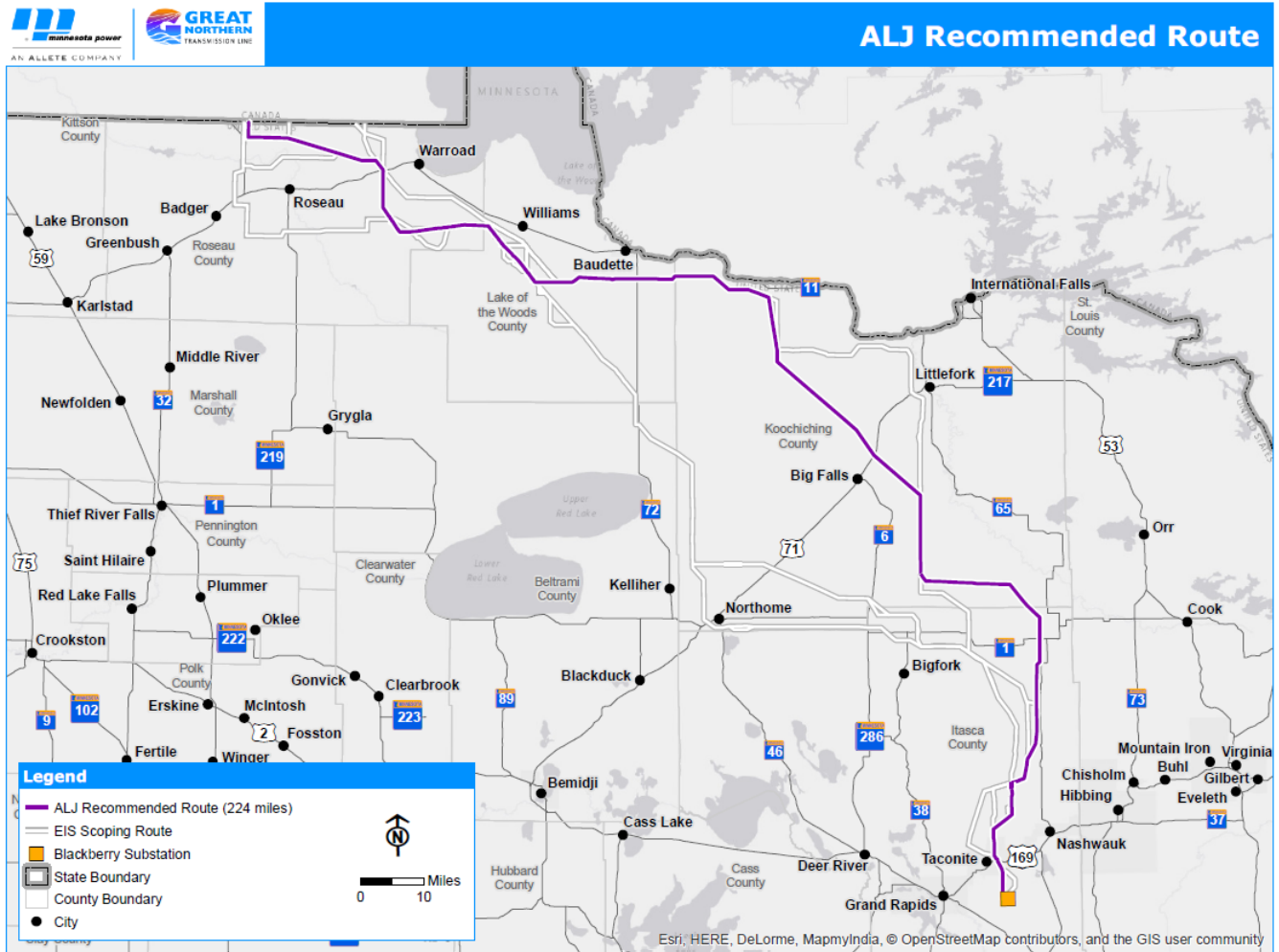
#### GNTL Project Update

- On March 16, 2015, the Administrative Law Judge (ALJ) concluded that Minnesota Power had satisfied criteria for a Certificate of Need for the Great Northern Transmission Line and recommended the Minnesota Public Utilities Commission (MPUC) grant Minnesota Power a Certificate of Need.
- Minnesota Power held Public Open Houses in May 2015.
- On June 30, 2015, the Minnesota Public Utilities Commission (PUC) issued a written order for a Certificate of Need for the Great Northern Transmission Line. The order stated that Minnesota Power has demonstrated the need for building the proposed transmission line. The PUC approved the Administrative Law Judge's Report and granted Minnesota Power a Certificate of Need with conditions.
- The Minnesota PUC held evidentiary and public hearings in August 2015 as part of its process in making a decision on the route permit.

# GREAT NORTHERN TRANSMISSION PROJECT

Q2 Update ending September 30, 2015

## GNTL Routing Map



GNTL Administrative Law Judge Recommended Route

**COALITION MFR 9**

**Capital Expenditures**

**Please provide an update on the status of the GNTL project including its current stage in the approval/construction process, expected in-service date and current expected cost. Please also identify MH's current financial commitments regarding the GNTL project.**

The GNTL project is being developed through a two phase approach that consists of a certification phase and a construction phase. The certification phase primarily involves securing major regulatory approvals from state and federal authorities, preliminary engineering design and preconstruction activities. The construction phase includes all construction related activities to construct: (i) approximately 224 miles of new 500 kV transmission facilities from the Canada/United States border north of Roseau Minnesota to the Iron Range Substation near Grand Rapids, Minnesota, (ii) the new Iron Range 500-230 kV substation, and (iii) the new Warroad River 500 kV series compensation station.

The GNTL project is transitioning from the certification phase to the construction phase. Key regulatory approvals received by Minnesota Power during the Certification Phase of the GNTL project include: (i) a Certificate of Need from the Minnesota Public Utilities Commission (MPUC) on June 30, 2015, (ii) a Route Permit from the MPUC on April 11, 2016, (iii) a Presidential Permit from the U.S. Department of Energy on November 15, 2016, (iv) a Section 404 Wetlands Permit from the U.S. Army Corps of Engineers on December 7, 2016 and (v) other permits and licenses from the US Fish and Wildlife Service and the Minnesota Department of Natural Resources. Once these regulatory approvals were received, pre-construction right of way clearing and soil boring activities commenced in January 2017 on segment 2 of the 500 kV transmission line (the transmission line is divided into 4 segments that are sequentially numbered north to south). Pre-construction clearing activities in segment 2 halted in March 2017 due to warm weather. Segment 2 (approximately 55 miles) work completed includes clearing a significant portion of the right-of-way and soil borings. Pre-construction activities for the remainder of segment 2 are scheduled to commence again in the fall of 2017.

Pre-construction right of way clearing and soil borings are scheduled for segments 1, 3, and 4 in 2017 and 2018 and tower structure erection and stringing of overhead ground wires

and conductor for all segments of the transmission line are scheduled to occur in 2018 and 2019.

The targeted in-service date for the GNTL project is June 2020.

Please refer to the response to PUB MFR 187 for information with respect to the current expected cost and Manitoba Hydro's financial commitments.

**COALITION MFR 10**

**Capital Expenditures**

**With regard to PUB MFR #92, in providing any asset condition assessment report please forward the full asset condition assessment including the summary of methodology rather than the summary of the asset condition which was provided during the 2015/16 GRA. It is established regulatory practice in providing asset condition assessments to provide the methodology.**

**Response:**

Please see the following documents detailing asset condition assessment methodology:

- Attachment 1 – Kinetrics – Manitoba Hydro Asset Condition Assessment Audit
  - o Transmission System Assets
  - o Distribution System Assets
  - o HVDC System Assets
- Attachment 2 – Condition Assessment Methodology for Gravity Dams
- Attachment 3 – Condition Index Implementation Guide for Embankment Dams
- Attachment 4 – GO Hydraulic Turbine Condition Assessment Methodology
- Attachment 5 – GW Battery Bank Condition Assessment Methodology
- Attachment 6 – GW Boiler Condition Assessment Methodology
- Attachment 7 – GW Circuit Breaker Condition Assessment Methodology
- Attachment 8 – GW “Near-Flat” Roof Condition Assessment Methodology
- Attachment 9 – GW Crane and Hoist Condition Assessment Methodology
- Attachment 10 – GW Exciter Condition Assessment Methodology
- Attachment 11 – GO Gas Turbine Condition Assessment Methodology
- Attachment 12 – GW Governor Condition Assessment Methodology
- Attachment 13 – GO Oil-Filled Power Transformers Condition Assessment Methodology
- Attachment 14 – GW Generator Stator Condition Assessment Methodology
- Attachment 15 – GW Steam Turbine Condition Assessment Methodology
- Attachment 16 – GW Generator Rotor Condition Assessment Methodology
- Attachment 17 – Transmission Planning & Design Division System Planning Department Report on Asset Condition Assessment Methodology Standards & Results Update

Manitoba Hydro 2017/18 & 2018/19 General Rate Application  
COALITION MFR 10  
Capital Expenditures

An electronic copy of the above attachment(s) can be found at:

[https://www.hydro.mb.ca/regulatory\\_affairs/pdf/electric/general\\_rate\\_application\\_2017/mfrs/coalition\\_mfr\\_10\\_attachment.pdf](https://www.hydro.mb.ca/regulatory_affairs/pdf/electric/general_rate_application_2017/mfrs/coalition_mfr_10_attachment.pdf)



**COALITION MFR 11**

**COSS and Rate Design**

**Please provide a copy (including the supporting excel model) of Manitoba Hydro's compliance filing per Order 164/16**

Please refer to Appendix 10.2 in Tab 10 of this Application for a copy of Manitoba Hydro's filing in response to Directive 1 of PUB Order 164/16.

Please see COALITION MFR 12 regarding the provision of electronic versions of the PCOSS model.

**COALITION MFR 12**

**COSS and Rate Design**

**With respect to the PUB's COSS and Rate Design MFR #99, please provide a copy of the COSS excel model supporting the most current COSS as filed with the Application.**

Manitoba Hydro proposes to release a final version of the PCOSS18 model to all Interveners that are approved to participate in the 2017/18 & 2018/19 General Rate Application, subsequent to the issuance of a Procedural Order arising from the first Pre-Hearing Conference for this Application.

Manitoba Hydro's provision of the PCOSS18 model is made with the express understanding that:

- (a) The use of the PCOSS18 model shall be limited to the review of Manitoba Hydro's 2017/18 & 2018/19 General Rate Application; and
- (b) The PCOSS18 model shall not be disseminated to parties or individuals other than the people working on this Application.

**COALITION MFR 13**

**COSS and Rate Design**

**Given the PUB's findings in Order 164/16 (page 53) that "marginal cost considerations are more appropriately addressed in the rate design stage of ratemaking", please provide an update to COALITION/MSOS/MH I-66 c) from the 2010/11 & 2011/12 GRA and the marginal costs as used in Appendix 11.2 from the 2008/09 GRA.**

Please see **Figure 8.14** in Tab 8 of this Application.