

**CAC/MSOS/MH/PRE-ASK-1**

**Reference:** Volume 2, IFF09-01, Appendix 5.2, page 34, for the year 2011  
 Volume 28, March 31, 2001 PCOSS, Appendix 58, pages 36, 42, 63 and 64)

**Preamble:** Manitoba Hydro provided its IFF09-01 in Appendix 5.2. The revenue amounts from page 34 of Appendix 5.2 appear to agree with those on page 42 of Appendix 58 as follows:

**Table 1**

For the year 2011	IFF09-01	PCOSS March 31/11
<b>Revenues</b>	<b>\$millions</b>	
<b>General Consumers Revenue</b>	<b>1,159</b>	<b>1,159.3</b>
<b>Additional General Consumers Revenue</b>	<b>33</b>	<b>33.5</b>
<b>Extraprovincial</b>	<b>383</b>	<b>383.5</b>
<b>Other</b>	<b>7</b>	<b>7.4</b>
<b>Total Revenue (added)</b>	<b>1,582</b>	<b>1,583.7</b>
<b>Total Revenue (as shown per filing)</b>	<b>1,584</b>	<b>1,583.6</b>

It is assumed that differences in the totals are due to rounding.

However, the cost amounts (“Expenses”) on page 34 of IFF09-01 in Appendix 5.2 do not appear to agree with the totals for comparable headings in the PCOSS under Appendix 58, Schedule E1.

**Table 2**

	For the year 2011	IFF09-01 Page 34	PCOSS Schedule E1 Page 64
	<b>Expenses</b>	<b>\$millions</b>	
<b>1</b>	<b>Operating and Administrative</b>	<b>380.000</b>	
<b>2</b>	<b>Operating</b>		<b>694.310</b>
<b>3</b>	<b>Finance Expense</b>	<b>413.000</b>	
<b>4</b>	<b>Interest</b>		<b>530.366</b>

5	Depreciation and Amortization	386.000	
6	Depreciation		381.777
7	Water Rentals and Assessments	110.000	
8	Fuel and Power Purchased	132.000	
9	Capital and Other Taxes	76.000	
10	Corporate Allocation	9.000	
11	Misc. Rev.		(7.358)
12	Total Expenses (added)	1,506.000	1,599.095
13	Total Expenses (as shown per filing)	1,505.000	1,599.096
14	Net Income	78.000	
15	Total	1,583.000	1,599.096

On Schedule C14 of the March 31, 2011 PCOSS (page 42), the total revenue per financial forecast of \$1,583.6 million (\$1,584 million as per Table 1 above) is reconciled to total revenue per cost of service study of \$1,599.1 million. However, there are amounts individual “expense” amounts within the PCOSS and IFF01-01 that do not appear to reconcile, as summarized in Table 2.

- a) Please provide a detailed reconciliation, for each line item in Table 2 listed above, between the amount in the IFF09-01 and the amount in the PCOSS, showing each adjusting item together with a description and explanation for each adjustment, as follows:

Table 3

IFF09-01		PCOSS – March 31/11	
	\$millions		\$millions
1	Operating and Administrative	2	Operating
	380.000		694.310
3	Finance Expense	4	Interest
	413.000		530.366
5	Depreciation and Amortization	6	Depreciation
	386.000		381.777

For line items 7 – 11 and 14, from Table 2, not included in Table 3, please separately identify and clearly show how each of these are included in each reconciliation. For each reconciling item in this response, please provide a clearly referenced source from the GRA filing.

**ANSWER:**

<b>Reconciliation of Operating</b>		
<b>Table 2 Line Number (note)</b>	<b>Expense</b>	<b>\$Million</b>
1	Operating and Administrative (IFF09-01)	379.7
7	Water Rentals and Assessments	110.3
8	Fuel and Power Purchased	131.7
9	Capital and Other Taxes (Other Tax portion)	28.5
(a)	Depreciation on Vehicles Included in Operating via Activity Charges	9.5
(b)	Interest on Common Assets Included in Operating via Overhead Charges	34.6
2	Operating (PCOSS11)	694.3

Note:

- (a) Depreciation on motor vehicles is included in Operating in the PCOSS as part of activity charges to orders.
- (b) Interest relating to common facilities and equipment is included in Operating in the PCOSS as part of overhead charges.

<b>Reconciliation of Interest</b>		
<b>Table 2 Line Number (note)</b>	<b>Expense</b>	<b>\$Million</b>
3	Finance Expense (IFF09-01)	412.5
10	Corporate Allocation (Finance Portion)	6.7
9	Capital and Other Taxes (Capital Tax portion)	47.3
14	Net Income	78.5
(b)	Interest on Common Assets Included in Operating via Overhead Charges	(34.6)
(c)	Amortization of Diesel Contribution	(2.9)
(d)	Cost of Uniform Rates	20.0
(e)	Energy Intensive Industrial Rate Revenue	(4.9)

(f)	Revision to GCR post IFF09-01	7.8
4	Interest (PCOSS11)	530.4

Note:

- (b) Interest relating to common facilities and equipment is included in Operating in the PCOSS as part of overhead charges, which reduces the finance expense component of Interest in the PCOSS.
- (c) As discussed on page 11 of PCOSS11 the allocation of export revenues in the PCOSS is based on the total cost to serve in the diesel rate zone, as provided in the Diesel Funding Agreement. As a result Depreciation in the PCOSS is increased by the amortization of diesel contributions, with the offset made to net income included as part of Interest in the PCOSS.
- (d) The offset for the Uniform Rates adjustment made in the PCOSS is directly assigned to the Export class as an Interest expense (PCOSS, page 42).
- (e) PCOSS11 does not include revenue from the revised Energy Intensive Industrial Rate as forecast in IFF09-01 (PCOSS11, page 42) which reduces the Net Income component of Interest in the PCOSS.
- (f) PCOSS11 includes revised revenue to reflect the rate increases approved on an interim basis in Board Order 33/10 which excluded A&RL, as well as to correct an understatement of General Service Medium revenue in IFF09-01 (PCOSS11, page 42). This adjustment increases the Net Income component of Interest in the PCOSS.

<b>Reconciliation of Depreciation</b>		
<b>Table 2 Line Number (note)</b>	<b>Expenses</b>	<b>\$Million</b>
5	Depreciation and Amortization (IFF09-01)	386.2
10	Corporate Allocation (Depreciation portion)	2.1
(a)	Depreciation on Vehicles Included in Operating via Activity Charges	(9.5)
(c)	Amortization of Diesel Contribution	2.9
6	Depreciation (PCOSS11)	381.8

Note:

(a) Depreciation on motor vehicles is included in Operating in the PCOSS as part of activity charges to orders, which reduces Depreciation shown in the PCOSS.

(c) As discussed on page 11 of PCOSS11 the allocation of export revenues in the PCOSS is based on the total cost to serve in the diesel rate zone, as provided in the Diesel Funding Agreement. As a result Depreciation in the PCOSS is increased by the amortization of diesel contributions, with the offset made to net income included as part of Interest in the PCOSS.

**CAC/MSOS/MH/PRE-ASK-1**

**Reference:** Volume 2, IFF09-01, Appendix 5.2, page 34, for the year 2011  
Volume 28, March 31, 2001 PCOSS, Appendix 58, pages 36, 42, 63 and 64)

**Preamble:** Manitoba Hydro provided its IFF09-01 in Appendix 5.2. The revenue amounts from page 34 of Appendix 5.2 appear to agree with those on page 42 of Appendix 58 as follows:

**Table 1**

<b>For the year 2011</b>	<b>IFF09-01</b>	<b>PCOSS March 31/11</b>
<b>Revenues</b>	<b>\$millions</b>	
<b>General Consumers Revenue</b>	<b>1,159</b>	<b>1,159.3</b>
<b>Additional General Consumers Revenue</b>	<b>33</b>	<b>33.5</b>
<b>Extraprovincial</b>	<b>383</b>	<b>383.5</b>
<b>Other</b>	<b>7</b>	<b>7.4</b>
<b>Total Revenue (added)</b>	<b>1,582</b>	<b>1,583.7</b>
<b>Total Revenue (as shown per filing)</b>	<b>1,584</b>	<b>1,583.6</b>

**It is assumed that differences in the totals are due to rounding.**

**However, the cost amounts (“Expenses”) on page 34 of IFF09-01 in Appendix 5.2 do not appear to agree with the totals for comparable headings in the PCOSS under Appendix 58, Schedule E1.**

**Table 2**

	<b>For the year 2011</b>	<b>IFF09-01 Page 34</b>	<b>PCOSS Schedule E1 Page 64</b>
	<b>Expenses</b>	<b>\$millions</b>	
<b>1</b>	<b>Operating and Administrative</b>	<b>380.000</b>	
<b>2</b>	<b>Operating</b>		<b>694.310</b>
<b>3</b>	<b>Finance Expense</b>	<b>413.000</b>	
<b>4</b>	<b>Interest</b>		<b>530.366</b>
<b>5</b>	<b>Depreciation and Amortization</b>	<b>386.000</b>	
<b>6</b>	<b>Depreciation</b>		<b>381.777</b>

7	Water Rentals and Assessments	110.000	
8	Fuel and Power Purchased	132.000	
9	Capital and Other Taxes	76.000	
10	Corporate Allocation	9.000	
11	Misc. Rev.		(7.358)
12	Total Expenses (added)	1,506.000	1,599.095
13	Total Expenses (as shown per filing)	1,505.000	1,599.096
14	Net Income	78.000	
15	Total	1,583.000	1,599.096

On Schedule C14 of the March 31, 2011 PCOSS (page 42), the total revenue per financial forecast of \$1,583.6 million (\$1,584 million as per Table 1 above) is reconciled to total revenue per cost of service study of \$1,599.1 million. However, there are amounts individual “expense” amounts within the PCOSS and IFF01-01 that do not appear to reconcile, as summarized in Table 2.

- b) Within the PCOSS of March 31, 2011, Schedule C9, at page 36 shows a column heading “Interest & Reserve Expense” and a total for that column of \$463,070,788.
- i. Please clarify what is meant by “Interest & Reserve Expense” and describe how that relates to Finance Expense amounts (and other amounts) in the revenue requirement in the IFF09-01 on page 34.
  - ii. Please clarify what amounts from the IFF09-01 revenue requirement on page 34 are included in the total of \$463,070,768 by line number listed in Table 2 above and show the reconciliation to the \$463,070,768, together with clearly referenced source of each reconciling item from the GRA filing.

**ANSWER:**

“Interest & Reserve Expense” on page 36 of the PCOSS includes both adjusted finance expense and net income from the IFF.

Please see the response to part (a) of this question for details of each line item in the reconciliation.

<b>Reconciliation of "Interest &amp; Reserve Expense"</b>	
<b>Expenses</b>	<b>\$Million</b>
Finance Expense (IFF09-01)	412.5
Corporate Allocation (Finance Portion)	6.7
Net Income	78.5
Interest on Common Assets Included in Operating via Overhead Charges	(34.6)
Amortization of Diesel Contribution	(2.9)
Energy Intensive Industrial Rate Revenue	(4.9)
Revision to GCR post IFF09-01	7.8
Interest and Reserve Expense (PCOSS, page 36)	463.1



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Volume 28, March 31, 2001 PCOSS, Appendix 58, pages 36, 42, 63 and 64)

**Preamble:** Manitoba Hydro provided its IFF09-01 in Appendix 5.2. The revenue amounts from page 34 of Appendix 5.2 appear to agree with those on page 42 of Appendix 58 as follows:

**Table 1**

<b>For the year 2011</b>	<b>IFF09-01</b>	<b>PCOSS March 31/11</b>
<b>Revenues</b>	<b>\$millions</b>	
<b>General Consumers Revenue</b>	<b>1,159</b>	<b>1,159.3</b>
<b>Additional General Consumers Revenue</b>	<b>33</b>	<b>33.5</b>
<b>Extraprovincial</b>	<b>383</b>	<b>383.5</b>
<b>Other</b>	<b>7</b>	<b>7.4</b>
<b>Total Revenue (added)</b>	<b>1,582</b>	<b>1,583.7</b>
<b>Total Revenue (as shown per filing)</b>	<b>1,584</b>	<b>1,583.6</b>

**It is assumed that differences in the totals are due to rounding.**

**However, the cost amounts (“Expenses”) on page 34 of IFF09-01 in Appendix 5.2 do not appear to agree with the totals for comparable headings in the PCOSS under Appendix 58, Schedule E1.**

**Table 2**

	<b>For the year 2011</b>	<b>IFF09-01 Page 34</b>	<b>PCOSS Schedule E1 Page 64</b>
	<b>Expenses</b>	<b>\$millions</b>	
<b>1</b>	<b>Operating and Administrative</b>	<b>380.000</b>	
<b>2</b>	<b>Operating</b>		<b>694.310</b>
<b>3</b>	<b>Finance Expense</b>	<b>413.000</b>	
<b>4</b>	<b>Interest</b>		<b>530.366</b>
<b>5</b>	<b>Depreciation and Amortization</b>	<b>386.000</b>	
<b>6</b>	<b>Depreciation</b>		<b>381.777</b>

7	Water Rentals and Assessments	110.000	
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14	Net Income	78.000	
15	Total	1,583.000	1,599.096

On Schedule C14 of the March 31, 2011 PCOSS (page 42), the total revenue per financial forecast of \$1,583.6 million (\$1,584 million as per Table 1 above) is reconciled to total revenue per cost of service study of \$1,599.1 million. However, there are amounts individual “expense” amounts within the PCOSS and IFF01-01 that do not appear to reconcile, as summarized in Table 2.

- c) Within the PCOSS of March 31, 2011, Schedule E1, at page 64 shows a column heading “Interest” and a total for that column of \$530,366,000.
- i. Please clarify what is meant by “Interest” and describe how that relates to amounts in the revenue requirement in the IFF09-01 on page 34.
  - ii. Please clarify what amounts from the IFF09-01 revenue requirement on page 34 are included in the total of \$530,366,000 by line number listed in Table 2 above and show the reconciliation to the \$530,366,000, together with clearly referenced source of each reconciling item from the GRA filing.

**ANSWER:**

The use of ‘Interest’ on pages 63-64 of the PCOSS refers to the total forecast finance expense, capital tax and net income as determined in IFF09-01 with the adjustments as noted in the response to part (b) of the question. The reconciliation of the \$530.4 million of Interest from the PCOSS to IFF09-01 is shown in the response to part (a) of the question

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- d) Please provide a detailed reconciliation between the “Interest & Reserve Expense” of \$463,070,768 on page 36 of the PCOSS and the “Interest” total of \$530,366,000 on page 64 of the PCOSS indicating a clearly referenced source of each reconciling item from the GRA filing.

**ANSWER:**

The \$463.1 million that is functionalized in Schedule C9 (pg 36) does not include Capital Tax of \$47.3 million which is functionalized in Schedule C11, or the \$20.0 million cost of the Uniform Rate Adjustment which is directly assigned to the Export class.

<b>Reconciliation of Interest</b>	
<b>Expense</b>	<b>(\$ millions)</b>
Interest & Reserve Expense (pg 36, PCOSS)	463.1
Capital Tax (pg 38, PCOSS)	47.3
Uniform Rates Adjustment (pg 3, PCOSS)	20.0
Interest (pg 64, PCOSS)	530.4

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- e) Please clarify where total “Capital Tax” of \$47,270,512 in Schedule C11 on page 38 of the PCOSS can be found on Schedule E1, on pages 63 and 64 of the PCOSS.

**ANSWER:**

The Capital Tax of \$47.3 million is included in the \$530.4 million of Interest shown on pages 63 and 64 of the PCOSS.

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**It is assumed that differences in the totals are due to rounding.**

**However, the cost amounts (“Expenses”) on page 34 of IFF09-01 in Appendix 5.2 do not appear to agree with the totals for comparable headings in the PCOSS under Appendix 58, Schedule E1.**

**Table 2**

	<b>For the year 2011</b>	<b>IFF09-01 Page 34</b>	<b>PCOSS Schedule E1 Page 64</b>
	<b>Expenses</b>	<b>\$millions</b>	
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On Schedule C14 of the March 31, 2011 PCOSS (page 42), the total revenue per financial forecast of \$1,583.6 million (\$1,584 million as per Table 1 above) is reconciled to total revenue per cost of service study of \$1,599.1 million. However, there are amounts individual “expense” amounts within the PCOSS and IFF01-01 that do not appear to reconcile, as summarized in Table 2.

- f) Please clarify where total “Annual Amortization Contribution” of 14,022,269 in Schedule C5 on page 32 of the PCOSS can be found on Schedule E1, on pages 63 and 64 of the PCOSS.

**ANSWER:**

The amortization of contribution of \$14.0 million is included as part of the \$381.8 million of Depreciation shown on pages 63 and 64 of the PCOSS.