20 YEAR FINANCIAL OUTLOOK

2010/11 – 2029/30

FINANCIAL PLANNING
CONTROLLER DIVISION
FINANCE & ADMINISTRATION

March 2011

TABLE OF CONTENTS
20 YEAR FINANCIAL OUTLOOK

1.0 OVERVIEW

The 20 Year Financial Outlook is an extension to the Integrated Financial Forecast IFF10 which was approved by the Manitoba Hydro-Electric Board on November 18, 2010. The 20 Year Financial Outlook depicts the long-term financial direction of Manitoba Hydro based on current assumptions of future events.

The first decade of the 20 Year Financial Outlook (the decade of investment) shows the financial impacts of major investments in new generation and transmission. Financial ratios are projected to weaken somewhat in the first decade but rebound in the second decade (the decade of returns). Domestic rate increases are projected to range from 2.9% to 3.5% per year in the first decade, and then decline to 2.0% per year in the second decade. Equity (retained earnings) is projected to remain strong throughout the period, rising from $2.4 billion at March 31, 2011 to $10.5 billion at the end of 20 years.

Drought remains one of the major risks with a 5 year drought projected to cost $2.1 billion (assuming drought commencing in 2012/13). The occurrence of a 5 year drought commencing in 2012/13 would reduce retained earnings from the projected level of $2.5 billion at March 31, 2012 to approximately $1.4 billion at the end of the 5 year period (assuming no other action is taken to mitigate the financial consequences).

2.0 KEY ASSUMPTIONS

The key assumptions included in the 20 Year Financial Outlook reflect similar assumptions as the 10 year IFF and include the following:

1) Domestic Load Growth

   Domestic electricity load will grow at an average of 1.5% per year for net firm energy over the 20 Year Financial Outlook to 2029/30. Net total peak demand grows at an average of 1.4% per year over the 20 Year Financial Outlook to 2029/30.

   Natural gas volumes are projected to decline approximately 0.4% per year over the 20 Year Financial Outlook to 2029/30.

2) Domestic Rate Increases

   The interim approved average electricity rate increase of 2.8% is included in 2010/11 and an additional 2.9% average rate increase is projected in 2011/12 followed by 3.5% per year to 2020/21. Average electricity rate increases then decline to 2% per year, slightly lower than long-term projected inflation, for the last 9 years of the 20 Year Financial Outlook.

Natural gas rate increases are projected to be only the rates necessary to generate net income of approximately $3 to $6 million per year (rate increases average less than 1% per year).

3) Inflation

The Manitoba Consumers Price Index is projected to increase at an average 2.1% per year commencing in 2013/14.

4) Interest Rates

The very low current short and long-term interest rates are projected to rise gradually over the next several years with long-term rates reaching 6.60% by 2016/17 (excluding the debt guarantee fee of 1.0%) and then remain constant to 2029/30.

5) Foreign Exchange Rates

The US-Canadian exchange rate is projected to rise to 1.04 by 2012/13, 1.09 by 2014/15 and 1.11 by 2015/16 through to the end of the 20 year forecast.

6) Export Sales Contracts

The 10 year Northern States Power sale agreements of 375MW to 500MW (commencing in 2015) were signed in 2010 and are subject to regulatory approvals. The term sheets for the 500 MW Wisconsin Public Service sale and the 250 MW Minnesota Power sale are expected to be finalized into long-term contracts.

7) Capital Expenditures

Investments in new property, plant and equipment are projected to be $16.9 billion during the first decade with major expenditures on Wuskwatim, Keeyask, a new US interconnection, Conawapa and Bipole 3. The second decade will see the completion of Conawapa with a first unit in-service of 2023/24 plus additional transmission from northern Manitoba to Winnipeg. The latter part of the 20 Year Financial Outlook also includes the proposed redevelopment of the Pointe du Bois Generating Station at a higher capability by 2030/31.

Figure 1 illustrates projected capital expenditures by major categories including major new generation & transmission, gas and other electric capital requirements including system refurbishment and upgrades.

Figure 2 summarizes the major new generation and transmission projects included in the 20 Year Financial Outlook.

Figure 1

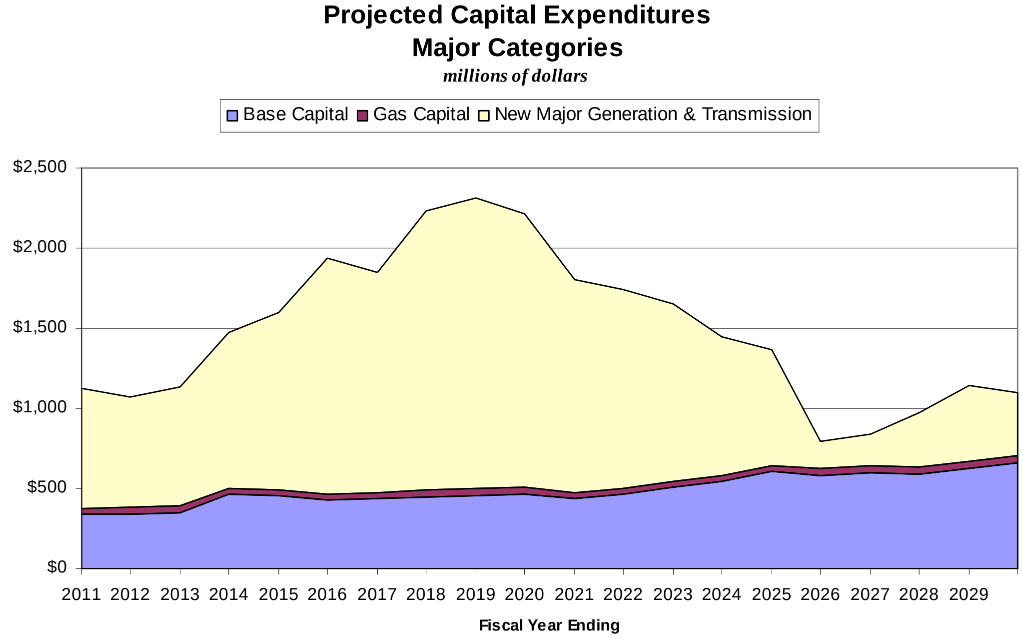


Figure 2
Major New Generation & Transmission

Project	**Projected In-Service**	**Projected Capital Cost ($millions)**
Wuskwatim	2011/12	$ 1,565.8
Pointe du Bois Spillway	2014/15	398.2
Bipole III Transmission	2017/18	1,081.9
Bipole III Converter Stations	2017/18	1,165.9
Keeyask	2019/20	5,636.9
500 kV US Interconnection	2019/20	204.8
Conawapa	2023/24	7,770.8
Additional North-South Transmission	2024/25	312.8
Pointe du Bois Powerhouse Rebuild	2030/31	1,538.3

3.0 NET INCOME AND FINANCIAL TARGETS

Projected consolidated net income, equity ratios, interest coverage ratios, and capital coverage ratios for the 20 Year Financial Outlook are depicted in Table 1 and Figures 3 to 6.

Table 1
20 YEAR FINANCIAL OUTLOOK

			RATIOS		
Year Ending March 31	**NET INCOME** *(Millions)*	**RETAINED EARNINGS** *(Millions)*	**Debt/Equity**	**Interest Coverage**	**Capital Coverage**
2010 (actual)	163	2,239	73 : 27	1.32	1.30
2011	158	2,398	74 : 26	1.28	1.50
2012	134	2,531	74 : 26	1.22	1.50
2013	130	2,658	76 : 24	1.20	1.57
2014	195	2,853	77 : 23	1.29	1.29
2015	152	3,005	79 : 21	1.20	1.34
2016	228	3,233	80 : 20	1.27	1.62
2017	278	3,511	80 : 20	1.29	1.71
2018	282	3,793	80 : 20	1.27	1.73
2019	234	4,027	81 : 19	1.21	1.67
2020	303	4,331	81 : 19	1.24	1.83
2021	122	4,453	81 : 19	1.09	1.71
2022	362	4,816	81 : 19	1.26	2.11
2023	456	5,271	80 : 20	1.32	2.11
2024	523	5,794	78 : 22	1.36	2.16
2025	642	6,436	76 : 24	1.43	2.25
2026	610	7,046	74 : 26	1.42	2.37
2027	705	7,751	72 : 28	1.49	2.48
2028	808	8,559	69 : 31	1.58	2.70
2029	919	9,478	66 : 34	1.67	2.74
2030	1,035	10,513	62 : 38	1.78	2.80

Note: Assumes 2.8% interim approved average rate increase April 1, 2010; 2.9% proposed average rate increase April 1, 2011; 3.5% projected average annual rate increases from 2013 to 2021; and 2.0% from 2022 to 2030.

Figure 3

Projected Consolidated Net Income

millions of dollars

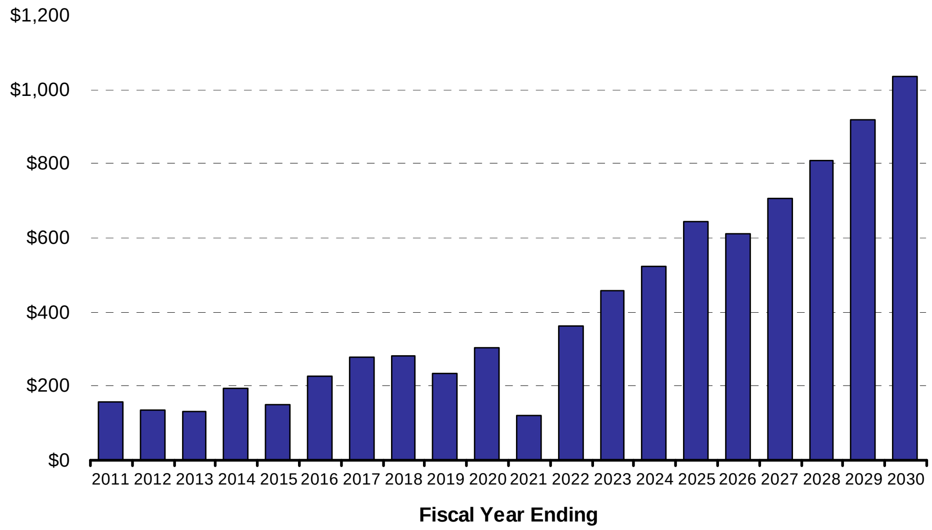


Figure 4

Projected Consolidated Equity Ratio

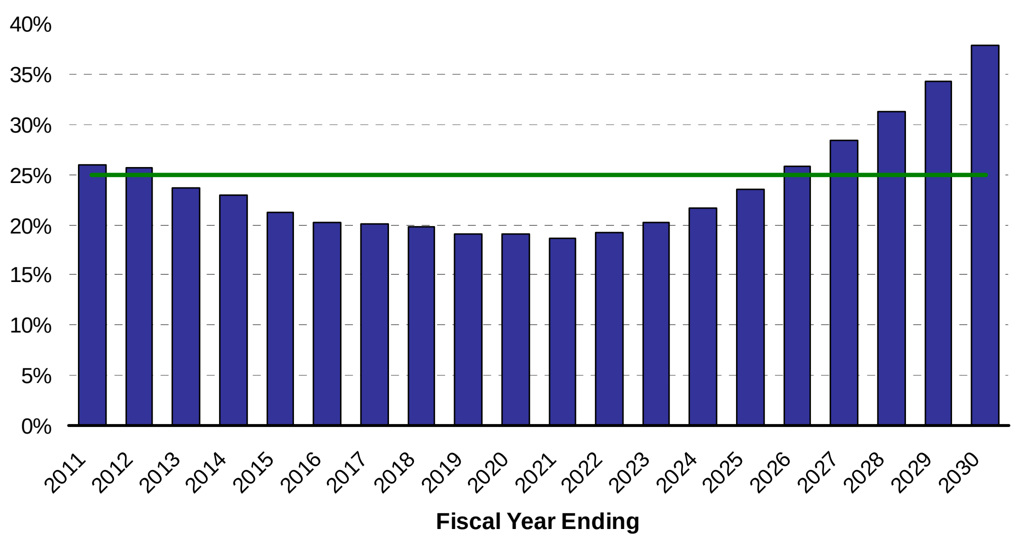


Figure 5

Projected Consolidated Interest Coverage Ratio

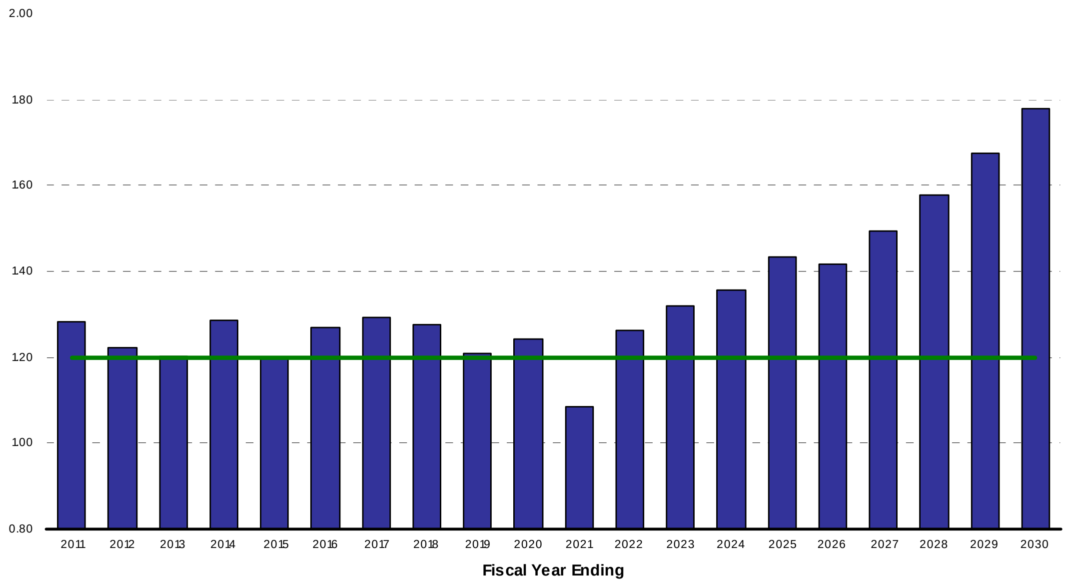
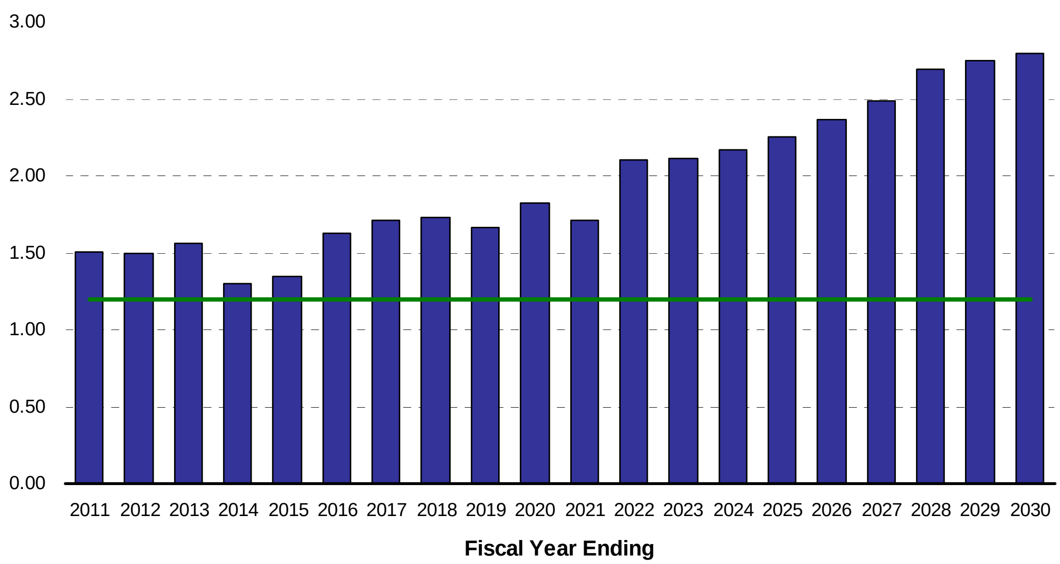


Figure 6

Projected Consolidated Capital Coverage Ratio



4.0 PROJECTED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROJECTED OPERATING STATEMENT (IFF10)
(In Millions of Dollars)

For the year ended March 31	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
REVENUES										
General Consumers	1,610	1,719	1,792	1,854	1,918	1,988	2,064	2,133	2,210	2,294
Extraprovincial	444	461	499	510	529	611	621	646	654	804
	2,054	2,180	2,291	2,364	2,447	2,599	2,685	2,779	2,864	3,098
Cost of Gas Sold	273	311	320	310	309	309	308	306	304	303
	1,781	1,869	1,971	2,054	2,138	2,290	2,378	2,472	2,559	2,795
Other	28	31	33	33	34	34	35	36	36	37
	1,809	1,900	2,004	2,087	2,171	2,325	2,413	2,508	2,596	2,832
EXPENSES										
Operating and Administrative	476	482	495	505	515	526	536	559	570	589
Finance Expense	430	449	512	496	563	587	582	608	678	746
Depreciation and Amortization	403	435	464	468	495	517	524	543	573	589
Water Rentals and Assessments	121	115	111	112	112	113	113	113	113	113
Fuel and Power Purchased	121	187	190	203	216	225	239	251	264	316
Capital and Other Taxes	100	102	106	112	118	126	134	143	152	162
	1,650	1,771	1,879	1,896	2,020	2,093	2,128	2,217	2,349	2,513
Non-controlling Interest	-	4	6	4	0	(4)	(7)	(9)	(12)	(15)
Net Income	158	134	130	195	152	228	278	282	234	303
Additional General Consumers Revenue										
General electricity rate increases		2.90%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
General gas rate increases		0.00%	1.50%	1.00%	1.00%	1.00%	1.00%	0.00%	1.00%	1.00%
Financial Ratios										
Equity	26%	26%	24%	23%	21%	20%	20%	20%	19%	19%
Interest Coverage	1.28	1.22	1.20	1.29	1.20	1.27	1.29	1.27	1.21	1.24
Capital Coverage	1.50	1.50	1.57	1.29	1.34	1.62	1.71	1.73	1.67	1.83

CONSOLIDATED PROJECTED OPERATING STATEMENT (IFF10)
(In Millions of Dollars)

For the year ended March 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
REVENUES										
General Consumers	2,382	2,441	2,506	2,570	2,641	2,718	2,798	2,876	2,962	3,049
Extraprovincial	984	1,128	1,162	1,311	1,668	1,782	1,808	1,813	1,834	1,847
	3,366	3,569	3,668	3,880	4,309	4,500	4,606	4,689	4,796	4,896
Cost of Gas Sold	301	300	299	299	298	297	297	298	298	298
	3,064	3,268	3,369	3,582	4,011	4,203	4,309	4,391	4,498	4,598
Other	38	38	39	40	41	41	42	43	44	45
	3,102	3,307	3,408	3,622	4,052	4,244	4,351	4,434	4,542	4,642
EXPENSES										
Operating and Administrative	606	618	631	654	667	680	694	707	721	736
Finance Expense	1,114	1,008	973	1,057	1,284	1,428	1,398	1,346	1,292	1,229
Depreciation and Amortization	655	666	671	699	770	831	849	853	865	876
Water Rentals and Assessments	121	127	128	135	147	151	153	153	153	154
Fuel and Power Purchased	310	343	358	357	339	337	341	351	370	388
Capital and Other Taxes	149	156	163	168	172	173	175	177	179	180
	2,955	2,919	2,924	3,070	3,379	3,602	3,610	3,587	3,581	3,562
Non-controlling Interest	(24)	(26)	(28)	(29)	(30)	(33)	(36)	(39)	(42)	(45)
Net Income	122	362	456	523	642	610	705	808	919	1,035
Additional General Consumers Revenue										
General electricity rate increases	3.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
General gas rate increases	1.00%	0.00%	1.00%	0.00%	1.00%	1.00%	1.00%	0.00%	1.00%	1.00%
Financial Ratios										
Equity	19%	19%	20%	22%	24%	26%	28%	31%	34%	38%
Interest Coverage	1.09	1.26	1.32	1.36	1.43	1.42	1.49	1.58	1.67	1.78
Capital Coverage	1.71	2.11	2.11	2.16	2.25	2.37	2.48	2.70	2.74	2.80

CONSOLIDATED PROJECTED BALANCE SHEET (IFF10)
(In Millions of Dollars)

For the year ended March 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASSETS										
Plant in Service	13,226	15,218	15,744	16,319	17,485	18,051	18,632	21,056	21,893	25,741
Accumulated Depreciation	(4,971)	(5,350)	(5,762)	(6,184)	(6,588)	(7,033)	(7,509)	(8,012)	(8,547)	(9,100)
Net Plant in Service	8,255	9,868	9,982	10,135	10,898	11,018	11,123	13,044	13,346	16,640
Construction in Progress	2,624	1,636	2,216	3,091	3,457	4,792	6,042	5,825	7,283	5,522
Current and Other Assets	1,409	1,512	1,307	1,026	1,166	1,382	1,581	1,840	1,615	1,871
Goodwill and Intangible Assets	227	215	200	187	179	169	163	175	181	188
Regulated Assets	307	321	332	335	331	318	300	279	256	234
	12,822	13,552	14,038	14,774	16,031	17,679	19,208	21,163	22,682	24,455
LIABILITIES AND EQUITY										
Long-Term Debt	8,524	8,944	8,966	10,296	11,311	12,986	13,858	15,204	17,090	14,690
Current and Other Liabilities	1,339	1,516	2,111	1,378	1,610	1,448	1,842	2,189	1,597	5,476
Contributions in Aid of Construction	295	294	288	282	278	275	272	270	267	265
Retained Earnings	2,398	2,531	2,658	2,853	3,005	3,233	3,511	3,793	4,027	4,331
Accumulated Other Comprehensive Income	266	266	14	(35)	(173)	(264)	(275)	(293)	(300)	(307)
	12,822	13,552	14,038	14,774	16,031	17,679	19,208	21,163	22,682	24,455

CONSOLIDATED PROJECTED BALANCE SHEET (IFF10)
(In Millions of Dollars)

For the year ended March 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
ASSETS										
Plant in Service	28,546	29,029	29,550	34,126	38,248	39,852	40,468	41,221	41,917	42,574
Accumulated Depreciation	(9,720)	(10,353)	(10,996)	(11,669)	(12,420)	(13,230)	(14,058)	(14,892)	(15,739)	(16,597)
Net Plant in Service	18,826	18,676	18,554	22,457	25,829	26,621	26,410	26,329	26,178	25,977
Construction in Progress	4,442	5,716	6,868	3,752	1,021	231	475	717	1,189	1,653
Current and Other Assets	1,919	1,851	1,731	2,090	2,311	2,680	3,362	4,020	4,565	5,093
Goodwill and Intangible Assets	185	183	182	180	178	177	176	174	173	172
Regulated Assets	213	195	181	168	155	145	137	130	127	124
	25,585	26,620	27,515	28,647	29,494	29,854	30,560	31,370	32,231	33,018
LIABILITIES AND EQUITY										
Long-Term Debt	19,167	20,402	21,003	21,604	21,355	21,556	21,556	21,497	21,247	21,148
Current and Other Liabilities	2,015	1,463	1,307	1,317	1,771	1,320	1,320	1,380	1,569	1,418
Contributions in Aid of Construction	264	262	262	261	261	261	262	263	266	269
Retained Earnings	4,453	4,816	5,271	5,794	6,436	7,046	7,751	8,559	9,478	10,513
Accumulated Other Comprehensive Income	(314)	(323)	(329)	(329)	(329)	(329)	(329)	(329)	(329)	(329)
	25,585	26,620	27,515	28,647	29,494	29,854	30,560	31,370	32,231	33,018

CONSOLIDATED PROJECTED CASH FLOW STATEMENT (IFF10)
(In Millions of Dollars)

For the year ended March 31	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
OPERATING ACTIVITIES										
Cash Receipts from Customers	2,146	2,282	2,394	2,467	2,545	2,698	2,784	2,878	2,963	3,198
Cash Paid to Suppliers and Employees	(1,187)	(1,288)	(1,301)	(1,328)	(1,352)	(1,376)	(1,407)	(1,451)	(1,482)	(1,561)
Interest Paid	(420)	(453)	(507)	(512)	(553)	(590)	(599)	(636)	(707)	(757)
Interest Received	25	29	30	26	16	26	39	49	53	47
	564	570	616	653	656	758	817	841	827	927
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1,000	600	800	1,400	1,200	1,800	1,400	2,200	2,200	1,800
Sinking Fund Withdrawals	651	25	128	463	-	8	-	-	444	167
Retirement of Long-Term Debt	(1,025)	(25)	(182)	(829)	(100)	(312)	(201)	(530)	(857)	(317)
Other	(229)	18	(12)	(7)	(0)	(3)	(2)	(1)	(12)	(3)
	398	618	735	1,027	1,100	1,494	1,197	1,669	1,776	1,647
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1,174)	(1,087)	(1,148)	(1,476)	(1,606)	(1,944)	(1,850)	(2,235)	(2,315)	(2,218)
Sinking Fund Payment	(119)	(99)	(117)	(167)	(111)	(199)	(157)	(239)	(198)	(226)
Other	(21)	(16)	(17)	(16)	(17)	(36)	(46)	(27)	(27)	(27)
	(1,314)	(1,202)	(1,281)	(1,659)	(1,734)	(2,179)	(2,053)	(2,501)	(2,540)	(2,472)
Net Increase (Decrease) in Cash	(352)	(14)	69	21	22	73	(39)	8	63	102
Cash at Beginning of Year	158	(193)	(207)	(139)	(117)	(95)	(23)	(62)	(53)	10
Cash at End of Year	(193)	(207)	(139)	(117)	(95)	(23)	(62)	(53)	10	112

CONSOLIDATED PROJECTED CASH FLOW STATEMENT (IFF10)
(In Millions of Dollars)

For the year ended March 31	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
OPERATING ACTIVITIES										
Cash Receipts from Customers	3,466	3,670	3,770	3,982	4,411	4,603	4,710	4,794	4,902	5,003
Cash Paid to Suppliers and Employees	(1,566)	(1,624)	(1,659)	(1,691)	(1,702)	(1,720)	(1,740)	(1,767)	(1,803)	(1,838)
Interest Paid	(1,135)	(1,034)	(976)	(1,055)	(1,297)	(1,453)	(1,423)	(1,384)	(1,343)	(1,283)
Interest Received	44	44	23	25	38	45	48	63	77	82
	809	1,056	1,158	1,261	1,450	1,476	1,595	1,706	1,834	1,963
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1,400	1,400	600	600	200	200	-	-	-	-
Sinking Fund Withdrawals	278	722	167	-	-	339	-	-	60	250
Retirement of Long-Term Debt	(403)	(725)	(167)	-	-	(450)	-	-	(60)	(250)
Other	28	(12)	(8)	(8)	(9)	(10)	(11)	(12)	(12)	(13)
	1,303	1,384	592	592	191	79	(11)	(12)	(12)	(13)
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1,807)	(1,748)	(1,664)	(1,449)	(1,375)	(800)	(851)	(981)	(1,155)	(1,106)
Sinking Fund Payment	(299)	(357)	(223)	(222)	(236)	(248)	(242)	(251)	(261)	(269)
Other	(32)	(38)	(29)	(32)	(29)	(30)	(33)	(31)	(32)	(32)
	(2,139)	(2,144)	(1,915)	(1,703)	(1,641)	(1,078)	(1,125)	(1,264)	(1,448)	(1,407)
Net Increase (Decrease) in Cash	(27)	297	(165)	149	1	476	459	431	373	544
Cash at Beginning of Year	112	85	381	216	365	366	842	1,301	1,732	2,105
Cash at End of Year	85	381	216	365	366	842	1,301	1,732	2,105	2,649

5.0 SENSITIVITY ANALYSIS

The 20 Year Financial Outlook includes a number of key assumptions as described in section 2.0. A change to one or more of those assumptions could have a significant impact on projected financial results. This section provides an indication of the financial impact of changes in the following assumptions:

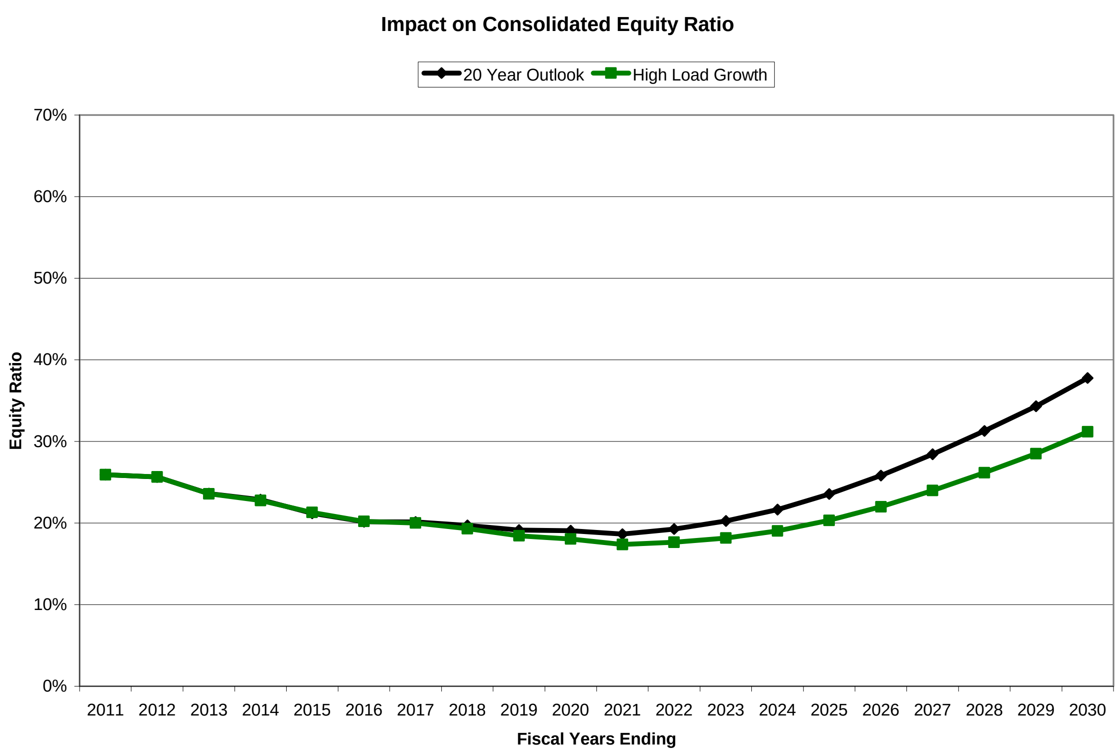
- Domestic load growth
- Interest rates
- Foreign exchange rates
- Export prices
- Capital expenditures

5.1 Domestic Load Growth

The base Load Forecast is Manitoba Hydro's best estimate of future growth in domestic energy and peak demand. While current economic circumstances present a risk that the domestic load could be lower than the forecast assumed in the 20 Year Financial Outlook, higher domestic load growth poses greater financial risk to the Corporation due to the displacement of projected higher value exports sales.

The domestic load growth sensitivity, represented by the 90th percentile forecast, includes additional load of 2611 GW.h in net firm energy and 542 MW in net total peak by 2029/30 compared to the base Load Forecast. Figure 7 shows the comparative equity ratios of the High Load Growth Forecast and the 20 Year Financial Outlook.

Figure 7



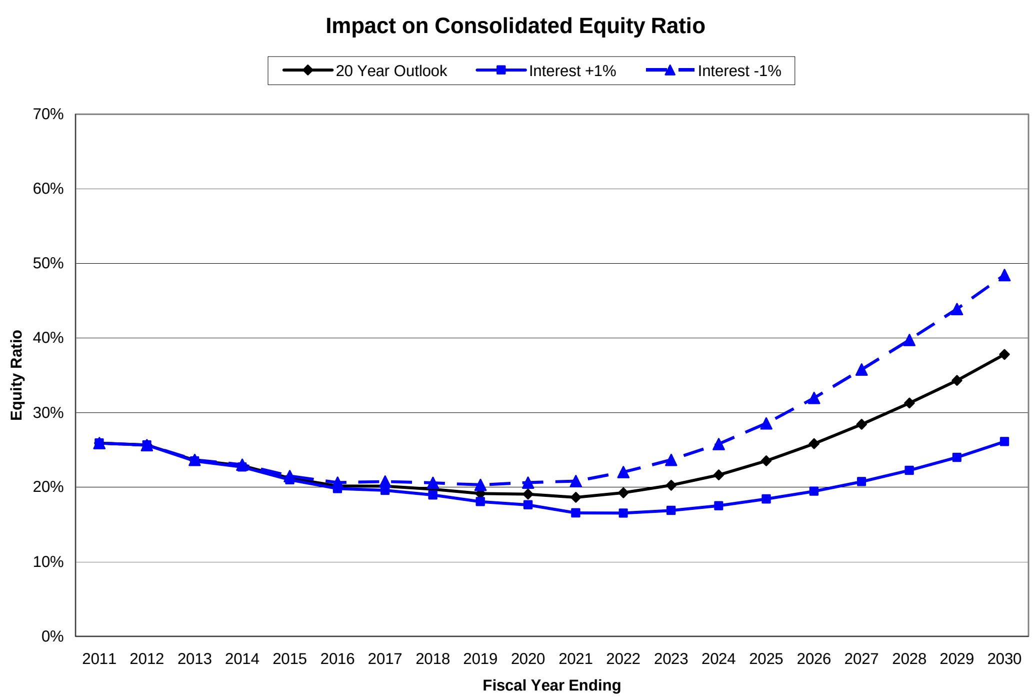
Projected impact on total equity:

	2029/30	Increase/ (Decrease)
	($Millions)	
Base 20 Year Outlook	10 513	-
High Load Growth	8 782	(1 731)

5.2 Interest Rates

Interest rates assumed in the 20 Year Financial Outlook are projected to rise gradually over the first seven years of the forecast. This sensitivity looks at the financial effects of a prolonged increase or decrease in forecast interest rates which are applied to all new long and short-term debt issues, new sinking fund investments and all floating rate debt. Figure 8 below compares equity ratios assuming interest rates increase or decrease 1% each year.

Figure 8



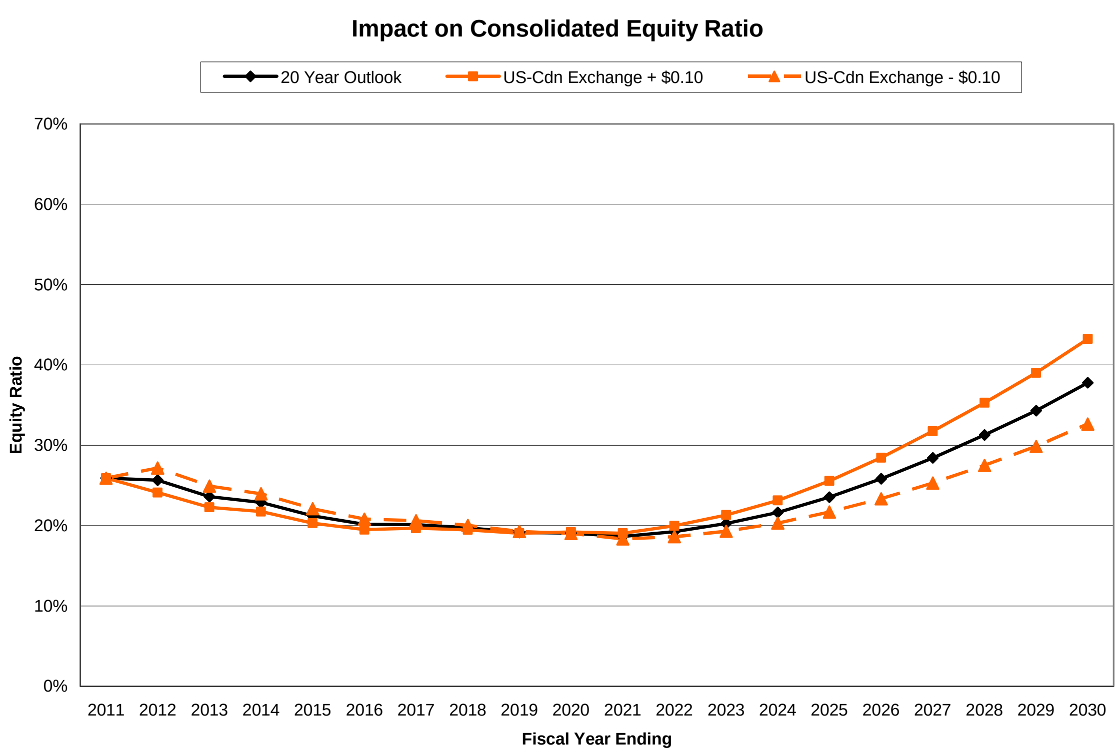
Projected impact on total equity:

	2029/30	Increase/ (Decrease)
	($Millions)	
Base 20 Year Outlook	10 513	-
Interest rates +1%	7 441	(3 072)
Interest rates -1%	13 168	2 655

5.3 Foreign Exchange Rates

The Canadian dollar is projected to weaken gradually over the first six years of the 20 Year Financial Outlook. This sensitivity looks at the financial effects of a prolonged weaker or stronger Canadian dollar. In the short to medium term of the 20 Year Outlook, the impacts of a weaker or stronger Canadian dollar are minimal due to the effective hedge provided by Manitoba Hydro's exposure management program. Figure 9 below compares equity ratios assuming US-Canadian exchange rates $0.10 higher or lower than the base 20 Year Financial Outlook.

Figure 9



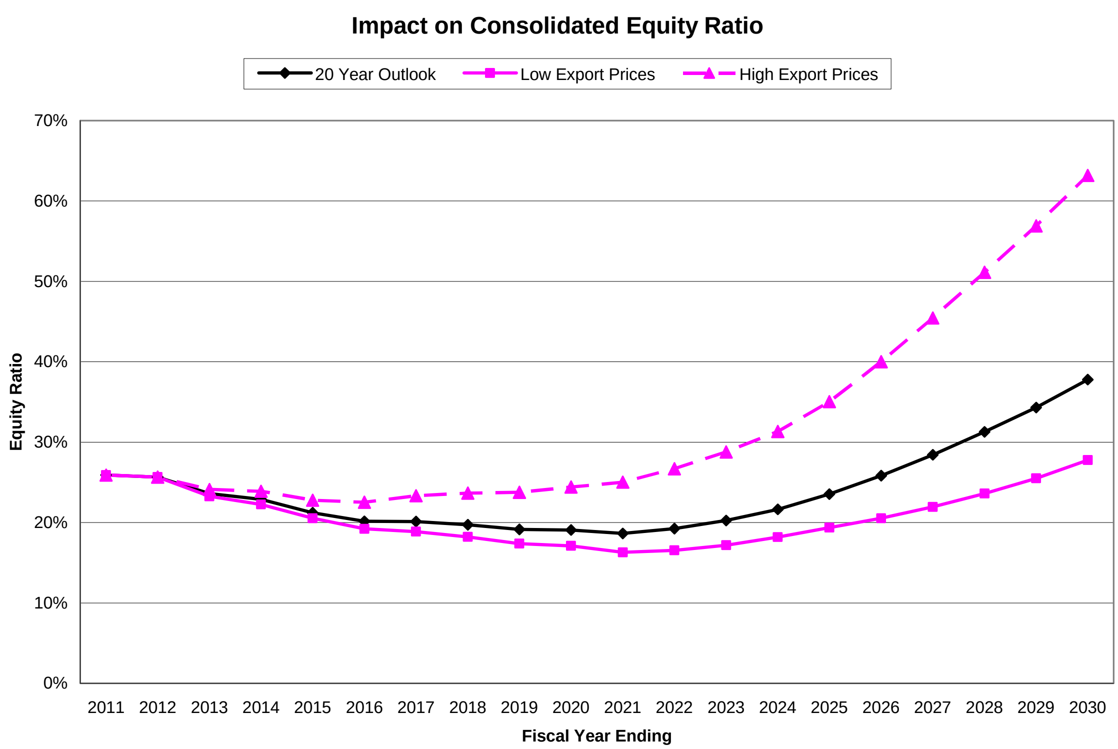
Projected impact on total equity:

	2029/30	Increase/ (Decrease)
	($Millions)	
Base 20 Year Outlook	10 513	-
US-Cdn exchange + $0.10	12 045	1 532
US-Cdn exchange - $0.10	9 084	(1 429)

5.4 Low and High Export Prices

The 20 Year Financial Outlook assumes export prices based on externally prepared forecasts. The Low Export Price scenario reflects the long-term impact on future energy prices due to a number of potential factors including low economic growth, aggressive energy conservation policies, low growth in energy demand, lower natural gas and coal prices and lower premiums related to emissions costs. The High Export Price scenario is characterized by high economic and energy demand growth, higher capital costs, higher natural gas and coal prices, stringent US environmental policies and higher environmental premiums. Figure 10 below compares equity ratios under the Low and High Export Price scenarios and the 20 Year Financial Outlook.

Figure 10



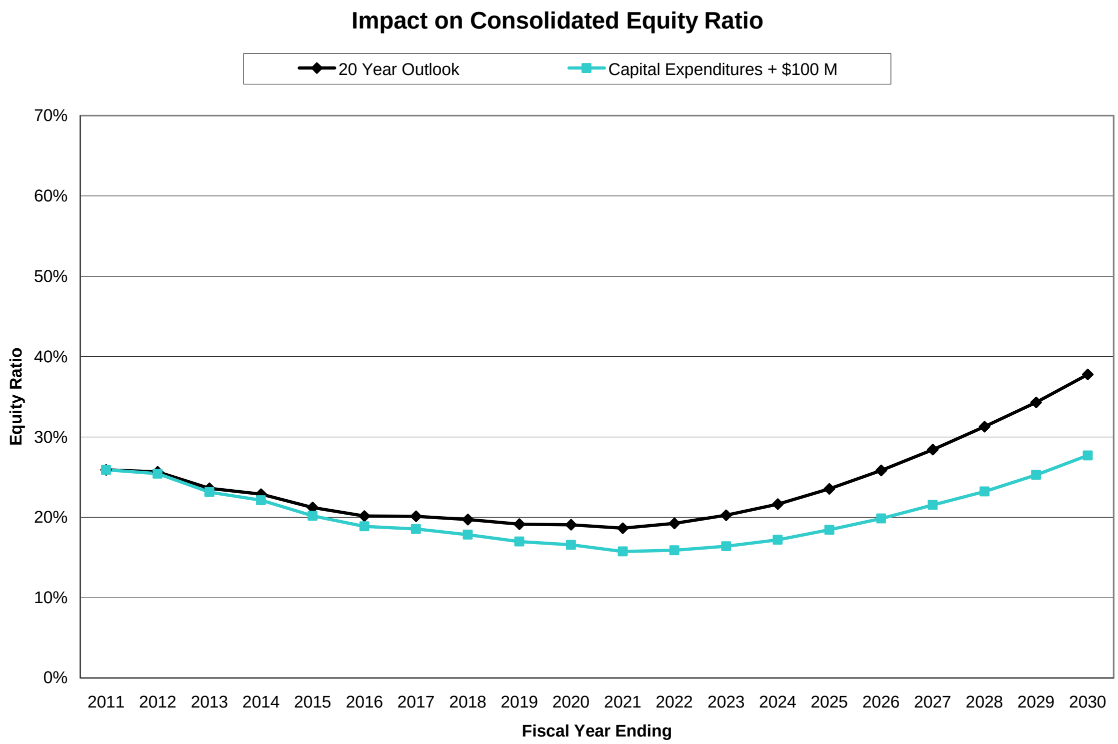
Projected impact on total equity:

	2029/30	Increase/ (Decrease)
	($Millions)	
Base 20 Year Outlook	10 513	-
Low Export Prices	7 753	(2 760)
High Export Prices	17 513	7 000

5.5 Capital Expenditures

The 20 Year Financial Outlook includes provisions for increases in base capital expenditures as well as specifically identified capital projects. This sensitivity reflects the financial effects of upward pressure on capital project costs and/or additional expenditures to meet reliability, safety, regulatory or customer requirements. Increases of $100 million per year for electric and $10 million per year for gas have been assumed for non-specified projects. Impacts on the equity ratio are shown in Figure 11 below.

Figure 11



Projected impact on total equity:

	2029/30	Increase/ (Decrease)
	($Millions)	
Base 20 Year Outlook	10 513	-
Capital Expenditures +$100M per year	8 127	(2 386)

6.0 ALTERNATIVE SCENARIOS

6.1 No Sale Scenario

An alternative power resource development plan for major infrastructure and resources to meet Manitoba requirements includes Conawapa in 2022/23 and a combined cycle gas turbine in 2033/34 (referred to as the No Sale Scenario). This sequence excludes the sales related to the Wisconsin Public Service and Minnesota Power term sheets, the construction of Keeyask and the planned interconnection to the US.

Figure 12 shows that retained earnings under the No Sale Scenario are lower through the whole study period to 2042/43 compared to the Recommended Development Plan (IFF10 and 20 Year Outlook). As the benefits of hydro development and additional tie-line capability are realized, the Recommended Resource Plan provides greater retained earnings to withstand the financial impacts of adverse events.

Although the equity ratio is slightly higher in the No Sale Scenario as shown in Figure 13, the 75:25 debt/equity target is surpassed and maintained almost immediately following the in-service of the major resources under the respective development plans. The equity ratio under the Recommended Development Plan crosses over by 2037/38, and thereafter, the benefits are substantially positive for the entire life of the generation and transmission facilities. Under a high gas and export price scenario, benefits accrue earlier with the equity ratio crossing over under the Recommended Development Plan by 2031/32.

One of the major benefits of the Recommended Development Plan is that counterparties in the US will be making large investments in new transmission which will enhance reliability and provide additional export sale opportunities to Manitoba Hydro. Under the No Sale Scenario, it is unlikely that such investments in new transmission would be undertaken.

Figure 12

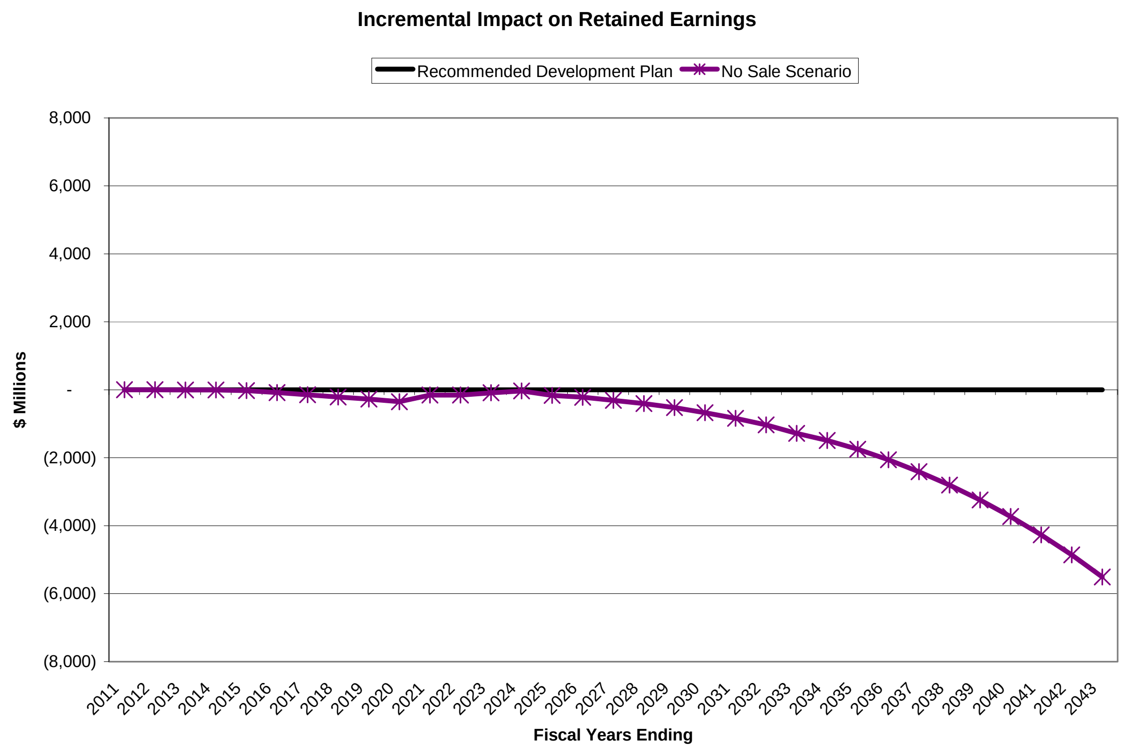
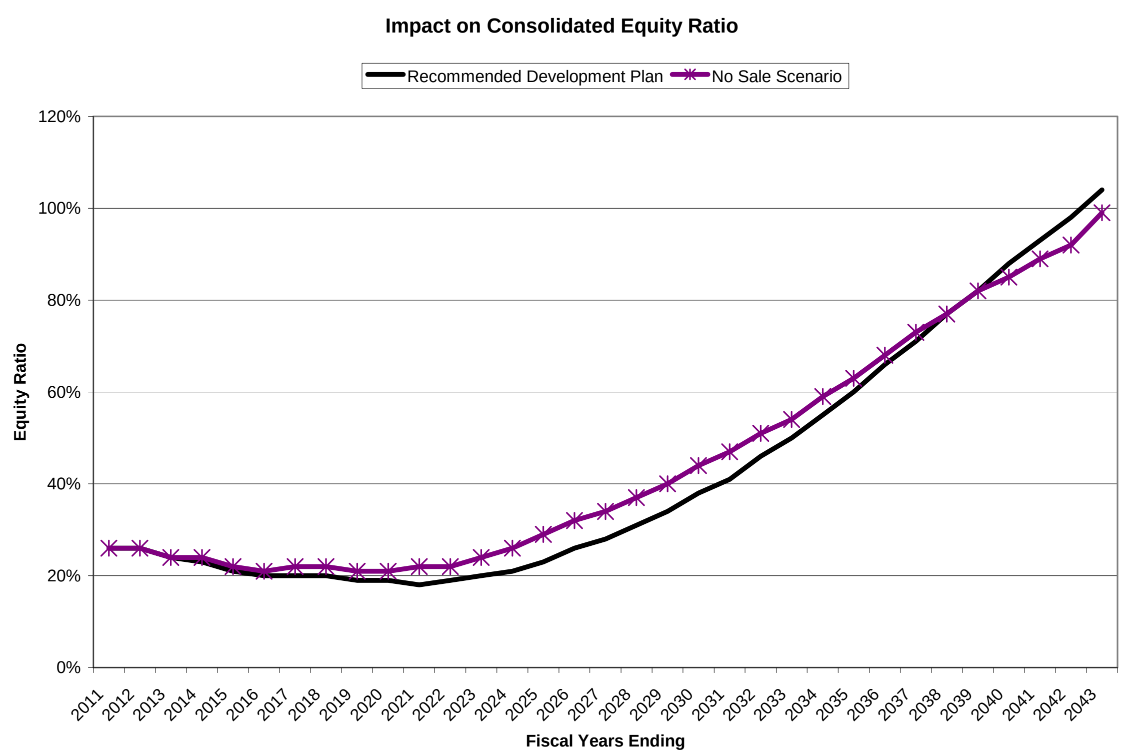


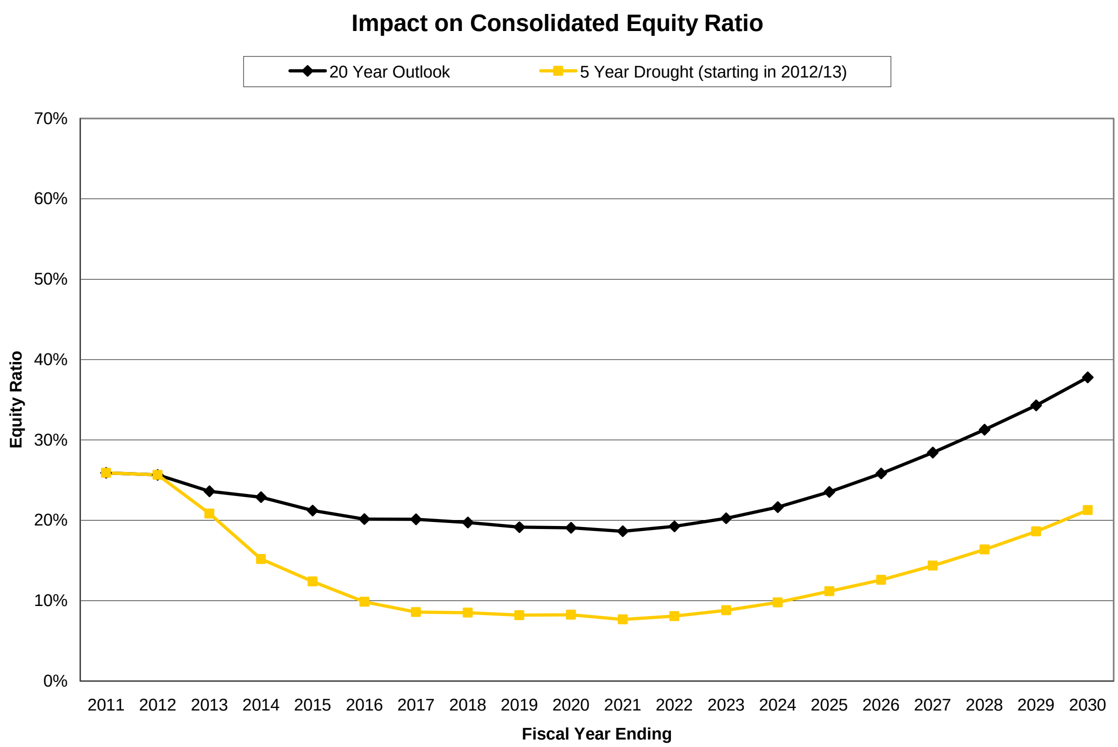
Figure 13



6.2 Five Year Drought

The five year drought scenario shown is identical to the scenario shown in IFF10 and assumes a five year drought commencing in 2012/13. Actual impacts could be smaller or return to normal sooner due to management actions that would mitigate the financial effects of extended low water flow conditions. Figure 15 below compares equity ratios under the 5 Year Drought scenario and the 20 Year Financial Outlook.

Figure 15



Projected impact on total equity:

	2029/30	Increase/ (Decrease)
	($Millions)	
Base 20 Year Outlook	10 513	-
5 year Drought (beginning in 2012/13)	5 857	(4 656)

6.3 Other Scenarios under Consideration

(Information to follow)