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Manitoba Hydro to provide a table detailing each of the recommendations made by KPMG and the Corporation's position relative to each.

KPMG Recommendation	Management Action
Enhance the functionality and resourcing of the Export Power Middle Office.	
– Manitoba Hydro should transfer the credit risk function in Power Sales & Operations to the Middle Office.	The Middle Office has created a new position to assume duties of the credit risk function.
– Manitoba Hydro should also consider the transfer of the market risk function in Power Sales & Operations to the Middle Office.	The Middle Office has established the position of Senior Market Risk Analyst.
– Manitoba Hydro's process of reviewing export contracts and term sheets should include the Middle Office to perform a challenge function.	The Middle Office will participate in the review of proposed term sheets and export contracts.
– Responsibility for power risk management policy for opportunity sales should be consolidated in the Middle Office.	The Middle Office is participating in the review of all policies and will ensure that any required updates are fully documented and approved.
– Manitoba Hydro should consider adding resource(s) including risk analytic tools (i.e., software) to increase the risk analysis capabilities of the Middle Office.	The Middle Office is in the process of acquiring risk analytic tools and has engaged external consulting support to assist in software selection.
Develop formal identification of all significant risks in policies and procedures.	Manitoba Hydro is reviewing all policies and procedures to ensure that any required updates are fully documented and approved.
Manitoba Hydro should enhance the number of risk tolerance limits to include a Value at Risk (VAR)-based limit for Related Merchant Transactions, options limits and counterparty concentration limits.	The Middle Office Senior Market Risk Analyst has completed a forward price curve that will enable VAR analytics on portfolio exposure.

Manitoba Hydro should consider applying mark-to-market to its open short-term commodity positions Manitoba Hydro should also evaluate the benefits for measuring market risk in long-term export contracts which would require resources to develop forward price curves. Manitoba Hydro should document how the pricing was arrived at for export contracts and term sheets, as well as document the approvals of term sheets.	Mark-to-market is applied to short term open positions not physically backed by Manitoba Hydro generation assets. Manitoba Hydro will consider the potential benefits of this recommendation. The "Approval Authority Table for Power Related Transactions" has been amended to include term sheet approvals.
Manitoba Hydro should continue to further improve the HERMES and SPLASH models. Manitoba Hydro should consider formal peer review or benchmarking of the models to benefit from modeling developments elsewhere in the energy sector.	Manitoba Hydro will continue to review generation system model requirements and existing capabilities, and will continually assess the need to update modeling tools and methodologies Manitoba Hydro will continue to develop and test HERMES enhancements needed to evaluate operations planning decision methods. Manitoba Hydro will further consider the value of additional peer reviews and benchmarking of its models. Manitoba Hydro will continue to participate in industry forums such as workshops and conferences to remain current in the field of power system modeling.

Manitoba Hydro should conduct more scenario analyses and stress testing of its expansion plans and development sequencing. Manitoba Hydro should consider using back-testing to assist in further validating model outputs.	Manitoba Hydro continues to analyze drought scenarios on a routine basis. In addition, Manitoba Hydro will investigate methodologies for incorporating broader scenario analysis and stress testing into long-term planning. Manitoba Hydro continues to participate in a variety of studies related to the effect of climate change on available water resources and its financial impact. Manitoba Hydro will further consider the value of additional back-testing of its models.
Manitoba Hydro should formally document the HERMES and SPLASH models to preserve their proprietary information and assist new modelers.	Manitoba Hydro will further consider the format of additional documentation that could assist in preserving proprietary information and could assist new modelers in developing the required expertise related to the modeling function. In order to maintain a source of qualified graduates with advanced training in Power System Modeling, Manitoba Hydro will continue to support the Faculty of Engineering at the University of Manitoba through a Water Resources Senior Industrial Research Chair. This is a long-term strategic action to ensure Manitoba Hydro has access to Research and Development in the area of water resources systems.
Manitoba Hydro should review its capital structure on a regular basis.	Manitoba Hydro will continue to review its capital structure on a regular basis.