

MANITOBA HYDRO

2012/13 & 2013/14 ELECTRIC GENERAL RATE APPLICATION

UNDERTAKING PROVIDED BY: V. WARDEN

Manitoba Hydro Undertaking #7

Prepare a comparison of actual financial results to forecasts for the last 5 years.

Response:

Please see the following tables for the requested information.

In summary, as indicated in the attachment, the majority of the variance from financial forecasts over the 5-year period is attributable to weather-related revenue variances in the domestic market and price-related variances in the export market. Expense variances are primarily related to accounting-related changes.

<i>For the year ended March 31</i>	Actual Forecast (MH07)		Variance	Explanation (provided for variances > \$5 million)
	2008	2008	Fav(Unfav)	
	(in millions of \$)			
Revenues				
General Consumers at approved rates	1,074	1,057	17	Colder than normal weather from December through March, resulting in increased heating load (\$12M), higher customer usage (\$7M) partially offset by forecasted energy intensive rates that were not implemented (\$2.5M).
Extraprovincial	625	582	43	Higher system merchant sales (\$30.2M), higher than forecast opportunity export prices (\$17.5M), higher dependable volumes (\$19.1M) and higher transmission credits (\$1.7M) partially offset by lower opportunity volumes (\$18.3M) and lower rates on dependable sales (\$7.4M).
Other	8	7	1	
	<u>1,707</u>	<u>1,646</u>	<u>61</u>	
Expenses				
Operating and Administrative	324	340	16	Not filling a number of vacant staff positions (EFTs: 175 or 3% lower than forecast) (\$13.8M). The staff vacancy factor is due in part to difficulties in hiring qualified professional and trades personnel.
Finance Expense	401	402	1	
Depreciation and Amortization	323	326	3	
Water Rentals and Assessments	124	121	(3)	
Fuel and Power Purchased	135	132	(3)	
Capital and Other Taxes	57	57	-	
Corporate Allocation	8	8	-	
	<u>1,372</u>	<u>1,386</u>	<u>14</u>	
Net Income	<u>335</u>	<u>260</u>	<u>75</u>	

<i>For the year ended March 31</i>	Actual Forecast (MH08)		Variance	Explanation (provided for variances > \$5 million)
	2009	2009	Fav(Unfav)	
	(in millions of \$)			
Revenues				
General Consumers at approved rates	1,127	1,110	17	Higher than forecast usage in the Residential sector due to the colder than normal weather for the months of December through March (\$13.3M) plus increased volumes in the General Service sector (\$3.8M).
Extraprovincial	622	619	3	
Other	16	15	1	
	<u>1,765</u>	<u>1,744</u>	<u>21</u>	
Expenses				
Operating and Administrative	364	349	(15)	Hiring additional trainees (\$4.2M), increased overtime to complete required maintenance and for storm restoration (\$2.7M), additional benefit expenditures (\$4.8M), the adjustment related to the adoption of CICA Section 3010, Inventory (\$5.0M), and the adjustments related to the adoption of CICA Handbook Section 3064, Goodwill and Intangible Assets (\$4.7M) partially offset by higher operating expense recoveries (\$5.3M) and lower wages and salaries due to staff vacancies (\$0.8M).
Finance Expense	433	393	(40)	Accounting change related to dual currency bonds (\$32.0M) and the net impacts of the weaker than forecast Canadian dollar (\$8.0M).
Depreciation and Amortization	340	349	9	Adjustments related to the adoption of CICA Handbook Section 3064, Goodwill and Intangible Assets (\$5.3M) and from lower than forecast Affordable Energy expenditures (\$2.5M).
Water Rentals and Assessments	123	121	(2)	
Fuel and Power Purchased	176	150	(26)	Higher than forecast transmission & other charges (\$14.1M), system merchant purchases (\$9.6M) and opportunity purchases (\$6.8M) partially offset by lower than forecast natural gas & coal purchases (\$4.5M).
Capital and Other Taxes	64	65	1	
Corporate Allocation	8	8	-	
	<u>1,508</u>	<u>1,436</u>	<u>(72)</u>	
Net Income	<u>257</u>	<u>308</u>	<u>(51)</u>	

<i>For the year ended March 31</i>	Actual Forecast (MH09)		Variance	Explanation (provided for variances > \$5 million)
	2010	2010	Fav(Unfav)	
	(in millions of \$)			
Revenues				
General Consumers at approved rates	1,145	1,160	(15)	Lower than forecast usage in the General Service large sector due to maintenance and economic shutdowns (\$9.1M) and weather related lower than forecast usage in the Residential Sector (\$4.8M).
Extraprovincial	427	414	13	Higher than forecast volumes for dependable and opportunity sales (\$48.8M) and higher transmission credits (\$1.7M) partially offset by decreased market prices (\$32.8M) and lower system merchant sales (\$5.5M).
Other	6	7	(1)	
	<u>1,578</u>	<u>1,581</u>	<u>(3)</u>	
Expenses				
Operating and Administrative	378	371	(7)	Increased costs related to risk management review (\$3.4M) and strike-related costs (\$4.0M).
Finance Expense	373	417	44	Accounting change related to dual currency bonds (\$31.0M) and favorable foreign exchange valuations from a stronger than forecast Canadian dollar (\$13.0M).
Depreciation and Amortization	358	368	10	Lower than forecast Affordable Energy expenditures (\$7.1M), asset retirement obligation revaluations of Pointe Du Bois and PCBs (\$1.8M) and adjustments related to the adoption of CICA Handbook Section 3064, Goodwill and Intangible Assets (\$0.6M).
Water Rentals and Assessments	121	120	(1)	
Fuel and Power Purchased	104	103	(1)	
Capital and Other Taxes	76	73	(3)	
Corporate Allocation	8	8	-	
	<u>1,418</u>	<u>1,460</u>	<u>42</u>	
Net Income	<u>160</u>	<u>121</u>	<u>39</u>	

<i>For the year ended March 31</i>	Actual Forecast (MH10)		Variance	Explanation (provided for variances > \$5 million)
	2011	2011	Fav(Unfav)	
	(in millions of \$)			
Revenues				
General Consumers at approved rates	1,200	1,194	6	Underforecast of usage in small and medium classes (\$3.0M), the recognition of Cross Lake late payment charges (\$1.4M) and colder weather (\$2.0M).
Extraprovincial	398	444	(46)	Lower opportunity prices and volumes (\$36.4M), lower dependable volumes (\$6.8M), lower than forecast congestion and other (\$8.6M) and lower system merchant sales (\$4.1M), partially offset by higher dependable rates (\$10.6M).
Other	7	7	-	
	<u>1,605</u>	<u>1,645</u>	<u>(40)</u>	
Expenses				
Operating and Administrative	397	398	1	
Finance Expense	388	393	5	
Depreciation and Amortization	365	374	9	Revaluation of the liability for the Selkirk and Brandon thermal units due to the removal of licensing renewal restrictions by the Province (\$8.0M) and lower than forecast Affordable Energy expenditures (\$1.1M).
Water Rentals and Assessments	120	120	-	
Fuel and Power Purchased	106	121	15	Lower transmission charges (\$6.7M), system merchant purchases (\$4.1M) and lower than forecast dependable volumes (\$4.8M).
Capital and Other Taxes	81	81	-	
Corporate Allocation	9	9	-	
	<u>1,466</u>	<u>1,496</u>	<u>30</u>	
Net Income	<u>139</u>	<u>149</u>	<u>(10)</u>	

For the year ended March 31

	Actual Forecast (MH11)		Variance	Explanation (provided for variances > \$5 million)
	2012	2012	Fav(Unfav)	
	(in millions of \$)			
Revenues				
General Consumers at approved rates	1,191	1,243	(52)	15% warmer than normal weather (\$29.0M) and the cumulative impact of the 1% rate rollback for 2010/11 and 2011/12 (\$23.0M).
Extraprovincial	363	370	(7)	Lower than forecast prices (\$5.8M) and volumes (\$3.5M) on opportunity sales, lower system merchant sales (\$1.9M) and lower payouts received relating to congestion management (\$2.0M) partially offset by higher dependable volumes (\$4.8M), higher prices (\$0.5M) and transmission credits (\$1.1M).
Other	6	7	(1)	
	<u>1,560</u>	<u>1,620</u>	<u>(60)</u>	
Expenses				
Operating and Administrative	403	402	(1)	
Finance Expense	385	399	14	Forecasting rate differential related to capitalized interest (\$12.9M).
Depreciation and Amortization	353	357	4	
Water Rentals and Assessments	119	119	-	
Fuel and Power Purchased	146	157	11	Capitalization of pre-determined compensation payments (\$7.2M), lower than forecast system merchant opportunities (\$3.0M) and lower than forecast market prices (\$3.8M), partially offset by higher volumes (\$2.2M).
Capital and Other Taxes	83	83	-	
Corporate Allocation	9	9	-	
	<u>1,498</u>	<u>1,526</u>	<u>28</u>	
Net Income	<u>62</u>	<u>94</u>	<u>(32)</u>	