

MIPUG/MH I-2 (Revised Based on IFF12)

Subject: Financial Targets

- a) **Please update the response to MIPUG/MH I-3 (a) from the 2010 General Rate Application regarding financial target changes, if any.**

ANSWER:

There have been no changes to Manitoba Hydro's financial targets since 2009 as reported in the response to MIPUG/MH I-3(a) from the 2010 GRA.

The Manitoba Hydro-Electric Board reaffirmed Manitoba Hydro's existing targets for debt/equity (75:25), interest coverage (>1.20) and capital coverage (>1.20) on November 21, 2012. The financial target for debt/equity (75:25) is not projected to be met until the last year of the financial forecast (2031/32). The target for interest coverage (>1.20) is not met until 2025/26 and the target for capital coverage (>1.20) is not met for the first 4 years of the forecast. However, financial ratios begin to recover by 2023/24 (following Keeyask in-service) and gain strength in all remaining years of the 20-year forecast (following Conawapa in-service in 2025/26). In setting financial targets, it was recognized that targets may not be attained during years of major investments in the generation and transmission system. Although financial targets will not be met for several years of the Financial Forecast, it is imperative that they be retained for purposes of measuring financial performance in the interim. The primary reason that targets should be retained is that they will continue to be tracked by rating agencies and deviations from targets will be closely monitored. While rating agencies are aware that financial targets will not be met during the period of Manitoba Hydro's major capital expansion program, it will be necessary for Manitoba Hydro to demonstrate progress towards attaining the targets over the long-term.

MIPUG/MH I-11 (Revised based on IFF12)

**Subject: CACMSOS/MH-1-116 from the 2010 GRA (March 11, 2010) re:
Financial Targets and AOCI**

- c) **Please update MIPUG/MH-1-3(a), (b) and (c) from the 2010 GRA showing the calculation of the forecast financial targets as per IFF11-2. For debt:equity calculations, please show the debt:equity with and without inclusion of AOCI in the ratio.**

ANSWER:

The following tables provide the calculations requested, which have been revised to reflect IFF12.

Debt Ratio - Consolidated
(\$ millions)

Fiscal Year Ended	A	B	C	D	E	F	G	H	$\frac{(E+F+G+H)}{(A+B+C+D+E+F+G+H)}$	
	Retained Earnings	Contributions in Aid of Construction	Accumulated Other Comprehensive Income	Non-Controlling Interest	Long-Term Debt	Sinking Fund Investment	Short-Term Debt	Short-Term Investments	Debt Ratio w/ AOCI	Debt Ratio w/o AOCI
2008	1 822	300	305	24	7 571	(718)	-	(133)	0.73	0.76
2009	2 076	296	(169)	39	8 187	(666)	100	(159)	0.77	0.76
2010	2 239	295	285	62	8 538	(822)	-	(174)	0.73	0.74
2011	2 389	295	367	87	8 647	(282)	-	(70)	0.73	0.75
2012	2 450	318	327	100	9 382	(372)	-	(50)	0.74	0.76
2013	2 510	341	299	99	10 253	(320)	14		0.75	0.77
2014	2 583	350	287	75	11 427	(129)	109		0.78	0.79
2015	2 314	355	(142)	76	13 070	(152)	137		0.83	0.83
2016	2 403	359	(189)	78	14 977	(311)	38		0.85	0.84
2017	2 473	363	(228)	80	16 852	(489)	101		0.86	0.85
2018	2 505	373	(259)	84	18 923	(699)	-	(37)	0.87	0.86
2019	2 452	379	(278)	87	20 295	(501)	-	(162)	0.88	0.87
2020	2 457	385	(298)	89	21 391	(537)	-	(64)	0.89	0.88
2021	2 463	391	(321)	89	22 758	(517)	-	(205)	0.89	0.88
2022	2 528	397	(349)	89	23 881	(192)	-	(39)	0.90	0.89
2023	2 705	403	(365)	136	25 432	(285)	-	(53)	0.90	0.89
2024	2 947	410	(365)	116	27 234	(556)	-	(486)	0.89	0.88
2025	3 262	417	(365)	119	28 237	(850)	-	(375)	0.89	0.88
2026	3 634	423	(365)	117	28 589	(718)	-	(402)	0.88	0.87
2027	4 067	430	(365)	114	28 991	(1 036)	-	(331)	0.87	0.86
2028	4 452	437	(365)	112	29 192	(1 369)	-	(603)	0.85	0.84
2029	5 001	444	(365)	109	29 333	(1 657)	-	(850)	0.84	0.83
2030	5 726	452	(365)	107	29 086	(1 767)	-	(1 149)	0.82	0.81
2031	6 577	459	(365)	104	28 388	(1 428)	-	(1 665)	0.79	0.78
2032	7 646	467	(365)	102	28 378	(1 756)	-	(2 563)	0.75	0.75

Calculation of "Long Term Debt" component for input into Debt:Equity ratio

(\$ millions)

Fiscal Year Ended	I	J	E = (I+J)
	Long-Term Debt	Current Portion Long-Term Debt	Long-Term Debt
2008	7 218	353	7 571
2009	7 668	519	8 187
2010	8 228	310	8 538
2011	8 617	30	8 647
2012	9 101	281	9 382
2013	9 445	808	10 253
2014	11 216	211	11 427
2015	12 758	312	13 070
2016	14 631	347	14 977
2017	16 322	530	16 852
2018	18 094	829	18 923
2019	19 989	306	20 295
2020	20 756	635	21 391
2021	22 079	679	22 758
2022	23 429	452	23 881
2023	25 432	-	25 432
2024	27 234	-	27 234
2025	27 787	450	28 237
2026	28 589	-	28 589
2027	28 991	-	28 991
2028	29 132	60	29 192
2029	29 083	250	29 333
2030	28 386	700	29 086
2031	28 375	13	28 388
2032	27 948	430	28 378

Interest Coverage Ratio - Consolidated
(\$ millions)

Fiscal Year Ended	A Net Income	B Finance Expense	C Capitalized Interest	<u>(A+B+C)</u> <u>(B+C)</u> Interest Coverage Ratio
2008	346	440	62	1.69
2009	266	471	78	1.49
2010	163	410	105	1.32
2011	150	425	142	1.27
2012	61	423	173	1.10
2013	60	489	139	1.10
2014	72	481	159	1.11
2015	66	532	188	1.09
2016	90	565	247	1.11
2017	70	628	315	1.07
2018	32	700	342	1.03
2019	(54)	812	330	0.95
2020	5	826	393	1.00
2021	6	1 047	252	1.00
2022	65	1 144	233	1.05
2023	177	1 134	339	1.12
2024	242	1 135	441	1.15
2025	315	1 126	526	1.19
2026	373	1 243	457	1.22
2027	432	1 491	222	1.25
2028	385	1 674	41	1.22
2029	550	1 642	60	1.32
2030	725	1 599	81	1.43
2031	850	1 605	36	1.52
2032	1 069	1 536	28	1.68

**Capital Coverage Ratio - Consolidated
Excluding Major New Generation & Transmission**

Fiscal Year Ended	A Funds from Operations	B Consolidated Capital Expenditures	A/B Capital Coverage
2008	633	391	1.62
2009	688	388	1.77
2010	589	452	1.30
2011	595	477	1.25
2012	567	503	1.13
2013	544	470	1.16
2014	517	581	0.89
2015	504	607	0.83
2016	531	566	0.94
2017	552	454	1.22
2018	542	390	1.39
2019	506	440	1.15
2020	586	381	1.54
2021	655	437	1.50
2022	761	474	1.60
2023	892	547	1.63
2024	988	569	1.74
2025	1 068	566	1.88
2026	1 162	537	2.16
2027	1 313	485	2.71
2028	1 328	550	2.41
2029	1 513	596	2.54
2030	1 700	631	2.69
2031	1 860	664	2.80
2032	2 104	577	3.65

MIPUG/MH I-36 (Revised based on IFF12)

Subject: PUB/MH I-150(a) from 2010 GRA: Drought Risk

- a) **Please update the schedules provided in PUB/MH I-150(a) from the 2010 GRA regarding the five year and seven year drought impacts.**

ANSWER:

The following drought impact summary is consistent with assumptions utilized in IFF12. With an onset of the 5-year drought beginning in fiscal year 2014/15, the impact on revenues and volumes is provided in the tables below as the difference between the average condition and the 5-year and 7-year droughts.

MH Exhibit #38
2012/13 & 2013/14 Electric General Rate Application

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Impact of 5-Year Drought on Revenues (millions of \$ CDN)						
Revenue						
Extra-Provincial Sales	-140	-146	-148	-155	-179	-767
Expense						
Water Rental	-24	-33	-16	-18	-14	-105
Fuel & Power Purchase	124	371	36	124	24	680
Net Revenue (Excluding Finance Expense)	-241	-484	-168	-261	-188	-1341

	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Impact of 5-Year Drought on Energy (GWh/yr)						
Extra-Provincial Sales	-3816	-3604	-3499	-3291	-3521	-17731
Hydro Generation	-7535	-10310	-5108	-5881	-4786	-33619
Fuel & Power Purchase	2487	2523	1395	2120	1100	9624

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Impact of 7-Year Drought on Revenues (millions of \$ CDN)								
Revenue								
Extra-Provincial Sales	-59	-63	-149	-178	-209	-235	-28	-921
Expense								
Water Rental	-10	-9	-16	-27	-33	-30	-5	-131
Fuel & Power Purchase	13	2	36	279	451	391	-17	1155
Net Revenue (Excluding Finance Expense)	-62	-56	-169	-429	-626	-596	-6	-1945

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Impact of 7-Year Drought on Energy (GWh/yr)								
Extra-Provincial Sales	-2166	-2220	-3516	-3587	-3804	-3913	-1303	-20509
Hydro Generation	-3280	-3038	-5127	-8526	-10371	-9409	-1943	-41693
Fuel & Power Purchase	1038	770	1396	2448	2409	2409	676	11144

MIPUG/MH I-36 (Revised based on IFF12)

Subject: PUB/MH I-150(a) from 2010 GRA: Drought Risk

- b) **Please provide an IFF 20 year Electric Operations scenario (Operating Statement, Balance Sheet and Cash Flow) for the 5 year drought Risk Analysis cited at page 16 of IFF11-2 (\$1.570 billion reduction in Retained Earnings by 2017/18). Please include the annual financial targets for each year of the scenario.**

ANSWER:

The attached schedules have been revised to reflect IFF12 assumptions for the 5-year drought sensitivity.

**ELECTRIC OPERATIONS - MH12 5-YEAR DROUGHT BEGINNING 2014/15
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)**

For the year ended March 31

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES										
General Consumers at approved rates	1,331	1,361	1,374	1,390	1,404	1,424	1,447	1,462	1,485	1,506
additional*	0	48	104	165	228	297	371	447	531	619
Extraprovincial	357	344	204	235	258	280	262	464	711	839
Other	14	15	15	15	15	16	16	16	17	17
	<u>1,702</u>	<u>1,768</u>	<u>1,696</u>	<u>1,804</u>	<u>1,906</u>	<u>2,017</u>	<u>2,096</u>	<u>2,390</u>	<u>2,743</u>	<u>2,981</u>
EXPENSES										
Operating and Administrative	455	471	544	556	567	590	601	617	639	653
Finance Expense	452	444	495	545	631	717	848	873	1,099	1,202
Depreciation and Amortization	399	430	372	391	410	447	494	508	580	619
Water Rentals and Assessments	117	116	86	77	95	92	96	113	121	126
Fuel and Power Purchased	143	166	305	563	244	346	255	231	253	264
Capital and Other Taxes	88	96	101	110	119	129	136	143	149	158
Corporate Allocation	9	9	8	8	8	8	8	8	8	8
	<u>1,664</u>	<u>1,732</u>	<u>1,912</u>	<u>2,251</u>	<u>2,074</u>	<u>2,329</u>	<u>2,438</u>	<u>2,494</u>	<u>2,851</u>	<u>3,031</u>
Non-controlling Interest	14	24	21	16	13	10	6	3	4	(3)
Net Income	<u>53</u>	<u>60</u>	<u>(194)</u>	<u>(432)</u>	<u>(156)</u>	<u>(302)</u>	<u>(336)</u>	<u>(101)</u>	<u>(105)</u>	<u>(53)</u>
* Additional General Consumers Revenue Percent Increase	0.00%	3.50%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Cumulative Percent Increase	0.00%	3.50%	7.59%	11.84%	16.26%	20.85%	25.62%	30.58%	35.74%	41.10%
Financial Ratios										
Equity	25%	22%	15%	11%	9%	7%	5%	4%	3%	3%
Interest Coverage	1.09	1.10	0.72	0.46	0.84	0.71	0.71	0.92	0.92	0.96
Capital Coverage	1.09	0.89	0.35	(0.05)	0.71	0.49	0.46	1.29	1.24	1.38

ELECTRIC OPERATIONS - MH12 5-YEAR DROUGHT BEGINNING 2014/15
PROJECTED OPERATING STATEMENT
(In Millions of Dollars)

For the year ended March 31

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
REVENUES										
General Consumers										
at approved rates	1,529	1,552	1,575	1,598	1,621	1,644	1,669	1,693	1,717	1,741
additional*	713	814	921	1,035	1,155	1,283	1,419	1,564	1,716	1,878
Extraprovincial	873	863	851	937	1,209	1,288	1,304	1,312	1,331	1,341
Other	17	18	18	18	19	19	19	20	20	21
	<u>3,133</u>	<u>3,246</u>	<u>3,366</u>	<u>3,588</u>	<u>4,003</u>	<u>4,234</u>	<u>4,411</u>	<u>4,588</u>	<u>4,784</u>	<u>4,980</u>
EXPENSES										
Operating and Administrative	667	681	696	727	741	757	775	789	805	823
Finance Expense	1,199	1,205	1,204	1,330	1,585	1,776	1,751	1,719	1,734	1,677
Depreciation and Amortization	630	637	645	690	770	828	837	849	880	893
Water Rentals and Assessments	128	127	126	134	147	151	151	151	152	153
Fuel and Power Purchased	278	292	318	281	277	291	304	318	328	341
Capital and Other Taxes	167	176	183	188	192	193	196	198	203	202
Corporate Allocation	8	8	8	8	8	8	8	8	7	7
	<u>3,076</u>	<u>3,127</u>	<u>3,180</u>	<u>3,358</u>	<u>3,720</u>	<u>4,004</u>	<u>4,022</u>	<u>4,031</u>	<u>4,109</u>	<u>4,096</u>
Non-controlling Interest	(5)	(10)	(13)	(9)	(11)	(14)	(16)	(20)	(22)	(25)
Net Income	<u>51</u>	<u>109</u>	<u>173</u>	<u>221</u>	<u>273</u>	<u>216</u>	<u>372</u>	<u>537</u>	<u>653</u>	<u>859</u>
* Additional General Consumers Revenue										
Percent Increase	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Cumulative Percent Increase	46.68%	52.47%	58.49%	64.75%	71.26%	78.03%	85.06%	92.37%	99.97%	107.86%
Financial Ratios										
Equity	3%	3%	4%	4%	5%	6%	7%	9%	11%	13%
Interest Coverage	1.03	1.07	1.10	1.12	1.15	1.12	1.21	1.30	1.37	1.50
Capital Coverage	1.43	1.53	1.68	1.95	2.48	2.17	2.32	2.48	2.59	3.45

**ELECTRIC OPERATIONS - MH12 5-YEAR DROUGHT BEGINNING 2014/15
PROJECTED BALANCE SHEET
(In Millions of Dollars)**

For the year ended March 31

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
ASSETS										
Plant in Service	15,374	16,435	17,104	18,255	18,807	22,348	22,781	25,825	29,899	30,432
Accumulated Depreciation	(5,173)	(5,536)	(5,856)	(6,223)	(6,622)	(7,064)	(7,553)	(8,057)	(8,632)	(9,248)
Net Plant in Service	10,201	10,899	11,248	12,032	12,185	15,285	15,228	17,769	21,267	21,184
Construction in Progress	2,108	2,878	4,198	5,128	6,794	5,439	6,879	5,422	3,038	4,821
Current and Other Assets	1,869	1,735	1,391	1,578	1,798	2,027	1,857	1,990	2,067	1,728
Goodwill and Intangible Assets	180	165	150	134	123	113	105	98	92	88
Regulated Assets	231	225	-	-	-	-	-	-	-	-
	14,590	15,902	16,988	18,873	20,900	22,864	24,068	25,278	26,463	27,820
LIABILITIES AND EQUITY										
Long-Term Debt	9,428	11,199	12,941	15,214	17,305	19,278	21,373	22,339	23,662	25,213
Current and Other Liabilities	2,086	1,569	1,787	1,875	2,001	2,317	1,774	2,133	2,115	1,996
Contributions in Aid of Construction	336	345	350	355	359	369	375	382	389	396
Retained Earnings	2,442	2,502	2,051	1,619	1,463	1,161	825	723	619	566
Accumulated Other Comprehensive Income	299	287	(142)	(189)	(229)	(260)	(279)	(299)	(322)	(350)
	14,590	15,902	16,988	18,873	20,900	22,864	24,068	25,278	26,463	27,820
Equity Ratio	25%	22%	15%	11%	9%	7%	5%	4%	3%	3%

**ELECTRIC OPERATIONS - MH12 5-YEAR DROUGHT BEGINNING 2014/15
PROJECTED BALANCE SHEET
(In Millions of Dollars)**

For the year ended March 31

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
ASSETS										
Plant in Service	30,962	31,525	32,212	37,906	43,040	44,544	45,284	45,838	47,824	48,551
Accumulated Depreciation	(9,876)	(10,512)	(11,157)	(11,848)	(12,618)	(13,446)	(14,284)	(15,135)	(16,016)	(16,911)
Net Plant in Service	21,086	21,013	21,055	26,059	30,422	31,098	31,000	30,703	31,808	31,640
Construction in Progress	6,576	8,048	9,200	5,077	1,364	737	1,070	1,513	464	539
Current and Other Assets	1,820	2,169	2,423	2,291	2,605	2,934	3,388	3,745	3,850	5,006
Goodwill and Intangible Assets	85	83	82	82	81	80	79	78	77	76
Regulated Assets	-	-	-	-	-	-	-	-	-	-
	<u>29,567</u>	<u>31,313</u>	<u>32,760</u>	<u>33,508</u>	<u>34,472</u>	<u>34,848</u>	<u>35,537</u>	<u>36,040</u>	<u>36,199</u>	<u>37,261</u>
LIABILITIES AND EQUITY										
Long-Term Debt	27,415	29,217	29,971	30,973	31,575	31,715	31,866	31,369	31,559	31,332
Current and Other Liabilities	1,497	1,325	1,838	1,355	1,437	1,448	1,605	2,060	1,368	1,789
Contributions in Aid of Construction	403	411	418	426	433	441	449	457	466	474
Retained Earnings	617	726	900	1,120	1,393	1,609	1,982	2,519	3,172	4,031
Accumulated Other Comprehensive Income	(366)	(366)	(366)	(366)	(366)	(366)	(366)	(366)	(366)	(366)
	<u>29,567</u>	<u>31,313</u>	<u>32,760</u>	<u>33,508</u>	<u>34,472</u>	<u>34,848</u>	<u>35,537</u>	<u>36,040</u>	<u>36,199</u>	<u>37,261</u>
Equity Ratio	3%	3%	4%	4%	5%	6%	7%	9%	11%	13%

ELECTRIC OPERATIONS - MH12 5-YEAR DROUGHT BEGINNING 2014/15
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING ACTIVITIES										
Cash Receipts from Customers	1,692	1,768	1,696	1,804	1,906	2,017	2,096	2,390	2,743	2,981
Cash Paid to Suppliers and Employees	(782)	(822)	(1,010)	(1,279)	(996)	(1,126)	(1,055)	(1,069)	(1,126)	(1,162)
Interest Paid	(466)	(476)	(510)	(575)	(647)	(755)	(895)	(910)	(1,152)	(1,246)
Interest Received	28	17	24	26	31	39	41	39	35	33
	<u>472</u>	<u>486</u>	<u>200</u>	<u>(24)</u>	<u>294</u>	<u>175</u>	<u>187</u>	<u>450</u>	<u>500</u>	<u>606</u>
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1,036	1,970	1,960	2,590	2,580	2,780	2,390	1,590	1,980	1,990
Sinking Fund Withdrawals	129	393	102	26	-	23	416	200	285	679
Retirement of Long-Term Debt	(180)	(808)	(176)	(312)	(347)	(530)	(829)	(306)	(635)	(679)
Other	(42)	(7)	(17)	(19)	(17)	(13)	(24)	(13)	(34)	(9)
	<u>943</u>	<u>1,548</u>	<u>1,870</u>	<u>2,286</u>	<u>2,217</u>	<u>2,260</u>	<u>1,953</u>	<u>1,471</u>	<u>1,596</u>	<u>1,981</u>
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1,381)	(1,922)	(2,028)	(2,083)	(2,214)	(2,174)	(1,863)	(1,666)	(1,799)	(2,299)
Sinking Fund Payment	(107)	(208)	(124)	(188)	(173)	(227)	(232)	(240)	(255)	(343)
Other	(21)	(20)	(21)	(20)	(32)	(42)	(28)	(28)	(33)	(38)
	<u>(1,509)</u>	<u>(2,151)</u>	<u>(2,173)</u>	<u>(2,291)</u>	<u>(2,420)</u>	<u>(2,443)</u>	<u>(2,123)</u>	<u>(1,935)</u>	<u>(2,087)</u>	<u>(2,679)</u>
Net Increase (Decrease) in Cash	(94)	(117)	(104)	(30)	91	(8)	17	(14)	9	(93)
Cash at Beginning of Year	43	(51)	(168)	(272)	(301)	(210)	(218)	(201)	(215)	(206)
Cash at End of Year	<u>(51)</u>	<u>(168)</u>	<u>(272)</u>	<u>(301)</u>	<u>(210)</u>	<u>(218)</u>	<u>(201)</u>	<u>(215)</u>	<u>(206)</u>	<u>(299)</u>

ELECTRIC OPERATIONS - MH12 5-YEAR DROUGHT BEGINNING 2014/15
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
OPERATING ACTIVITIES										
Cash Receipts from Customers	3,133	3,246	3,366	3,588	4,003	4,234	4,411	4,588	4,784	4,980
Cash Paid to Suppliers and Employees	(1,198)	(1,233)	(1,276)	(1,280)	(1,304)	(1,336)	(1,368)	(1,394)	(1,422)	(1,450)
Interest Paid	(1,222)	(1,220)	(1,233)	(1,370)	(1,635)	(1,849)	(1,834)	(1,818)	(1,854)	(1,771)
Interest Received	18	20	31	36	46	63	81	90	103	86
	<u>731</u>	<u>813</u>	<u>888</u>	<u>974</u>	<u>1,110</u>	<u>1,112</u>	<u>1,290</u>	<u>1,467</u>	<u>1,611</u>	<u>1,846</u>
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	2,170	1,780	1,190	990	590	190	390	150	190	190
Sinking Fund Withdrawals	160	-	-	450	-	-	60	250	700	13
Retirement of Long-Term Debt	(432)	-	-	(450)	-	-	(60)	(220)	(700)	(13)
Other	(1)	(0)	(1)	(1)	(0)	0	2	2	3	(16)
	<u>1,897</u>	<u>1,780</u>	<u>1,189</u>	<u>989</u>	<u>590</u>	<u>190</u>	<u>392</u>	<u>182</u>	<u>193</u>	<u>174</u>
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(2,268)	(2,018)	(1,822)	(1,553)	(1,403)	(858)	(1,054)	(977)	(918)	(781)
Sinking Fund Payment	(268)	(289)	(317)	(342)	(343)	(364)	(380)	(394)	(400)	(383)
Other	(29)	(32)	(25)	(25)	(28)	(26)	(26)	(26)	(26)	(26)
	<u>(2,565)</u>	<u>(2,339)</u>	<u>(2,164)</u>	<u>(1,921)</u>	<u>(1,773)</u>	<u>(1,247)</u>	<u>(1,460)</u>	<u>(1,397)</u>	<u>(1,343)</u>	<u>(1,190)</u>
Net Increase (Decrease) in Cash	63	254	(87)	42	(73)	55	222	251	460	830
Cash at Beginning of Year	(299)	(236)	18	(69)	(27)	(101)	(46)	176	428	888
Cash at End of Year	<u>(236)</u>	<u>18</u>	<u>(69)</u>	<u>(27)</u>	<u>(101)</u>	<u>(46)</u>	<u>176</u>	<u>428</u>	<u>888</u>	<u>1,718</u>

MIPUG/MH II-2 (Revised based on IFF12)

Subject: MIPUG/MH I-2(a), IFF12

- d) Please indicate if IFF12 is expected to include different assumptions regarding the April 1, 2013 rate increase? If so, is it expected that this would further change Hydro's requested approvals in the current application?**

ANSWER:

The table below summarizes the key assumptions included in IFF12 with a comparison to IFF11-2. IFF12 reflects the same 3.5% rate increase effective April 1, 2013 that was presented in IFF11-2. Because Hydro's requested approvals reflect the appropriate balance between fiscal responsibility and customer sensitivity, the change in assumptions would not change Hydro's requested approvals in the current application.

	2013/14	
	(\$Millions)	
	IFF12	IFF11-2
Electricity Rate Increase	3.50%	3.50%
Manitoba Consumers Price Index	1.80%	2.00%
Canadian Short-Term Debt Rate ¹	1.30%	2.20%
Canadian Long-Term Debt Rate ¹	3.30%	4.05%
Domestic Load Growth	3.10%	3.00%
General Consumers Sales (GW.h)	22,330	22,261
Hydraulic Generation (GW.h)	35,414	30,744
Average Unit Export Sales (\$/MW.h)	\$32.61	\$42.50
Net Extraprovincial Revenues	\$62	\$93
Capital Expenditures	\$1,859	\$1,518
IFRS Impacts - Net Income	-	(\$14)
IFRS Impacts - Retained Earnings	-	(\$361)
Electric Net Income (before non-controlling interest)	\$36	\$69
Debt/Equity Ratio	78:22	82:18
Interest Coverage Ratio	1.11	1.12
Capital Coverage Ratio	0.89	1.18
Electric Retained Earnings	\$2,502	\$2,203

¹ Excludes the Provincial guarantee fee.