

MANITOBA HYDRO

2012/13 & 2013/14 ELECTRIC GENERAL RATE APPLICATION

PROVIDED BY: V. WARDEN

Request at Transcript Page #4993-4994

Manitoba Hydro to provide the calculations of the debt:equity going forward from 2023. Manitoba Hydro to also demonstrate how the net income factor in with the distribution to maintain the debt percentages.

Response:

The debt/equity ratio is calculated by dividing Total Net Debt by Total Net Debt plus Equity (Equity is represented by Partners Capital). The projected debt/equity calculations for WPLP are provided in the schedule below.

The WPLP partner's capital account is similar in characteristic to Manitoba Hydro's retained earnings such that WPLP net income or losses increase or decrease the partner's capital account, respectively, at the close of each fiscal year. This can be seen in the continuity schedule for the WPLP partners' capital account in Manitoba Hydro Exhibit #93 in response to Undertaking #50 (transcript p.2383). A copy of Exhibit #93 is attached for your reference.

WPLP may draw down the partners' capital account and distribute earnings to NCN provided that the resulting debt/equity ratio does not decline below 85:15 in the first ten years or 75:25 thereafter. Over the forecast, net debt is declining due to increasing sinking fund assets and a net positive cash position (short term debt balance) after the eleventh year. In the first ten years, capital contributions from partners are necessary to maintain the required debt/equity ratio and to offset cumulative losses and the net cash outflow position. During this period, there are no distributions to partners. Thereafter, the net cash position is generally positive and partners would be eligible for distributions provided the required debt/equity ratio is maintained. In the WPLP projections, the cash calls and distributions are the result of a mechanistic calculation resulting in a large cash call in the tenth year followed immediately by a large distribution in the eleventh year. This is a timing issue only. In practice, the WPLP Board would have some discretion regarding the quantum and timing of the cash calls and distributions and could smooth the magnitude of each over a period of time.

IFF12 WPLP DEBT RATIO CALCULATION
 (\$Millions)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Long Term Debt	1,000	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Short Term Debt	44	82	150	139	122	109	91	76	75	59
Other Current Liabilities	16	17	17	17	17	17	17	17	17	17
Sinking Fund	-	(10)	(22)	(35)	(48)	(61)	(75)	(89)	(104)	(119)
Total Net Debt	1,061	1,120	1,177	1,153	1,123	1,097	1,064	1,035	1,019	988
Partners Capital	301	227	208	203	198	194	188	183	180	177
Total Net Debt & Equity	1,361	1,347	1,384	1,356	1,321	1,290	1,252	1,217	1,199	1,165
WPLP Debt/Equity Ratio	78%	83%	85%	85%	85%	85%	85%	85%	85%	85%
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Long Term Debt	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Short Term Debt	52	(115)	(70)	(77)	(80)	(85)	(88)	(93)	(94)	(95)
Other Current Liabilities	17	17	17	17	16	16	16	16	16	16
Sinking Fund	(135)	(151)	(167)	(184)	(202)	(221)	(240)	(260)	(280)	(302)
Total Net Debt	965	782	811	787	766	743	721	695	673	651
Partners Capital	322	261	270	262	255	248	240	232	224	217
Total Net Debt & Equity	1,287	1,043	1,081	1,050	1,022	990	961	927	898	869
WPLP Debt/Equity Ratio	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%

MANITOBA HYDRO

2012/13 & 2013/14 ELECTRIC GENERAL RATE APPLICATION

UNDERTAKING PROVIDED BY: V.WARDEN

Manitoba Hydro Undertaking # 50

Manitoba Hydro to provide an explanation regarding the "Partners Capital" line item on the WPLP Balance Sheet.

Response:

Partners Capital is the equity including retained earnings of WPLP represented by Manitoba Hydro's and NCN's contributions to capital during construction and operations, the net income and losses of WPLP, as well as distributions paid to partners. The attached table provides a continuity schedule for the WPLP Projected Partners Capital for the forecast period to 2031/32 for both IFF11-2 and IFF12.

For forecast purposes, the requirement for cash calls and declaration of dividends is assumed to be made at March 31st each fiscal year end. The cash collected or paid, as the case may be, is reflected in the subsequent fiscal year as Other Investing Activities on the projected cash flow statement.

CONTINUITY SCHEDULE FOR WPLP PROJECTED PARTNERS CAPITAL ACCOUNT
(\$Millions)

IFF11-2:	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Partners Capital, Opening Balance	274	314	287	235	191	190	185	180	185	199	216
Construction Capital Contributions	42	16	1	0	0	0	0	0	0	0	0
Net Income / (Loss)	(3)	(42)	(54)	(44)	(25)	(15)	(5)	5	14	17	27
Partners Cash Calls	0	0	0	0	23	10	0	0	0	0	44
Distributions Declared	0	0	0	0	0	0	0	0	0	0	0
Partners Capital, Closing Balance	314	287	235	191	190	185	180	185	199	216	287
Debt Ratio	75%	78%	82%	85%	85%	85%	85%	84%	83%	81%	75%
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Partners Capital, Opening Balance	287	254	256	246	243	235	228	221	214	208	
Construction Capital Contributions	0	0	0	0	0	0	0	0	0	0	
Net Income / (Loss)	36	40	46	43	47	53	58	64	69	74	
Partners Cash Calls	0	0	0	0	0	0	0	0	0	0	
Distributions Declared	(70)	(38)	(56)	(46)	(54)	(61)	(65)	(71)	(76)	(81)	
Partners Capital, Closing Balance	254	256	246	243	235	228	221	214	208	201	
Debt Ratio	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Partners Capital, Opening Balance	315	301	227	208	203	198	194	188	183	180	
Construction Capital Contributions	29	0	0	0	0	0	0	0	0	0	
Net Income / (Loss)	(43)	(74)	(65)	(47)	(38)	(31)	(19)	(9)	(12)	(3)	
Partners Cash Calls	0	0	46	43	33	27	13	3	9	0	
Distributions Declared	0	0	0	0	0	0	0	0	0	0	
Partners Capital, Closing Balance	301	227	208	203	198	194	188	183	180	177	
Debt Ratio	78%	83%	85%	85%	85%	85%	85%	85%	85%	85%	
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Partners Capital, Opening Balance	177	322	261	270	262	255	248	240	232	224	
Construction Capital Contributions	0	0	0	0	0	0	0	0	0	0	
Net Income / (Loss)	2	16	24	14	19	26	32	41	48	54	
Partners Cash Calls	143	0	0	0	0	0	0	0	0	0	
Distributions Declared	0	(77)	(14)	(22)	(26)	(33)	(39)	(50)	(56)	(62)	
Partners Capital, Closing Balance	322	261	270	262	255	248	240	232	224	217	
Debt Ratio	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	