MANITOBA HYDRO
2010/11 & 2011/12 GENERAL RATE APPLICATION

FINANCIAL RESULTS & FORECAST

INDEX

MANITOBA HYDRO
2010/11 & 2011/12 GENERAL RATE APPLICATION

FINANCIAL RESULTS & FORECAST

4.0 OVERVIEW

Tab 4 provides the following:

Section 4.1 – Summary of Financial results and forecast.

Section 4.2 to 4.12 – Discussion of the revenue and cost components.

Appendix 4.1 – Manitoba Hydro-Electric Board Annual Report for the year ended March 31, 2009.

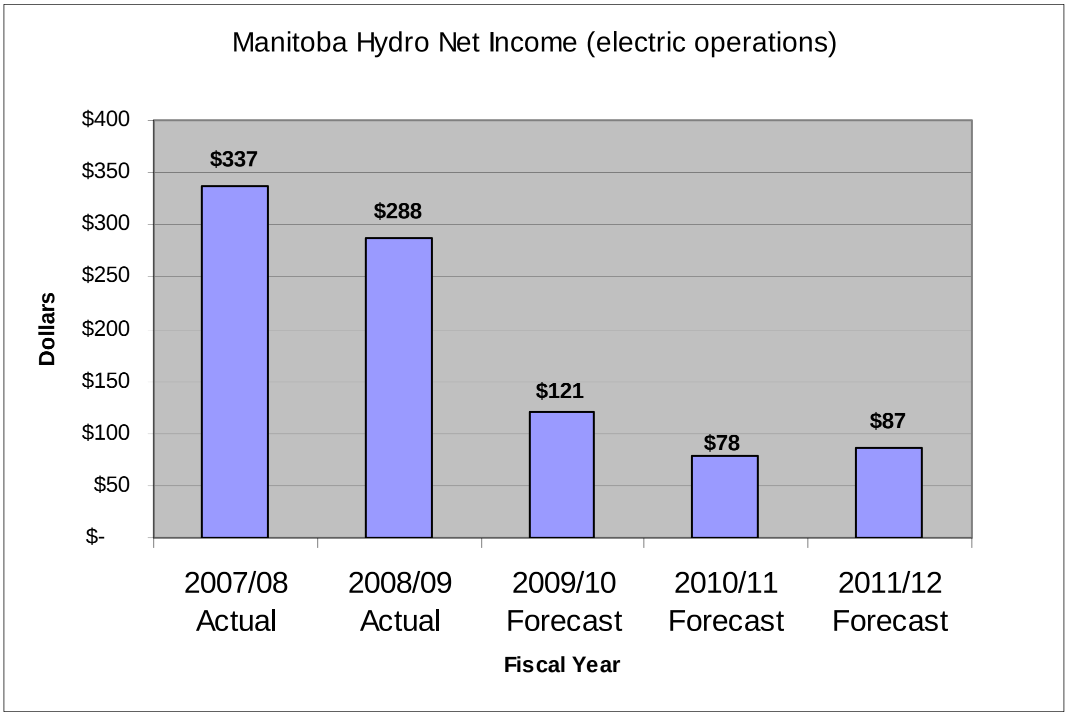
Appendix 4.2 – Manitoba Hydro-Electric Board Quarterly Report for the three months ended June 30, 2009

Appendix 4.3 – Manitoba Hydro-Electric Board Quarterly Report for the six months ended September 30, 2009.

Appendix 4.4 – Operating, Maintenance & Administrative Expense.

4.1 SUMMARY OF FINANCIAL RESULTS AND FORECAST

The following provides a summary of actual and forecast net income for electric operations for 2007/08 to 2011/12 (Electric operations excluding subsidiary operations).



The 2007/08 net income of $337 million was the second highest amount recorded in the history of Manitoba Hydro. The exceptional result was largely attributable to excellent water flow conditions, resulting in higher than normal hydraulic generation, higher extraprovincial sales and lower power purchased costs. In 2008/09, net income decreased to $288 million mainly as a result of increased operating, depreciation and fuel & power purchases. The operating cost increase was attributable higher than normal maintenance expenditures on Manitoba Hydro's generation, transmission and distribution systems and to increased numbers of trainees required to meet future staffing requirements. Depreciation expense increased mainly due to growth in fixed assets and to a decrease in the amortization period for Demand Side Management ("DSM") costs from 15 to 10 years. Fuel & power purchases were higher in 2008/09 to support profitable export resales.

Net income is projected to decrease from the previous two years mainly as a result of a return to average water flow conditions and the lower than normal export prices associated with the economic downturn.

Please see the following schedule for a breakdown of the Statement of Income.

MANITOBA HYDRO
STATEMENT OF INCOME

Schedule 4.1.0
(000's)

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Revenue					
General Consumers*	1,074,581	1,126,812	1,160,009	1,192,762	1,245,962
Extraprovincial	624,971	622,646	414,463	383,467	554,194
Other	7,580	15,870	6,697	7,358	7,760
Total Revenue	$ 1,707,132	$ 1,765,328	$ 1,581,168	$ 1,583,587	$ 1,807,916
Expenses					
Operating, Maintenance and Administrative	322,697	359,660	371,504	379,695	403,370
Finance Expense	400,796	401,060	416,913	412,539	467,650
Depreciation and Amortization	323,573	346,039	367,801	386,242	406,717
Water Rentals and Assessments	123,767	123,000	119,555	110,277	110,724
Fuel and Power Purchased	134,887	176,383	103,313	131,740	248,405
Capital and Other Taxes	57,152	63,808	72,881	75,771	76,877
Corporate Allocation	7,576	7,555	8,019	8,839	8,840
Total Expenses	1,370,449	1,477,505	1,459,986	1,505,102	1,722,582
Non-controlling Interest**					1,395
Net Income	$ 336,683	$ 287,824	$ 121,182	$ 78,485	$ 86,729

*General Consumers Revenue - reflects a proposed 2.9% increase in 2010/11 and 2011/12

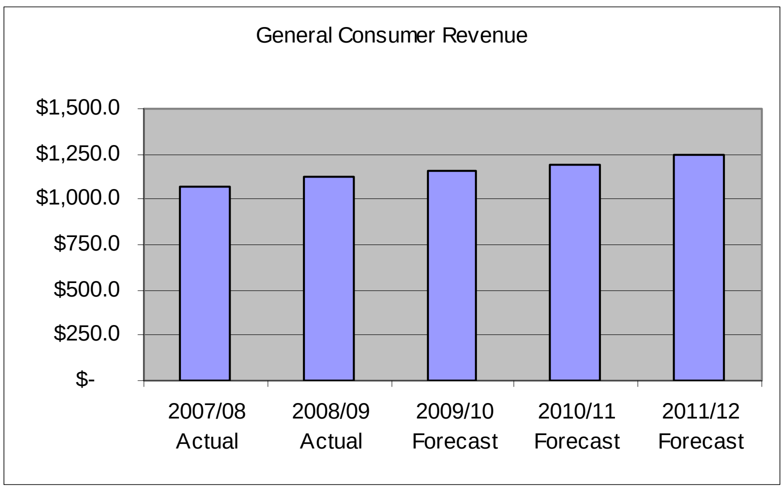
** Non-controlling Interest's share of net income or loss from the Wuskwatim Generation Station.

The following sections review each component of the Statement of Income. A description of each component, the year over year changes explanation and the detailed schedule is provided.

4.2 GENERAL CONSUMERS REVENUE

General Consumers Revenue ("GCR") is comprised of electricity sales to Manitoba Hydro's domestic customers. Customers are aggregated in three major rate classes - Residential, General Service (Commercial and Industrial customers) and Area and Roadway Lighting.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
GCR	$ 1,074.6	$ 1,126.8	$ 1,160.0	$ 1,192.8	$ 1,246.0
$ Change	$ 51.0	$ 52.2	$ 33.2	$ 32.8	$ 53.2
% Change	5.0%	4.9%	2.9%	2.8%	4.5%



2007/08 Actual vs 2008/09 Actual

GCR Revenues increased by 4.9% in 2008/09 compared to the previous year. This increase was mainly attributable to a 5% rate increase which was implemented on July 1, 2008 and to colder weather which increased heating load requirements for the residential and general service sectors. Additionally, the General Service Large sector showed consumption increases relating to increased production and to plant expansion.

2008/09 Actual vs 2009/10 Forecast

Residential revenues are forecasted to increase by approximately 4% in 2009/10 mainly as a result of rate increases implemented in July 2008 and April 2009 (5% and 2.9%, respectively). Volumes forecasted in 2009/10 for this sector remained at a high level as a result of cool weather which prevailed in the earlier part of the year. General Service revenues are forecasted to be positively impacted by the rate increases; however, volumes are projected to be lower in these sectors as result of the economic downturn.

2009/10 Forecast vs 2010/11 Forecast

GCR is forecasted to increase by 2.8% mainly as a result of the proposed rate increase of 2.9% in April 2010. Net volumes are forecasted to decrease moderately as a result of the assumption of normal weather for 2010/11, partially offset by the impacts of improving economic conditions.

2010/11 Forecast vs 2011/12 Forecast

GCR for 2011/12 is projected to increase 4.5% over 2010/11, which is mainly attributable to the proposed 2.9% rate increase for April 1, 2011, and load growth in all rate classes, especially in the General Service Large sector which is expected to continue to rebound from the economic recession.

Please see the following schedule for a breakdown of General Consumers Revenue.

MANITOBA HYDRO
GENERAL CONSUMERS REVENUE

Schedule 4.2.0
(000's)

	2007/08 Actual	**2008/09 Actual**	**2009/10 Forecast**	**2010/11 Forecast**	**2011/12 Forecast**
Residential	$ 436,634	$ 462,295	$ 480,676	$ 469,471	$ 471,106
General Service	637,947	664,518	679,333	689,814	706,034
Additional General Consumers Revenue*				33,477	68,822
Total Revenue	$ 1,074,581	$ 1,126,812	$ 1,160,009	$ 1,192,762	$ 1,245,962

*Additional General Consumers Revenue - this reflects a 2.9% increase in 2010/11 and 2011/12

4.3 EXTRAPROVINCIAL REVENUE

Extraprovincial Revenue includes Dependable and Short-Term Opportunity sales. Dependable sales are export contracts negotiated at least one year in advance of delivery and involve capacity and energy commitments that Manitoba Hydro is obligated to deliver from dependable resources. For hydroelectric resources the dependable capability of the system corresponds to energy and capacity under the lowest flow on record. All other sales are Short-Term Opportunity of which includes the following categories:

a) Short-Term Firm which are firm sales of capacity and/or energy from non-dependable resources with a usual delivery term of less than six months into the future,

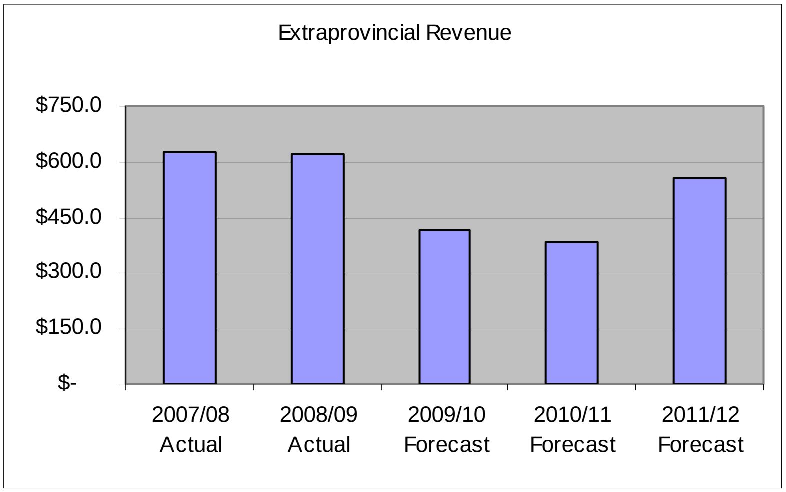
b) Short-Term Energy which are generally price agreements for interruptible energy,

c) Spot Market sales which are sold in the real time or day ahead markets, and

d) Other miscellaneous services.

Extraprovincial sales volumes are forecast based upon generation estimates utilizing the expected inflow conditions during the first forecast year and using median inflow conditions during the second forecast year. For the subsequent years, the projections are determined by averaging the revenues using the full range of experienced flow conditions.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Extraprovincial	$ 625.0	$ 622.6	$ 414.5	$ 383.5	$ 554.2
$ Change	$ 32.8	$ (2.4)	$ (208.1)	$ (31.0)	$ 170.7
% Change	5.5%	-0.4%	-33.4%	-7.5%	44.5%



2007/08 Actual vs 2008/09 Actual

No significant change.

2008/09 Actual vs 2009/10 Forecast

The decrease from 2008/09 to 2009/10 is primarily due to a 10% reduction in export volume and a 30% overall reduction in revenue due to a significant market price decrease as a result of the economic downturn.

2009/10 Forecast vs 2010/11 Forecast

The decrease between 2009/10 and 2010/11 is mainly due to lower generation estimates that result from using median water flow conditions.

2010/11 Forecast vs 2011/12 Forecast

The revenue is greater in 2011/12 due to the newly added energy resources (St. Joseph wind farm and Wuskwatim Generating Station) and the increase in the interruptible power prices compared to 2010/11, which is partially offset by the change from a revenue estimate based on a single median flow to the use of the average revenue based on the entire series of possible flows.

Please see the following schedule for a breakdown of Extraprovincial Revenue.

MANITOBA HYDRO
EXTRAPROVINCIAL REVENUE

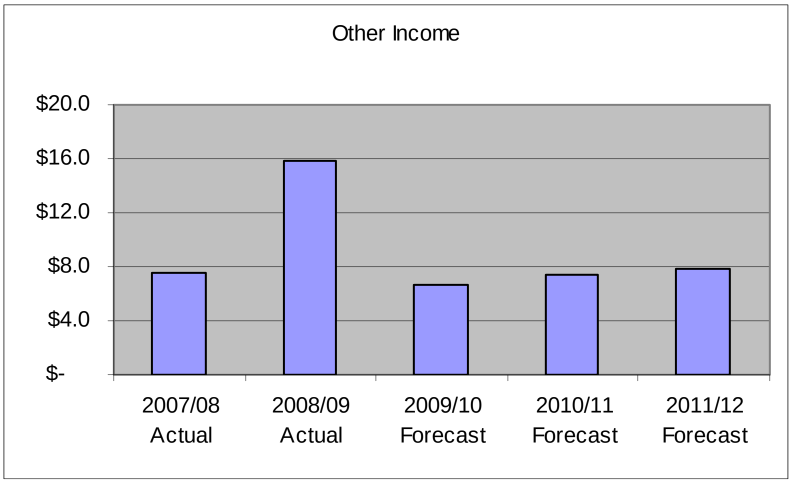
Schedule 4.3.0
(000's)

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Canadian	$ 110,062	$ 131,363	$ 87,037	$ 68,499	$ 49,618
US	514,909	491,283	327,426	314,968	504,577
Total Extraprovincial Revenue	$ 624,971	$ 622,646	$ 414,463	$ 383,467	$ 554,194

4.4 OTHER REVENUE

Other Revenue includes Joint Use contracts, revenue from Sask Power Island Falls, Hot Water Tank leasing, as well as other miscellaneous revenue.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Other	$ 7.6	$ 15.9	$ 6.7	$ 7.4	$ 7.8
$ Change	$ 2.1	$ 8.3	$ (9.2)	$ 0.7	$ 0.4
% Change	38.2%	109.2%	-57.9%	10.4%	5.4%



2007/08 Actual vs 2008/09 Actual

The increase in 2008/09 was primarily due to the settlement of the Grand Rapids litigation of $9.1 million.

2008/09 Actual vs 2009/10 Forecast

The decrease is primarily due to the settlement of the Grand Rapids litigation in 2008/09.

2009/10 Forecast vs 2010/11 Forecast

The increase is primarily due to updated Joint Use contracts and a full year of tenant income from the new head office.

2010/11 Forecast vs 2011/12 Forecast

The increase is primarily due to updated Joint Use contracts.

Please see the following schedule for a breakdown of Other Revenue.

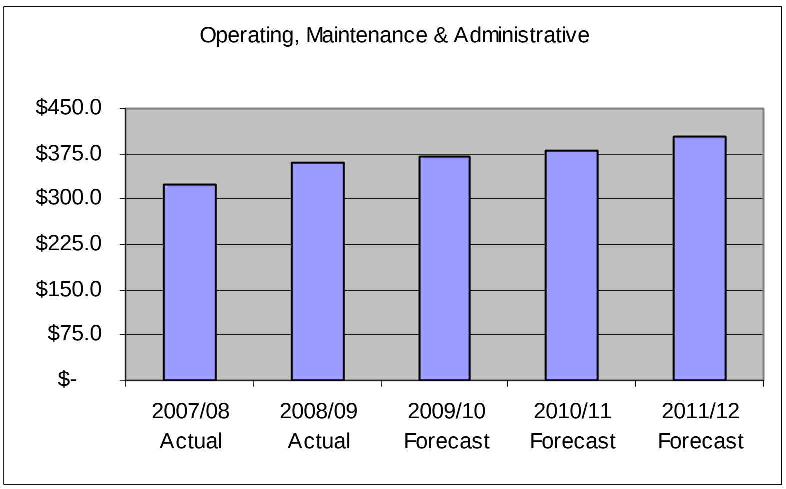
MANITOBA HYDRO **Schedule 4.4.0**
OTHER REVENUE **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Joint Use	$ 4,566	$ 4,506	$ 4,663	$ 4,967	$ 5,289
Island Falls Energy Transfer Agreement	1,198	1,055	1,170	1,200	1,241
Hot Water Tank	600	590	585	527	554
Other	1,216	9,719	278	664	676
Total Other Revenue	$ 7,580	$ 15,870	$ 6,697	$ 7,358	$ 7,760

4.5 OPERATING, MAINTENANCE AND ADMINISTRATIVE

Operating, maintenance and administrative ("OM&A") expenses are comprised primarily of labour, material, and overhead costs associated with operating, maintaining and administering the facilities of the Corporation and providing services to customers.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
OM&A	$ 322.7	$ 359.7	$ 371.5	$ 379.7	$ 403.4
$ Change	$ (0.8)	$ 37.0	$ 11.8	$ 8.2	$ 23.7
% Change	-0.2%	11.5%	3.3%	2.2%	6.2%



2007/08 Actuals vs 2008/09 Actuals

The increase was primarily related to hiring additional trainees and other staff to fill vacancies and address current and expected attrition levels, increased overtime to complete required maintenance and for storm restoration, general cost escalation, and the impact of a change to Canadian accounting standard eliminating the capitalization of interest and facilities overhead on stores withdrawals.

2008/09 Actuals vs 2009/10 Forecast

The increase is primarily related to hiring of additional trainee & other staff to fill vacancies and address current and expected attrition levels, wage & benefit settlements, the impacts of changes to Canadian accounting standards reducing the capitalization of intangible assets and administrative and general costs, as well as higher costs associated with business & environmental regulations. These cost increases are partially offset by the transfer of costs associated with the town of Gillam and the Frontier School Division to the Capital & Other Tax classification to provide a more consistent representation of these costs.

2009/10 Forecast vs 2010/11 Forecast

The increase is primarily attributable to cost escalation and higher pension costs related to fund performance.

2010/11 Forecast vs 2011/12 Forecast

In addition to cost escalation, this increase is primarily attributable to the $15 million provision for IFRS, the Wuskwatim Generating station operating costs forecasted at $6 million, and additional expense related to the Waterways Management program forecasted at $5 million. A provision for cost saving measures has been embedded into the forecast to offset these major cost pressures.

Please see the following schedules for a breakdown of OM&A and EFTs. Appendix 4.4 provides an additional OM&A costs.

MANITOBA HYDRO **Schedule 4.5.0**

OPERATING, MAINTENANCE AND ADMINISTRATIVE COSTS BY BUSINESS UNIT **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
President & CEO	$ 20,977	$ 22,155	$ 24,475	$ 25,429	$ 26,014
Corporate Relations	5,245	5,520	5,100	5,200	5,320
Corporate Planning & Strategic Analysis	1,986	2,075	3,700	6,300	6,445
Finance & Administration	99,133	103,320	108,755	109,967	112,496
Power Supply	127,610	142,183	145,000	148,100	151,506
Transmission	83,171	91,088	91,100	92,400	94,525
Customer Services & Distribution	98,373	103,762	107,300	109,000	111,507
Customer Care & Marketing	38,859	39,343	42,000	43,000	43,989
Business Unit Subtotal	**475,354**	**509,446**	**527,430**	**539,396**	**551,802**
Motor Vehicle Chargeout	(15,394)	(16,043)	(16,154)	(16,601)	(16,983)
Payroll Tax	(8,774)	(9,679)	(9,873)	(10,070)	(10,272)
Corporate Allocations & Adjustments	(4,930)	(3,824)	(8,775)	(9,666)	(10,160)
CICA Accounting Changes*	-	5,000	7,000	7,000	7,000
Provision for IFRS	-	-	-	-	15,000
Operating & Administration Charged to Centra	(56,270)	(59,042)	(60,160)	(61,343)	(62,570)
Capitalized Overhead	(67,289)	(66,198)	(67,964)	(69,021)	(70,447)
OM&A Costs Attributable to Electric Operations	**$ 322,697**	**$ 359,660**	**$ 371,504**	**$ 379,695**	**$ 403,370**

* Other CICA Accounting Changes totalling $4 million (beginning in 2009/10) are embedded within the Business Units

MANITOBA HYDRO **Schedule 4.5.1**

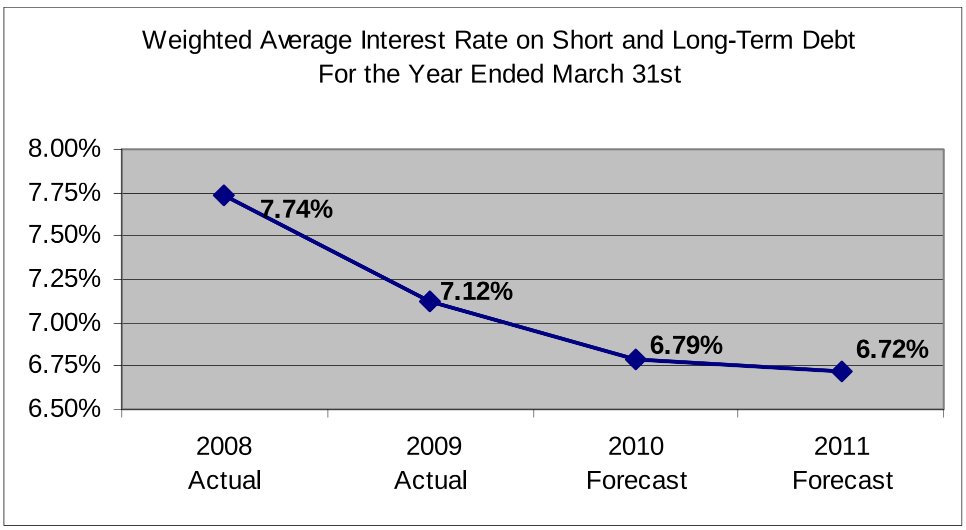
EQUIVALENT FULL TIME EMPLOYEES - ANNUAL RESULTS BY BUSINESS UNIT

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
President & CEO	87	87	97	99	99
Corporate Relations	69	75	69	69	69
Corporate Planning & Strategic Analysis	19	20	23	38	38
Finance & Administration	986	999	1,042	1,043	1,043
Power Supply	1,470	1,576	1,757	1,785	1,785
Transmission	1,255	1,298	1,355	1,358	1,358
Customer Services & Distribution	1,640	1,671	1,708	1,711	1,711
Customer Care & Marketing	545	550	561	566	566
Total	6,071	6,276	6,613	6,669	6,669

4.6 FINANCE EXPENSE

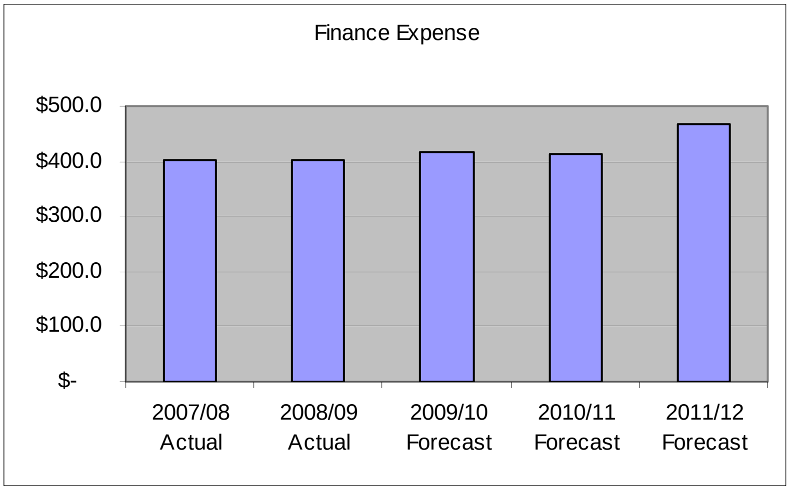
Finance expense consists of costs associated with the Corporation's financing activities. The largest component of finance expense is gross interest expense on the Corporation's portfolio of short and long-term debt, as well as the Provincial Debt Guarantee Fee. Finance expense is also affected or partially offset by a number of other components including: the amortization of discounts, premiums and transaction costs; the income or gains associated with the sinking fund; interest capitalized for capital projects under construction; and foreign exchange on US debt servicing costs and gains/losses on cash flow hedges.

A comparison of the weighted average interest rate on short-term and long-term debt for the period 2008 to 2010 is provided below.



The reduction in the weighted average rate over the 2007/08 to 2009/10 reflects the recent market environment of lower floating rates on short-term debt and floating rate long-term debt, and the impact of adding new fixed rate long-term debt at interest rates that are lower than the historical portfolio average. The slightly lower weighted average rate from 2009/10 to 2010/11 reflects a net favorable offset of lower than historical rates on new long-term debt and higher forecast floating rates.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Finance Expense	$ 400.8	$ 401.1	$ 416.9	$ 412.5	$ 467.7
$ Change	$ (66.3)	$ 0.3	$ 15.8	$ (4.4)	$ 55.2
% Change	-14.2%	0.1%	3.9%	-1.1%	13.4%



A natural hedge has been established between the US cash inflows and US cash outflows, such that changes in foreign exchange rates will be largely offset on the income statement. For example, an appreciating Canadian dollar decreases the translation of US export revenues which will be offset by decreases in the translation of associated US denominated interest expense (to the extent that the underlying US cash inflows and US cash outflows offset).

Gross interest expense increases during the forecast years, primarily due to additional long-term debt issued in support of the Corporation's capital investments and forecasted interest rates that are projected to return to more normalized levels by the final forecast year. As a partial offset, any interest associated with funding capital projects under construction is capitalized, thereby reducing total finance expense. Interest allocated to construction rises through 2009/10 and 2010/11 primarily due to the incremental impact of the Wuskwatim capital project and then levels off as Wuskwatim goes into service in 2011/12.

2007/08 Actual vs 2008/09 Actual

Favorable interest rates and increased interest allocated to construction were largely offset by increased average debt volumes and the unfavorable impacts of a weakening Canadian dollar on USD debt servicing costs and realized cash flow hedges.

2008/09 Actual vs 2009/10 Forecast

Finance expense is higher year over year primarily due to lower realized foreign exchange gains on cash flow hedges in 2009/10 forecast year. In addition, a moderate increase in long term debt volume is offset by lower interest and foreign exchange rates.

2009/10 Forecast vs 2010/11 Forecast

Although total interest on debt is forecast to rise year over year, primarily due to an increase in long term debt volume and a decrease in the amount of amortized premiums, the total finance expense is lower year over year largely due to increased interest allocated to construction.

2010/11 Forecast vs 2011/12 Forecast

Finance expense is higher year over year primarily due to a higher volume of long term debt and higher forecast interest rates on floating rate debt.

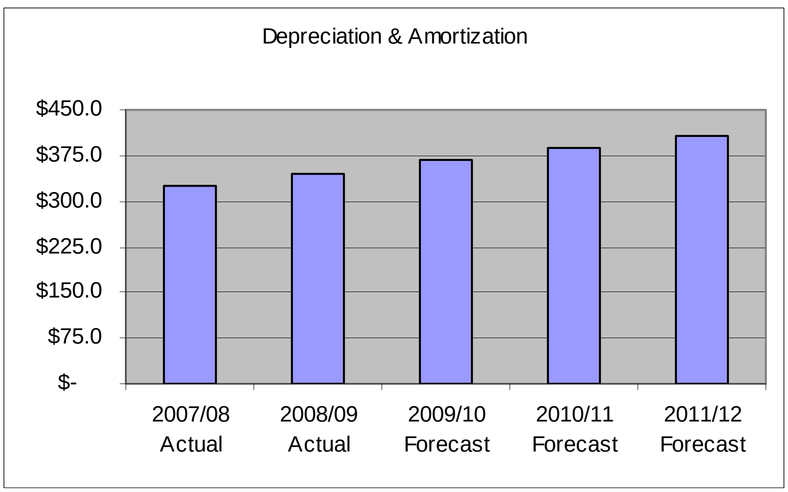
MANITOBA HYDRO **Schedule 4.6.0**
FINANCE EXPENSE **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Interest on Short & Long-Term Debt					
Gross Interest	$ 500,512	$ 468,685	$ 475,783	$ 492,011	$ 553,011
Provincial Guarantee Fee	69,865	70,360	72,274	78,099	82,920
Amortization of (Premiums), Discounts, and Transaction Costs	(11,054)	(11,605)	(10,498)	2,321	2,276
Intercompany Interest Receivable	(19,774)	(18,182)	(16,380)	(19,416)	(25,015)
Total Interest on Short & Long-Term Debt	539,549	509,259	521,179	553,015	613,192
Interest Earned on Sinking Fund	(30,180)	(24,920)	(24,908)	(17,585)	(10,720)
Realized Foreign Exchange (Gains) or Losses on Debt in Cash Flow Hedges	(52,407)	(11,359)	8,011	4,398	-
Interest Allocated to Construction	(60,015)	(74,493)	(91,267)	(130,789)	(137,126)
Corporate Allocation	(17,483)	(17,543)	(17,880)	(18,704)	(18,704)
Other Amortization	21,331	20,116	21,776	22,204	21,008
Total Finance Expense	$ 400,796	$ 401,060	$ 416,913	$ 412,539	$ 467,650

4.7 DEPRECIATION AND AMORTIZATION

Depreciation and Amortization expenses are calculated using a straight line remaining life basis. The asset categories include: Generation, Transmission, Distribution, and Other (General Equipment, Communication Equipment, Buildings, and Vehicles). Also included is the amortization of nonrefundable customer contributions and of deferred assets.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Depreciation & Amortization	$ 323.6	$ 346.0	$ 367.8	$ 386.2	$ 406.7
$ Change	$ 12.7	$ 22.4	$ 21.8	$ 18.4	$ 20.5
% Change	4.1%	6.9%	6.3%	5.0%	5.3%



2007/08 Actual vs 2008/09 Actual

The increase in 2008/09 was primarily the result of increased plant investment and of increased amortization of DSM costs as a result of increased expenditures and of a reduction to the DSM amortization period from 15 years to 10 years.

2008/09 Actual vs 2009/10 Forecast

The increase forecasted in 2009/10 is primarily the result of increased plant investment, increased DSM investment, and to the amortization of Low Income Program costs. The Low Income Program is funded through the Affordable Energy Program which is set up as a deferred charge and liability on the financial statements. The deferred charge is amortized to depreciation & amortization expense in the same year that program disbursements occur.

2009/10 Forecast vs 2010/11 Forecast

The increase forecasted in 2010/11 is primarily the result of increased plant investment and increased DSM investment.

2010/11 Forecast vs 2011/12 Forecast

The increase forecasted in 2011/12 is primarily due to increased plant investment, the placing into service of the Wuskwatim Generating Station and to increased DSM investment, with a partial offset due to the completion of the Low Income Program.

Please see the following schedule for a breakdown of Depreciation and Amortization.

MANITOBA HYDRO **Schedule 4.7.0**

DEPRECIATION AND AMORTIZATION EXPENSE **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Generation					
Hydraulic Generating Stations	68,451	70,911	75,678	79,051	87,683
Thermal Generating Stations	17,170	17,276	17,661	18,234	18,660
Amortization of Planning Studies	2,366	2,539	0	0	0
Demand Side Management	11,357	20,102	21,943	24,829	28,703
Diesel Generating Stations	4,067	3,933	3,572	3,695	3,893
Amortization of Contributions	(2,774)	(2,796)	(2,824)	(2,923)	(3,206)
	$ 100,637	$ 111,965	$ 116,029	$ 122,886	$ 135,733
Transmission					
Transmission	14,120	14,317	14,337	14,496	16,533
Amortization of Contributions	(1,631)	(1,638)	(1,639)	(1,640)	(1,640)
	$ 12,489	$ 12,680	$ 12,698	$ 12,856	$ 14,893
Stations					
Substations	70,616	72,512	73,985	76,510	83,226
Transformers	3,681	2,288	1,829	1,749	1,813
Amortization of Contributions	(1,461)	(1,462)	(1,463)	(1,466)	(1,469)
	$ 72,836	$ 73,338	$ 74,352	$ 76,793	$ 83,570
Distribution					
Subtransmission Lines	8,905	9,166	9,192	9,417	9,730
Distribution Lines	72,410	77,730	80,856	85,067	90,054
Meters & Transformers	1,551	1,597	2,033	2,027	2,242
Amortization of Contributions	(9,769)	(10,180)	(10,613)	(10,812)	(11,117)
	$ 73,097	$ 78,312	$ 81,468	$ 85,699	$ 90,909
Other					
Communications	17,636	19,473	21,235	22,952	24,521
Motor Vehicles	8,275	8,691	9,290	9,692	10,236
Structures & Improvements	3,216	5,614	6,543	6,785	7,363
General Equipment	20,572	19,118	18,356	18,898	20,273
Computer Development	13,582	13,352	15,553	16,099	16,616
Affordable Energy Fund	625	1,441	10,108	12,101	3,658
Miscellaneous	2,701	4,067	4,309	3,615	1,080
Corporate Allocation	(2,093)	(2,012)	(2,139)	(2,135)	(2,136)
	$ 64,514	$ 69,745	$ 83,254	$ 88,007	$ 81,611
Total Depreciation and Amortization Expense	$ 323,573	$ 346,039	$ 367,801	$ 386,242	$ 406,717

The following schedule provides a summary of the Depreciation rates, none of which have changed since the last GRA. New rates have been developed for the major asset categories relating to the Wuskwatim Generating Station and the New Head Office.

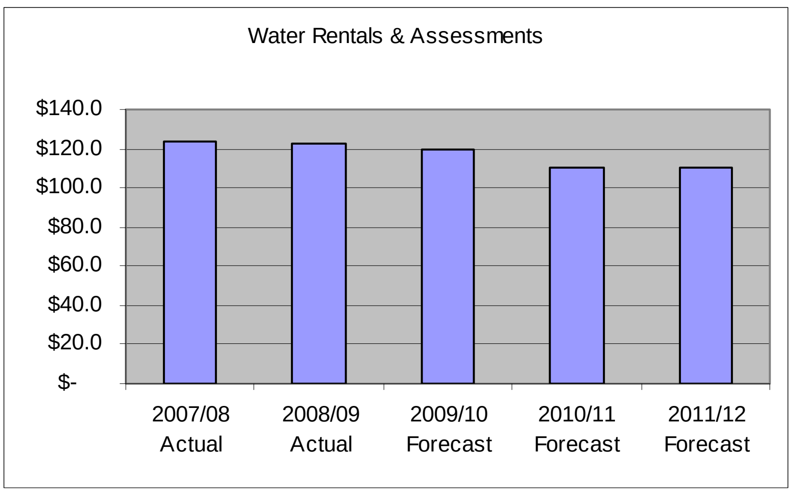
MANITOBA HYDRO - ELECTRIC PLANT **Schedule 4.7.1**
DEPRECIATION RATES

Hydraulic Generation	1.2 - 2.3
Pointe Du Bois	11.5 - 11.8
Wuskwatim	1.1 - 2.4
Thermal Generation	3.0 - 4.9
Diesel Generation	7.3 - 12.8
Substation Plant	1.7 - 3.4
Transmission Plant	1.4 - 2.6
Distribution	2.4 - 5.1
Subtransmission	2.0 - 6.0
Meters	1.2 - 3.5
Buildings	1.7 - 1.9
Head Office - 360 Portage	1.2
Communication	1.9 - 6.7
General Equipment	6.7 - 20.0
Vehicles and Equipment	2.0 - 9.1
Accessory Station Equipment & Other	1.7 - 11.8

4.8 WATER RENTALS AND ASSESSMENTS

Water Rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Assessments include amounts paid for extraprovincial water rentals, National Energy Board ("NEB") assessments and membership fees for participation in the Midwest ISO ("MISO") marketplace and other industry associations.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Water Rentals & Assessments	$ 123.8	$ 123.0	$ 119.6	$ 110.3	$ 110.7
$ Change	$ 11.3	$ (0.8)	$ (3.4)	$ (9.3)	$ 0.4
% Change	10.0%	-0.6%	-2.8%	-7.8%	0.4%



2007/08 Actual vs 2008/09 Actual

The decrease is mainly attributable to lower hydraulic generation, partially offset by an increase for assessments primarily related to MISO membership fees and charges.

2008/09 Actual vs 2009/10 Forecast

The decrease in 2009/10 is due to lower forecast generation compared to 2008/09.

2009/10 Forecast vs 2010/11 Forecast

The decrease forecasted in 2010/11 is due to reduced generation as a result of the use of median water flows in the generation forecast.

2010/11 Forecast vs 2011/12 Forecast

Water rentals decreased due to a change from median flows to average flows in 2011/12. Land rentals increased primarily due to the inclusion Wuskwatim Transmission Development Fund.

Please see the following schedule for a breakdown of Water Rentals and Assessments.

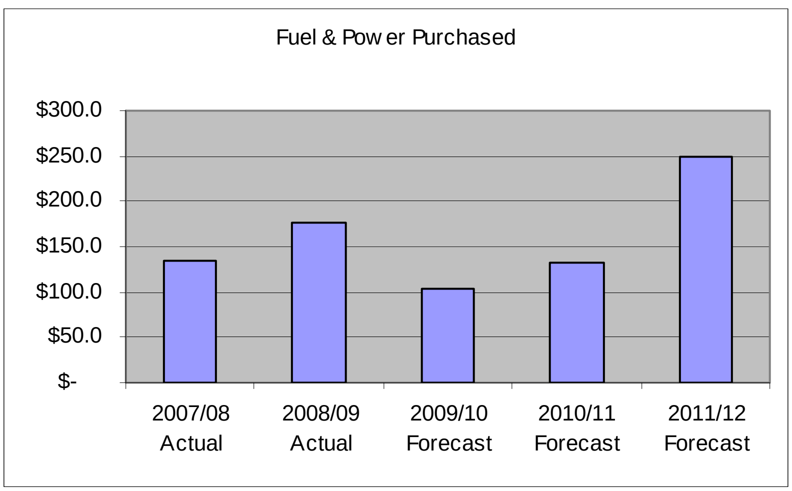
MANITOBA HYDRO **Schedule 4.8.0**
WATER RENTALS AND ASSESSMENTS **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Water Rentals	$ 117,006	$ 114,549	$ 111,239	$ 102,341	$ 100,453
Land Rentals & Assessments	6,761	8,451	8,316	7,936	10,271
Total Water Rentals and Assessments	$ 123,767	$ 123,000	$ 119,555	$ 110,277	$ 110,724

4.9 FUEL AND POWER PURCHASED

Nearly all of Manitoba Hydro's electricity is generated from self-renewing water power. Approximately 98% of the electricity is produced from 14 hydraulic generating stations. About 2% of the province's energy needs are produced from two thermal generation stations and four remote diesel generations stations. Manitoba Hydro purchases wind power from the independently-owned St. Leon Wind Farm and is forecasting further wind power purchases from the proposed St. Joseph Wind Farm. Manitoba Hydro also routinely imports electricity depending on the operating and economic circumstances.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Fuel & Power Purchased	$ 134.9	$ 176.4	$ 103.3	$ 131.7	$ 248.4
$ Change	$ (91.3)	$ 41.5	$ (73.1)	$ 28.4	$ 116.7
% Change	-40.4%	30.8%	-41.4%	27.5%	88.6%



2007/08 Actual vs 2008/09 Actual

The increase in 2008/09 was primarily a result of higher purchases for resale into the export market along with higher volumes. Additionally, transmission charges are higher due to a restructuring of how MISO charges are calculated.

2008/09 Actual vs 2009/10 Forecast

The decrease in Fuel & Power Purchased from 2008/09 to 2009/10 is primarily due to decreased market prices.

2009/10 Forecast vs 2010/11 Forecast

There is an anticipated increase in 2010/11 due to the expectation that median water conditions will require more thermal generation and interruptible imports than are needed for 2009/10.

2010/11 Forecast vs 2011/12 Forecast

The anticipated increase in 2011/12 is primarily related to additional wind energy to be purchased from the St. Joseph wind farm, increased thermal generation energy to account for average water flows, as well as higher prices due to the anticipated economic recovery in the US.

Please see the following schedule for a breakdown of Fuel and Power Purchased.

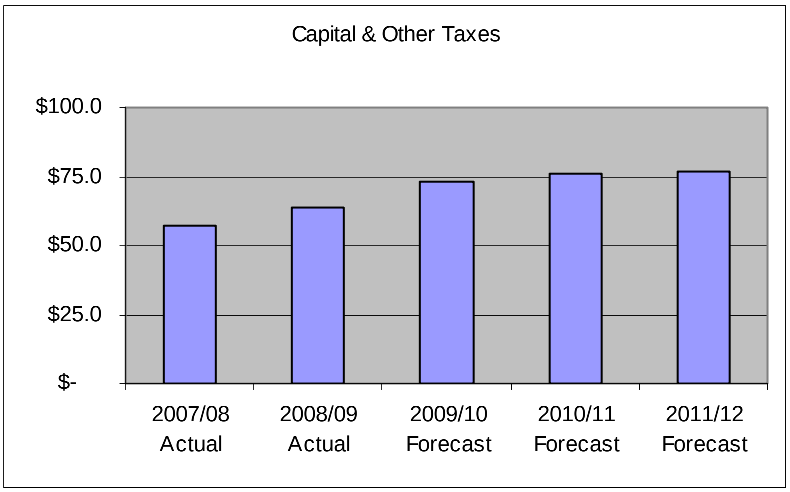
MANITOBA HYDRO **Schedule 4.9.0**
FUEL AND POWER PURCHASED **(000's)**

	2007/08 Actual	**2008/09 Actual**	**2009/10 Forecast**	**2010/11 Forecast**	**2011/12 Forecast**
Thermal Fuel					
Coal	$ 10,750	$ 8,977	$ 3,544	$ 4,071	$ 7,649
Natural Gas & Other	7,756	9,024	8,856	8,842	38,618
Power Purchased	116,143	157,627	90,060	118,751	202,060
Water Flow Costs	238	755	853	76	78
Total Fuel and Power Purchased	$ 134,887	$ 176,383	$ 103,313	$ 131,740	$ 248,405

4.10 CAPITAL AND OTHER TAXES

Capital and Other Taxes is comprised of payments made to the Province of Manitoba for capital and payroll taxes as well as grants in lieu of taxes ("GILT"), business and property taxes paid to the various municipalities in Manitoba.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Capital & Other Taxes	$ 57.2	$ 63.8	$ 72.9	$ 75.8	$ 76.9
$ Change	$ 2.3	$ 6.6	$ 9.1	$ 2.9	$ 1.1
% Change	4.2%	11.5%	14.3%	4.0%	1.5%



2007/08 Actual vs 2008/09 Actual

The capital tax increase is mainly due to corporate growth. As well, the 2008/09 fiscal year includes a retroactive adjustment to include accumulated other comprehensive income ("AOCI") in the capital tax calculation for the 2007/08 fiscal year.

2008/09 Actual vs 2009/10 Forecast

Payments to municipalities account for the major portion of the increase over 2008/09 actual. The 2009/10 forecast year is the first in which the downtown office building will have an impact on the amount of GILT and business tax paid. In addition, amounts paid to the Town of Gillam and the Frontier School Division have been reclassified to be included in Capital and Other Taxes rather than in OM&A.

2009/10 Forecast vs 2010/11 Forecast

Total Capital and Other Taxes are expected to increase moderately in line with corporate growth.

2010/11 Forecast vs 2011/12 Forecast

Total Capital and Other Taxes are expected to increase moderately in line with corporate growth.

Please see the following schedule for a breakdown of Capital and Other Taxes.

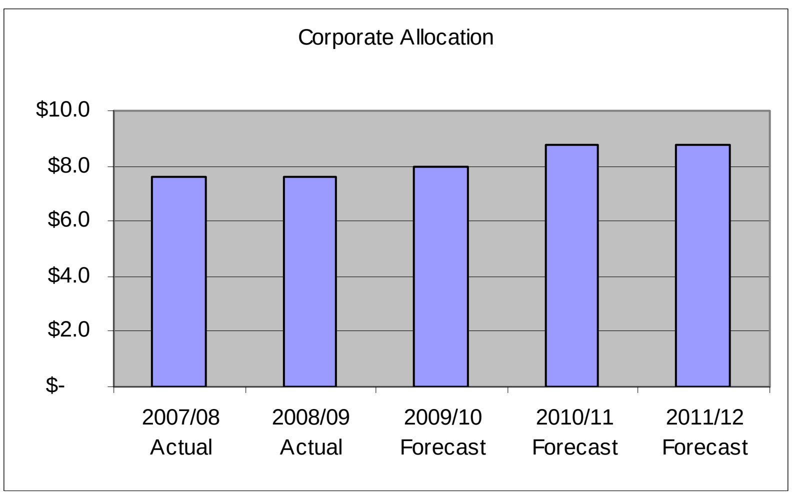
MANITOBA HYDRO **Schedule 4.10.0**
CAPITAL AND OTHER TAXES **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Capital Tax	$ 38,353	$ 44,303	$ 44,627	$ 47,272	$ 47,899
Grants in Lieu of Taxes	9,332	9,324	12,828	12,897	13,155
Payroll Tax	8,121	8,979	9,075	9,257	9,442
Business & Property Tax	1,346	1,202	1,851	1,845	1,881
Other Municipal Payments	-	-	4,500	4,500	4,500
Total Capital and Other Taxes	$ 57,152	$ 63,808	$ 72,881	$ 75,771	$ 76,877

4.11 CORPORATE ALLOCATION

Corporate Allocation includes Manitoba Hydro electric operations' share of the acquisition costs relating to Centra Gas. The total annual acquisition cost of Centra Gas includes the interest and provincial guarantee fee ("PGF") on the acquisition debt, the amortization of the fair market value adjustments, and the amortization of the acquisition and integration costs. The total ranges from $19 to $21 million annually. Of this amount, $12 million is charged to Centra Gas. The remainder is charged to electric operations.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Corporate Allocation	$ 7.6	$ 7.6	$ 8.0	$ 8.8	$ 8.8
$ Change	$ 0.9	$ -	$ 0.4	$ 0.8	$ -
% Change	13.4%	-	5.3%	10.0%	-



2007/08 Actual vs 2008/09 Actual
No significant change.

2008/09 Actual vs 2009/10 Forecast
During the 2009/10 fiscal year, finance expense will increase slightly due to a part fiscal year of higher interest rates from refinancing Centra Gas acquisition debt (6.2910% to 6.4814%).

2009/10 Forecast vs 2010/11 Forecast
There is an increase in 2010/11 due to a full fiscal year of higher interest rates from refinancing Centra Gas acquisition debt.

2010/11 Forecast vs 2011/12 Forecast

No significant change.

MANITOBA HYDRO **4.11.0**
CORPORATE ALLOCATION **(000's)**

	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Corporate Allocation Electric					
Interest on Acquisition Debt	$ 15,727	$ 15,728	$ 16,004	$ 16,204	$ 16,204
Provincial Guarantee Fee on Acquisition Debt	2,500	2,500	2,500	2,500	2,500
Centra Gas - Amortization of FMV Write-Up	(744)	(685)	(624)	-	-
Finance Expense Corporate Allocation	17,483	17,543	17,880	18,704	18,704
Corporate Allocation - Depreciation	2,093	2,012	2,139	2,135	2,136
	19,576	19,555	20,019	20,839	20,840
Less: Allocation Centra Gas Acquisition	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Total Corporate Allocation	$ 7,576	$ 7,555	$ 8,019	$ 8,839	$ 8,840

4.12 NON-CONTROLLING INTEREST

The Wuskwatim Power Limited Partnership ("WPLP") has two limited partners, Manitoba Hydro and Taskinigahp Power Corporation ("TPC") which is beneficially owned by Nisichawayasihk Cree Nation ("NCN") and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro. Manitoba Hydro's projected financial statements consolidate the partnership results, utilizing the non-controlling interest method of accounting for purposes of recording NCN's share of partnership net income. Manitoba Hydro's income statement reflects 100% of the revenues and costs related to the Wuskwatim partnership with NCN's share (assumed for planning purposes to be 33%) of the project net income shown as a deduction before net income.

Given that the three turbine generators are scheduled to go in-service in the last two quarters of the fiscal year, there is insufficient revenue to cover the fixed costs and as such there is a loss for that year. The non-controlling interest attributable to NCN represents their share of the operating loss embedded in Manitoba Hydro's results and therefore is an addition to net income.

($ millions)	2007/08 Actual	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast
Non-controlling Interest	$ -	$ -	$ -	$ -	$ 1,395.0
$ Change	$ -	$ -	$ -	$ -	$ 1,395.0
% Change	-	-	-	-	N/A