

ELECTRIC GENERAL RATE APPLICATION 2015

Manitoba Hydro Undertaking #75

Manitoba Hydro to identify the portion of the rate increase being sought which addresses the core required earnings for Manitoba Hydro versus that portion which relates to future investment needs for years 2015/2016 to 2018/2019.

Response:

Manitoba Hydro follows a cost of service rate-setting approach that does not set rates based strictly on costs but rather implements gradual rate increases to cover costs and achieve financial targets over time. While Manitoba Hydro has outlined the main factors or reasons that are contributing to the need for the proposed and indicative 3.95% rate increases for the next number of years in Tab 2 of the Application, it is not possible to precisely delineate the contribution of each of the factors.

However, by considering and analyzing the impacts of alternate rate scenarios on Manitoba Hydro's financial projections, it is possible to respond directionally to the question.

Under the cost of service approach, Manitoba Hydro strives to propose rates that cover the costs of providing service, including financing costs and an annual contribution (net income) to financial reserves (retained earnings) for the purposes of rate stabilization.

A review of MH14 indicates that with 3.95% rate increases in 2015/16 to 2017/18, Manitoba Hydro is projecting to have a modest contribution to reserves of \$115 million, \$59 million and \$64 million respectively for a total of \$238 million over the three year period. This contribution to reserves is modest considering Manitoba Hydro's current electric asset base of close to \$17 billion and retained earnings of \$2.7 billion.

For 2018/19 to 2023/24, MH14 projects total losses of \$901 million for the 6 year period and that the equity ratio will decline to 10% and retained earnings will decline to \$2 billion.

Given these projections, Manitoba Hydro is of the view that the 3.95% rate increases are the minimum necessary to address core earning requirements and preserve rate stability for customers. The 3.95% rate increases assist Manitoba Hydro in managing the decline in its financial strength during the period of intensive capital investment but do not allow it to pre-fund future investment requirements.

If the 3.95% rate increases were granted by allocating them between current operations and a capital deferral account (as was the approach in Orders 43/13 and 49/14) it would not improve the financial projections but rather reshape them slightly.

For example, an allocation of 3.0% to current operations and 0.95% to a capital deferral account for the next three years would result in lower projected net income of \$103 million, \$34 million and \$24 million for 2015/16, 2016/17 and 2017/18 respectively - for a total of \$161 million. This situation could easily result in losses for Manitoba Hydro if below average water or other negative financial circumstances conditions were to occur. The cumulative losses from 2018/19 to 2023/24 would be projected at \$819 million under this scenario and the equity ratio would still decline to 10% with retained earnings also reducing to \$2 billion by 2023/24.

If the objective is to set aside funds for future investment requirements then consideration should be given to approving rate increases higher than the 3.95% in the next three years with the additional rate increase being allocated to the capital deferral account.

For example, a 5.0% rate increase could be awarded over the next three years with a 3.95% allocation to current operations and 1.05% allocation to a capital deferral account. Under this scenario, the projected net income in the next three years would be \$117 million, \$65 million and \$75 million respectively for a total of \$256 million. The additional rate increase would assist in reducing the projected losses from 2018/19 to 2023/24 to \$348 million. The decline in the equity ratio would be somewhat tempered to 12% and retained earnings would be projected to be relatively stable at \$2.6 billion.

A comparison of MH14, the 3.0%/0.95% allocation scenario and the 3.95%/1.05% allocation scenario is provided below. The three IFF projected financial statements for each of the three scenarios are also attached.

MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account

- \$977 million in net losses 2019 to 2026
- Deferral account balance of \$162 million by July 2018
- Equity ratio of 10% by 2023 with recovery to 25% by 2034
- Interest coverage ratio below 1.00 for 8 years and recovers to 1.20 by 2029
- Capital coverage ratio below 1.00 for 6 years and recover to 1.20 by 2024

Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account followed by 3.95% to 2031

- \$897 million in net losses 2019 to 2026
- Deferral account balance of \$253 million by July 2018
- Equity ratio of 10% by 2023 with recovery to 25% by 2034
- Interest coverage ratio below 1.00 for 8 years and recovers to 1.20 by 2029
- Capital coverage ratio below 1.00 for 5 years and recover to 1.20 by 2024

Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account followed by 3.95% to 2031

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- \$348 million in net losses 2019 to 2024
 - Deferral account balance of \$265 million by July 2018
 - Equity ratio of 12% by 2022 with recovery to 25% by 2032
 - Interest coverage ratio below 1.00 for 6 years and recovers to 1.20 by 2022
 - Capital coverage ratio below 1.00 for 4 years and recover to 1.20 by 2023

The projected financial statements for MH14, for ease of reference, and the two rate alternatives are provided below.

MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account

ELECTRIC OPERATIONS (MH14)
PROJECTED OPERATING STATEMENT
 (In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES										
General Consumers at approved rates										
additional*	1 437	1 454	1 460	1 483	1 490	1 501	1 506	1 513	1 525	1 538
0	0	57	118	183	250	321	394	471	554	641
BPIII Reserve Account	(30)	(32)	(34)	(36)	(11)	0	0	0	0	0
Extraprovincial	409	434	450	457	479	514	817	943	959	987
Other	15	14	14	14	15	15	15	15	16	16
	1 831	1 928	2 008	2 101	2 222	2 352	2 732	2 944	3 054	3 182
EXPENSES										
Operating and Administrative										
486	542	552	557	571	585	601	607	619	631	
Finance Expense	495	510	548	581	752	887	1 194	1 326	1 334	1 349
Depreciation and Amortization	405	401	422	445	521	524	613	667	736	752
Water Rentals and Assessments	124	123	112	112	112	114	124	127	132	132
Fuel and Power Purchased	134	130	191	202	207	205	234	263	257	267
Capital and Other Taxes	99	107	121	134	143	144	145	151	150	161
Corporate Allocation	9	8	8	8	8	8	8	8	8	8
Other Expenses	2	2	2	2	2	3	3	3	3	3
	1 754	1 824	1 956	2 044	2 317	2 471	2 920	3 150	3 239	3 304
Non-controlling Interest	25	12	8	7	5	4	10	0	(1)	(3)
Net Income	102	115	59	64	(90)	(116)	(178)	(206)	(187)	(124)
* Additional General Consumers Revenue										
Percent Increase	0.00%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Cumulative Percent Increase	0.00%	3.95%	8.06%	12.32%	16.76%	21.37%	26.17%	31.15%	36.33%	41.72%
Financial Ratios										
Equity	22%	18%	16%	15%	14%	13%	12%	11%	10%	10%
Interest Coverage	1.16	1.16	1.07	1.06	0.92	0.91	0.86	0.85	0.86	0.91
Capital Coverage	0.98	1.02	0.94	1.09	0.88	0.80	0.82	0.94	1.09	1.22

MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account

ELECTRIC OPERATIONS (MH14)
PROJECTED OPERATING STATEMENT
 (In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
REVENUES										
General Consumers at approved rates	1 551	1 565	1 580	1 593	1 607	1 624	1 641	1 659	1 677	1 696
additional*	734	832	935	1 043	1 157	1 280	1 409	1 486	1 566	1 649
BPIII Reserve Account	0	0	0	0	0	0	0	0	0	0
Extraprovincial	996	928	944	921	920	927	911	901	883	884
Other	16	17	17	18	18	18	19	19	19	20
	3 298	3 342	3 475	3 575	3 702	3 849	3 980	4 065	4 145	4 248
EXPENSES										
Operating and Administrative	644	657	669	683	697	706	719	733	748	763
Finance Expense	1 351	1 348	1 338	1 337	1 321	1 301	1 263	1 197	1 161	1 116
Depreciation and Amortization	767	780	791	804	811	820	831	842	857	873
Water Rentals and Assessments	133	132	133	133	134	134	135	135	136	137
Fuel and Power Purchased	278	275	283	283	291	302	307	317	320	333
Capital and Other Taxes	162	163	164	165	166	167	168	170	173	174
Corporate Allocation	8	8	8	8	8	6	5	6	5	5
Other Expenses	3	2	2	2	2	2	3	3	3	3
	3 346	3 365	3 388	3 415	3 430	3 439	3 432	3 403	3 403	3 404
Non-controlling Interest	(5)	(2)	(3)	(5)	(6)	(10)	(12)	(15)	(17)	(19)
Net Income	(53)	(24)	84	155	266	400	536	647	725	826

* Additional General Consumers Revenue

Percent Increase	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	2.00%	2.00%	2.00%
Cumulative Percent Increase	47.31%	53.13%	59.18%	65.47%	72.01%	78.80%	85.86%	89.58%	93.37%	97.24%

Financial Ratios

Equity	10%	10%	10%	11%	12%	14%	16%	19%	22%	25%
Interest Coverage	0.96	0.98	1.06	1.11	1.20	1.30	1.42	1.53	1.61	1.71
Capital Coverage	1.27	1.31	1.48	1.58	1.70	1.94	2.04	2.20	2.29	2.41

MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account
ELECTRIC OPERATIONS (MH14)
PROJECTED BALANCE SHEET
BASE STATEMENTS
(In Millions of Dollars)
For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Plant in Service										
Accumulated Depreciation	17 163	17 912	19 127	19 988	24 957	28 333	33 202	33 846	34 478	35 142
	(5 676)	(6 012)	(6 392)	(6 795)	(7 270)	(7 798)	(8 403)	(9 055)	(9 721)	(10 401)
Net Plant in Service	11 487	11 900	12 735	13 193	17 687	20 535	24 800	24 791	24 757	24 741
Construction in Progress	3 257	4 932	6 755	8 982	6 040	3 939	169	185	241	263
Current and Other Assets	1 798	1 570	1 822	2 268	2 295	2 598	2 727	2 167	2 238	2 442
Goodwill and Intangible Assets	198	186	175	166	166	177	168	152	137	121
Regulated Assets	254	278	313	352	396	420	434	431	416	398
	16 993	18 866	21 801	24 961	26 585	27 668	28 299	27 727	27 788	27 965
LIABILITIES AND EQUITY										
Long-Term Debt										
Current and Other Liabilities	11 705	13 808	16 681	18 689	21 177	21 906	22 792	22 955	23 250	23 441
	2 016	2 151	2 097	3 069	2 214	2 654	2 604	2 104	2 028	2 101
Contributions in Aid of Construction	412	446	480	514	549	583	618	654	690	727
BP III Reserve Account	49	81	115	151	162	108	54	-	-	-
Retained Earnings	2 717	2 778	2 837	2 902	2 812	2 696	2 518	2 312	2 126	2 001
Accumulated Other Comprehensive Income	94	(399)	(409)	(363)	(328)	(278)	(287)	(298)	(305)	(305)
	16 993	18 866	21 801	24 961	26 585	27 668	28 299	27 727	27 788	27 965



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MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account

ELECTRIC OPERATIONS (MH14)
PROJECTED BALANCE SHEET
BASE STATEMENTS
(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ASSETS										
Plant in Service	35 822	36 544	37 410	38 124	38 859	39 555	40 294	41 050	41 823	42 952
Accumulated Depreciation	(11 096)	(11 807)	(12 532)	(13 274)	(14 030)	(14 800)	(15 585)	(16 384)	(17 200)	(18 031)
Net Plant in Service	24 725	24 737	24 878	24 849	24 828	24 754	24 710	24 666	24 623	24 921
Construction in Progress	322	344	225	254	277	323	365	402	465	255
Current and Other Assets	2 387	2 536	2 801	3 049	3 421	3 773	3 629	4 288	4 963	5 703
Goodwill and Intangible Assets	107	93	80	68	57	45	34	23	11	(0)
Regulated Assets	374	353	333	313	300	295	293	296	304	311
	27 914	28 063	28 316	28 533	28 884	29 191	29 030	29 675	30 366	31 189
LIABILITIES AND EQUITY										
Long-Term Debt	23 395	24 198	24 401	24 343	24 476	23 749	23 739	23 743	23 737	23 381
Current and Other Liabilities	2 112	1 443	1 373	1 456	1 372	1 968	1 243	1 199	1 132	1 446
Contributions in Aid of Construction	764	802	839	876	914	952	990	1 029	1 069	1 109
BPIII Reserve Account	-	-	-	-	-	-	-	-	-	-
Retained Earnings	1 948	1 924	2 007	2 161	2 427	2 826	3 361	4 008	4 732	5 557
Accumulated Other Comprehensive Income	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)
	27 914	28 063	28 316	28 533	28 884	29 191	29 030	29 675	30 366	31 189



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MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account

ELECTRIC OPERATIONS (MH14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES										
Cash Receipts from Customers	1 859	1 958	2 039	2 134	2 231	2 349	2 729	2 941	3 051	3 180
Cash Paid to Suppliers and Employees	(803)	(871)	(942)	(973)	(1 000)	(1 015)	(1 069)	(1 099)	(1 124)	(1 155)
Interest Paid	(511)	(514)	(547)	(593)	(784)	(928)	(1 222)	(1 349)	(1 329)	(1 341)
Interest Received	13	15	21	30	35	34	31	28	15	16
	558	587	571	598	482	441	469	522	613	699
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1 953	2 390	3 190	3 200	2 790	1 600	1 590	600	560	580
Sinking Fund Withdrawals	110	21	-	7	448	204	294	716	165	27
Retirement of Long-Term Debt	(800)	(312)	(334)	(330)	(1 195)	(315)	(850)	(718)	(441)	(290)
Other	(45)	(22)	(20)	(20)	(30)	(19)	(101)	(25)	(41)	(32)
	1 218	2 077	2 836	2 857	2 013	1 470	933	573	243	285
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1 900)	(2 518)	(3 134)	(3 244)	(2 253)	(1 550)	(1 010)	(756)	(698)	(697)
Sinking Fund Payment	(125)	(202)	(168)	(243)	(241)	(245)	(262)	(358)	(252)	(258)
Other	(21)	(21)	(21)	(21)	(21)	(35)	(30)	(30)	(30)	(30)
	(2 046)	(2 742)	(3 323)	(3 508)	(2 516)	(1 830)	(1 302)	(1 144)	(980)	(986)
Net Increase (Decrease) in Cash	(270)	(78)	84	(53)	(21)	80	100	(50)	(124)	(2)
Cash at Beginning of Year	133	(137)	(214)	(130)	(183)	(204)	(124)	(24)	(73)	(198)
Cash at End of Year	(137)	(214)	(130)	(183)	(204)	(124)	(24)	(73)	(198)	(200)



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MH14 – 3.95% 2016-2031 with no additional rate increase to capital deferral account

ELECTRIC OPERATIONS (MH14)
PROJECTED CASH FLOW STATEMENT
 (In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
OPERATING ACTIVITIES										
Cash Receipts from Customers	3 295	3 340	3 472	3 572	3 699	3 846	3 977	4 062	4 142	4 245
Cash Paid to Suppliers and Employees	(1 179)	(1 189)	(1 211)	(1 225)	(1 247)	(1 269)	(1 288)	(1 314)	(1 334)	(1 363)
Interest Paid	(1 348)	(1 353)	(1 354)	(1 371)	(1 368)	(1 360)	(1 341)	(1 250)	(1 230)	(1 200)
Interest Received	19	21	35	49	62	71	84	63	78	92
	787	818	943	1 024	1 146	1 288	1 432	1 561	1 655	1 775
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	390	780	190	(10)	180	(30)	(20)	(20)	(40)	(30)
Sinking Fund Withdrawals	297	103	-	-	60	100	700	13	30	-
Retirement of Long-Term Debt	(402)	(450)	-	-	(60)	(70)	(700)	(13)	-	20
Other	(31)	(30)	(29)	(27)	(25)	(22)	(21)	(38)	(37)	(36)
	254	403	161	(37)	155	(22)	(41)	(58)	(47)	(46)
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(744)	(751)	(752)	(745)	(762)	(748)	(787)	(800)	(846)	(928)
Sinking Fund Payment	(271)	(270)	(278)	(291)	(303)	(313)	(320)	(298)	(309)	(320)
Other	(30)	(31)	(25)	(26)	(26)	(26)	(26)	(26)	(27)	(27)
	(1 045)	(1 051)	(1 056)	(1 062)	(1 091)	(1 087)	(1 134)	(1 125)	(1 182)	(1 275)
Net Increase (Decrease) in Cash	(4)	170	48	(75)	210	179	257	378	427	454
Cash at Beginning of Year	(200)	(204)	(34)	14	(61)	149	328	585	963	1 390
Cash at End of Year	(204)	(34)	14	(61)	149	328	585	963	1 390	1 844



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Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account

ELECTRIC OPERATIONS
PROJECTED OPERATING STATEMENT

MH14 with 3.95% - 3.00% to Earnings and 0.95% to BPIII Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES										
General Consumers										
at approved rates	1 437	1 454	1 460	1 483	1 490	1 501	1 506	1 513	1 525	1 538
additional*	0	57	118	183	250	321	394	471	554	641
BPIII Reserve Account	(30)	(45)	(60)	(76)	(24)	0	0	0	0	0
Extraprovincial	409	434	450	457	479	514	817	943	959	987
Other	15	14	14	14	15	15	15	15	16	16
	1 831	1 915	1 982	2 061	2 210	2 352	2 732	2 944	3 054	3 182
EXPENSES										
Operating and Administrative										
Finance Expense	486	542	552	557	571	585	601	607	619	631
Depreciation and Amortization	495	510	548	581	752	887	1 194	1 325	1 334	1 349
Water Rentals and Assessments	405	401	422	445	521	494	582	636	736	752
Fuel and Power Purchased	124	123	112	112	112	114	124	127	132	132
Capital and Other Taxes	134	130	191	202	207	205	234	263	257	267
Corporate Allocation	99	107	120	134	143	144	144	151	150	161
Other Expenses	9	8	8	8	8	8	8	8	8	8
	2	2	2	2	2	3	3	3	3	3
	1 754	1 824	1 956	2 043	2 317	2 440	2 890	3 120	3 239	3 303
Non-controlling Interest	25	12	8	7	5	4	10	0	(1)	(3)
Net Income	102	103	34	24	(101)	(85)	(148)	(175)	(186)	(124)
* Additional General Consumers Revenue										
Percent Increase	0.00%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Cumulative Percent Increase	0.00%	3.95%	8.06%	12.32%	16.76%	21.37%	26.17%	31.15%	36.33%	41.72%
Financial Ratios										
Equity	22%	18%	16%	15%	14%	13%	12%	11%	10%	10%
Interest Coverage	1.16	1.14	1.04	1.02	0.91	0.93	0.89	0.87	0.86	0.91
Capital Coverage	0.98	1.02	0.94	1.09	0.88	0.81	0.82	0.94	1.09	1.22



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Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account

**ELECTRIC OPERATIONS
PROJECTED OPERATING STATEMENT**

**MH14 with 3.95% - 3.00% to Earnings and 0.95% to BP III Deferral Account
(In Millions of Dollars)**

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
REVENUES										
General Consumers at approved rates additional*	1 551	1 565	1 580	1 593	1 607	1 624	1 641	1 659	1 677	1 696
BP III Reserve Account	734	832	935	1 043	1 157	1 280	1 409	1 486	1 566	1 649
Extraprovincial	0	0	0	0	0	0	0	0	0	0
Other	996	928	944	921	920	927	911	901	883	884
	16	17	17	18	18	18	19	19	19	20
	3 298	3 342	3 475	3 575	3 702	3 849	3 980	4 065	4 145	4 248
EXPENSES										
Operating and Administrative	644	657	669	683	697	706	719	733	748	763
Finance Expense	1 351	1 348	1 338	1 336	1 321	1 301	1 263	1 197	1 161	1 116
Depreciation and Amortization	767	780	791	804	811	820	831	842	857	873
Water Rentals and Assessments	133	132	133	133	134	134	135	135	136	137
Fuel and Power Purchased	278	275	283	283	291	302	307	317	320	333
Capital and Other Taxes	162	163	164	165	166	167	168	170	173	174
Corporate Allocation	8	8	8	8	8	6	5	6	5	5
Other Expenses	3	2	2	2	2	2	3	3	3	3
	3 346	3 365	3 388	3 415	3 430	3 439	3 432	3 403	3 403	3 403
Non-controlling Interest	(5)	(2)	(3)	(5)	(6)	(10)	(12)	(15)	(17)	(19)
Net Income	(53)	(24)	84	155	266	400	536	647	726	826
* Additional General Consumers Revenue Percent Increase Cumulative Percent Increase	3.95% 47.31%	3.95% 53.13%	3.95% 59.18%	3.95% 65.47%	3.95% 72.01%	3.95% 78.80%	3.95% 85.86%	2.00% 89.58%	2.00% 93.37%	2.00% 97.24%
Financial Ratios										
Equity	10%	10%	10%	11%	12%	14%	16%	19%	22%	25%
Interest Coverage	0.96	0.98	1.06	1.11	1.20	1.30	1.42	1.53	1.61	1.71
Capital Coverage	1.27	1.31	1.48	1.58	1.70	1.94	2.04	2.20	2.29	2.42



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Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account
ELECTRIC OPERATIONS
PROJECTED BALANCE SHEET
MH14 with 3.95% - 3.00% to Earnings and 0.95% to BPIII Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Plant in Service	17 163	17 912	19 127	19 988	24 957	28 333	33 202	33 846	34 478	35 142
Accumulated Depreciation	(5 676)	(6 012)	(6 392)	(6 795)	(7 270)	(7 798)	(8 403)	(9 055)	(9 721)	(10 401)
Net Plant in Service	11 487	11 900	12 735	13 193	17 687	20 535	24 800	24 791	24 757	24 741
Construction in Progress	3 257	4 932	6 755	8 982	6 040	3 939	169	185	241	263
Current and Other Assets	1 798	1 570	1 822	2 268	2 295	2 598	2 727	2 167	2 238	2 442
Goodwill and Intangible Assets	198	186	175	166	166	177	168	152	137	121
Regulated Assets	254	278	313	352	396	420	434	431	416	398
	16 993	18 866	21 801	24 961	26 585	27 668	28 299	27 727	27 788	27 965
LIABILITIES AND EQUITY										
Long-Term Debt	11 705	13 808	16 681	18 689	21 177	21 906	22 792	22 955	23 250	23 441
Current and Other Liabilities	2 016	2 151	2 096	3 068	2 213	2 652	2 602	2 103	2 026	2 099
Contributions in Aid of Construction	412	446	480	514	549	583	618	654	690	727
BPIII Reserve Account	49	94	153	229	253	168	84	-	-	-
Retained Earnings	2 717	2 766	2 799	2 824	2 722	2 637	2 489	2 314	2 127	2 003
Accumulated Other Comprehensive Income	94	(399)	(409)	(363)	(328)	(278)	(287)	(298)	(305)	(305)
	16 993	18 866	21 801	24 961	26 585	27 668	28 299	27 727	27 788	27 965



MH Exhibit #121
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Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account

ELECTRIC OPERATIONS
PROJECTED BALANCE SHEET
MH14 with 3.95% - 3.00% to Earnings and 0.95% to BP III Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ASSETS										
Plant in Service	35 822	36 544	37 410	38 124	38 859	39 555	40 294	41 050	41 823	42 952
Accumulated Depreciation	(11 096)	(11 807)	(12 532)	(13 274)	(14 030)	(14 800)	(15 585)	(16 384)	(17 200)	(18 031)
Net Plant in Service	24 725	24 737	24 878	24 849	24 828	24 754	24 710	24 666	24 623	24 921
Construction in Progress	322	344	225	254	277	323	365	402	465	255
Current and Other Assets	2 387	2 536	2 802	3 049	3 423	3 775	3 630	4 290	4 964	5 705
Goodwill and Intangible Assets	107	93	80	68	57	45	34	23	11	(0)
Regulated Assets	374	353	333	313	300	295	293	296	304	311
	27 914	28 063	28 317	28 533	28 886	29 193	29 032	29 677	30 368	31 191
LIABILITIES AND EQUITY										
Long-Term Debt	23 395	24 198	24 401	24 343	24 476	23 749	23 739	23 743	23 737	23 381
Current and Other Liabilities	2 110	1 441	1 373	1 454	1 371	1 967	1 242	1 198	1 131	1 445
Contributions in Aid of Construction	764	802	839	876	914	952	990	1 029	1 069	1 109
BPIII Reserve Account	-	-	-	-	-	-	-	-	-	-
Retained Earnings	1 950	1 926	2 009	2 164	2 429	2 829	3 364	4 010	4 735	5 560
Accumulated Other Comprehensive Income	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)
	27 914	28 063	28 317	28 533	28 886	29 193	29 032	29 677	30 368	31 191

Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account
ELECTRIC OPERATIONS
PROJECTED CASH FLOW STATEMENT
MH14 with 3.95% - 3.00% to Earnings and 0.95% to BPIII Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES										
Cash Receipts from Customers	1 859	1 958	2 039	2 134	2 231	2 349	2 729	2 941	3 051	3 180
Cash Paid to Suppliers and Employees	(803)	(871)	(942)	(973)	(999)	(1 015)	(1 069)	(1 099)	(1 124)	(1 155)
Interest Paid	(511)	(514)	(547)	(593)	(785)	(928)	(1 222)	(1 349)	(1 329)	(1 341)
Interest Received	13	15	21	30	35	34	31	28	15	16
	<u>558</u>	<u>587</u>	<u>571</u>	<u>598</u>	<u>482</u>	<u>441</u>	<u>469</u>	<u>522</u>	<u>613</u>	<u>699</u>
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1 953	2 390	3 190	3 200	2 790	1 600	1 590	600	560	580
Sinking Fund Withdrawals	110	21	-	7	448	204	294	716	165	26
Retirement of Long-Term Debt	(800)	(312)	(334)	(330)	(1 195)	(315)	(850)	(718)	(441)	(290)
Other	(45)	(22)	(20)	(20)	(30)	(19)	(101)	(25)	(41)	(32)
	<u>1 218</u>	<u>2 077</u>	<u>2 836</u>	<u>2 857</u>	<u>2 013</u>	<u>1 470</u>	<u>933</u>	<u>573</u>	<u>243</u>	<u>285</u>
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1 900)	(2 518)	(3 134)	(3 244)	(2 253)	(1 550)	(1 010)	(756)	(698)	(697)
Sinking Fund Payment	(125)	(202)	(168)	(243)	(241)	(245)	(262)	(358)	(252)	(258)
Other	(21)	(21)	(21)	(21)	(21)	(35)	(30)	(30)	(30)	(30)
	<u>(2 046)</u>	<u>(2 742)</u>	<u>(3 323)</u>	<u>(3 508)</u>	<u>(2 516)</u>	<u>(1 830)</u>	<u>(1 302)</u>	<u>(1 144)</u>	<u>(980)</u>	<u>(986)</u>
Net Increase (Decrease) in Cash	(270)	(78)	84	(53)	(21)	81	100	(50)	(124)	(2)
Cash at Beginning of Year	133	(137)	(214)	(130)	(183)	(204)	(123)	(23)	(73)	(197)
Cash at End of Year	(137)	(214)	(130)	(183)	(204)	(123)	(23)	(73)	(197)	(198)



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Rate Alternative #1 – 3.95% 2016-2018 with 0.95% to capital deferral account
ELECTRIC OPERATIONS
PROJECTED CASH FLOW STATEMENT
MH14 with 3.95% - 3.00% to Earnings and 0.95% to BPIII Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
OPERATING ACTIVITIES										
Cash Receipts from Customers	3 295	3 340	3 472	3 572	3 699	3 846	3 977	4 062	4 142	4 245
Cash Paid to Suppliers and Employees	(1 179)	(1 189)	(1 211)	(1 225)	(1 247)	(1 269)	(1 288)	(1 314)	(1 334)	(1 363)
Interest Paid	(1 348)	(1 353)	(1 354)	(1 371)	(1 368)	(1 360)	(1 340)	(1 250)	(1 230)	(1 200)
Interest Received	19	21	35	49	62	71	84	63	78	92
	<u>787</u>	<u>818</u>	<u>943</u>	<u>1 024</u>	<u>1 146</u>	<u>1 288</u>	<u>1 432</u>	<u>1 561</u>	<u>1 656</u>	<u>1 775</u>
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	390	780	190	(10)	180	(30)	(20)	(20)	(40)	(30)
Sinking Fund Withdrawals	297	103	-	-	60	100	700	13	30	-
Retirement of Long-Term Debt	(402)	(450)	-	-	(60)	(70)	(700)	(13)	-	20
Other	(31)	(30)	(29)	(27)	(25)	(22)	(21)	(38)	(37)	(36)
	<u>254</u>	<u>403</u>	<u>161</u>	<u>(37)</u>	<u>155</u>	<u>(22)</u>	<u>(41)</u>	<u>(58)</u>	<u>(47)</u>	<u>(46)</u>
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(744)	(751)	(752)	(745)	(762)	(748)	(787)	(800)	(846)	(928)
Sinking Fund Payment	(271)	(270)	(278)	(291)	(303)	(313)	(320)	(298)	(309)	(320)
Other	(30)	(31)	(25)	(26)	(26)	(26)	(26)	(26)	(27)	(27)
	<u>(1 045)</u>	<u>(1 051)</u>	<u>(1 056)</u>	<u>(1 062)</u>	<u>(1 091)</u>	<u>(1 087)</u>	<u>(1 134)</u>	<u>(1 125)</u>	<u>(1 182)</u>	<u>(1 275)</u>
Net Increase (Decrease) in Cash	(4)	170	48	(75)	210	179	257	378	427	455
Cash at Beginning of Year	(198)	(202)	(33)	16	(59)	151	330	587	965	1 392
Cash at End of Year	(202)	(33)	16	(59)	151	330	587	965	1 392	1 847

Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account

ELECTRIC OPERATIONS
PROJECTED OPERATING STATEMENT
MH14 with 5.00% 2016-2018 - 3.95% to Earnings and 1.05% to BPIII Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
REVENUES										
General Consumers at approved rates	1 437	1 454	1 460	1 483	1 490	1 501	1 506	1 513	1 525	1 538
additional*	0	73	150	234	303	377	452	532	618	708
BPIII Reserve Account	(30)	(46)	(63)	(81)	(25)	0	0	0	0	0
Extraprovincial	409	434	450	457	479	514	817	943	959	987
Other	15	14	14	14	15	15	15	15	16	16
	1 831	1 929	2 011	2 107	2 261	2 407	2 790	3 005	3 118	3 249
EXPENSES										
Operating and Administrative	486	542	552	557	571	585	601	607	619	631
Finance Expense	495	510	546	578	744	876	1 179	1 305	1 309	1 319
Depreciation and Amortization	405	401	422	445	521	490	579	632	736	752
Water Rentals and Assessments	124	123	112	112	112	114	124	127	132	132
Fuel and Power Purchased	134	130	191	202	207	205	234	263	257	267
Capital and Other Taxes	99	107	120	134	143	144	145	152	152	161
Corporate Allocation	9	8	8	8	8	8	8	8	8	8
Other Expenses	2	2	2	2	2	3	3	3	3	3
	1 754	1 824	1 954	2 040	2 309	2 426	2 872	3 097	3 217	3 274
Non-controlling Interest	25	12	8	7	5	4	10	0	(1)	(3)
Net Income	102	117	65	74	(42)	(15)	(71)	(92)	(100)	(28)
* Additional General Consumers Revenue	0.00%	5.00%	5.00%	5.00%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Percent Increase	0.00%	5.00%	10.25%	15.76%	20.34%	25.09%	30.03%	35.17%	40.50%	46.05%
Financial Ratios										
Equity	22%	18%	17%	16%	15%	14%	13%	12%	12%	12%
Interest Coverage	1.16	1.16	1.07	1.07	0.96	0.99	0.94	0.93	0.92	0.98
Capital Coverage	0.98	1.04	1.00	1.19	0.99	0.93	0.94	1.08	1.24	1.39



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Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account

ELECTRIC OPERATIONS (MH14)
PROJECTED OPERATING STATEMENT
MH14 with 5.00% 2016-2018 - 3.95% to Earnings and 1.05% to BP III Deferral Account
(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
REVENUES										
General Consumers										
at approved rates	1 551	1 565	1 580	1 593	1 607	1 624	1 641	1 659	1 677	1 696
additional*	804	905	1 012	1 124	1 242	1 369	1 503	1 582	1 665	1 751
BP III Reserve Account	0	0	0	0	0	0	0	0	0	0
Extraprovincial	996	928	944	921	920	927	911	901	883	884
Other	16	17	17	18	18	18	19	19	19	20
	3 368	3 416	3 552	3 656	3 787	3 938	4 073	4 161	4 245	4 351
EXPENSES										
Operating and Administrative	644	657	669	683	697	706	719	733	748	763
Finance Expense	1 316	1 306	1 289	1 283	1 260	1 232	1 189	1 116	1 074	1 021
Depreciation and Amortization	767	780	791	804	811	820	831	842	857	873
Water Rentals and Assessments	133	132	133	133	134	134	135	135	136	137
Fuel and Power Purchased	278	275	283	283	291	302	307	317	320	333
Capital and Other Taxes	162	163	164	165	166	167	168	170	173	174
Corporate Allocation	8	8	8	8	8	6	5	6	5	5
Other Expenses	3	2	2	2	2	2	3	3	3	3
	3 310	3 323	3 340	3 361	3 369	3 371	3 357	3 322	3 315	3 309
Non-controlling Interest	(5)	(2)	(3)	(5)	(6)	(10)	(12)	(15)	(17)	(19)
Net Income	53	91	209	289	412	557	704	824	912	1 023
* Additional General Consumers Revenue	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	2.00%	2.00%	2.00%
Percent Increase	51.82%	57.82%	64.05%	70.53%	77.27%	84.27%	91.55%	95.38%	99.29%	103.28%
Financial Ratios										
Equity	12%	13%	14%	15%	17%	19%	22%	25%	29%	33%
Interest Coverage	1.04	1.07	1.16	1.22	1.32	1.44	1.58	1.72	1.83	1.96
Capital Coverage	1.44	1.50	1.68	1.79	1.91	2.17	2.27	2.45	2.55	2.68



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Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account
ELECTRIC OPERATIONS (MH14)
PROJECTED BALANCE SHEET
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ASSETS										
Plant in Service	17 163	17 912	19 127	19 988	24 957	28 333	33 202	33 846	34 478	35 142
Accumulated Depreciation	(5 676)	(6 012)	(6 392)	(6 795)	(7 270)	(7 798)	(8 403)	(9 055)	(9 721)	(10 401)
Net Plant in Service	11 487	11 900	12 735	13 193	17 687	20 535	24 800	24 791	24 757	24 741
Construction in Progress	3 257	4 932	6 755	8 982	6 040	3 939	169	185	241	263
Current and Other Assets	1 798	1 570	1 822	2 268	2 294	2 596	2 726	2 167	2 234	2 437
Goodwill and Intangible Assets	198	186	175	166	166	177	168	152	137	121
Regulated Assets	254	278	313	352	396	420	434	431	416	398
	16 993	18 866	21 800	24 961	26 584	27 667	28 298	27 727	27 784	27 960
LIABILITIES AND EQUITY										
Long-Term Debt	11 705	13 808	16 681	18 689	20 977	21 706	22 392	22 555	22 850	22 841
Current and Other Liabilities	2 016	2 135	2 047	2 964	2 247	2 619	2 697	2 118	1 951	2 127
Contributions in Aid of Construction	412	446	480	514	549	583	618	654	690	727
BPIII Reserve Account	49	95	158	239	264	176	88	-	-	-
Retained Earnings	2 717	2 780	2 844	2 918	2 876	2 861	2 790	2 698	2 598	2 570
Accumulated Other Comprehensive Income	94	(399)	(409)	(363)	(328)	(278)	(287)	(298)	(305)	(305)
	16 993	18 866	21 800	24 961	26 584	27 667	28 298	27 727	27 784	27 960



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Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account

ELECTRIC OPERATIONS (MH14)

PROJECTED BALANCE SHEET

(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ASSETS										
Plant in Service	35 822	36 544	37 410	38 124	38 859	39 555	40 294	41 050	41 823	42 952
Accumulated Depreciation	(11 096)	(11 807)	(12 532)	(13 274)	(14 030)	(14 800)	(15 585)	(16 384)	(17 200)	(18 031)
Net Plant in Service	24 725	24 737	24 878	24 849	24 828	24 754	24 710	24 666	24 623	24 921
Construction in Progress	322	344	225	254	277	323	365	402	465	255
Current and Other Assets	2 381	2 529	2 913	3 235	3 610	4 119	4 142	4 979	5 840	6 777
Goodwill and Intangible Assets	107	93	80	68	57	45	34	23	11	(0)
Regulated Assets	374	353	333	313	300	295	293	296	304	311
	27 909	28 056	28 428	28 719	29 072	29 536	29 544	30 366	31 244	32 264
LIABILITIES AND EQUITY										
Long-Term Debt	22 795	23 398	23 601	23 543	23 476	22 749	22 739	22 743	22 737	22 381
Current and Other Liabilities	2 031	1 446	1 371	1 393	1 365	1 961	1 237	1 192	1 126	1 439
Contributions in Aid of Construction	764	802	839	876	914	952	990	1 029	1 069	1 109
BPIII Reserve Account	-	-	-	-	-	-	-	-	-	-
Retained Earnings	2 623	2 713	2 922	3 210	3 621	4 178	4 881	5 705	6 616	7 638
Accumulated Other Comprehensive Income	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)
	27 909	28 056	28 428	28 719	29 072	29 536	29 544	30 366	31 244	32 264



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Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account
ELECTRIC OPERATIONS (MH14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
OPERATING ACTIVITIES										
Cash Receipts from Customers	1 859	1 973	2 071	2 185	2 284	2 405	2 787	3 002	3 115	3 246
Cash Paid to Suppliers and Employees	(803)	(871)	(942)	(973)	(999)	(1 015)	(1 069)	(1 100)	(1 125)	(1 155)
Interest Paid	(511)	(514)	(543)	(592)	(779)	(916)	(1 209)	(1 329)	(1 305)	(1 311)
Interest Received	13	15	21	30	35	34	31	28	15	16
	558	602	607	651	541	508	540	602	700	796
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1 953	2 390	3 190	3 200	2 590	1 600	1 390	600	560	380
Sinking Fund Withdrawals	110	21	-	7	448	203	292	715	165	23
Retirement of Long-Term Debt	(800)	(312)	(334)	(330)	(1 195)	(315)	(850)	(718)	(441)	(290)
Other	(45)	(22)	(20)	(20)	(30)	(19)	(101)	(25)	(41)	(32)
	1 218	2 077	2 836	2 857	1 813	1 469	731	572	243	81
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(1 900)	(2 518)	(3 134)	(3 244)	(2 253)	(1 550)	(1 010)	(756)	(698)	(697)
Sinking Fund Payment	(125)	(202)	(168)	(243)	(240)	(244)	(261)	(358)	(248)	(253)
Other	(21)	(21)	(21)	(21)	(21)	(35)	(30)	(30)	(30)	(30)
	(2 046)	(2 742)	(3 323)	(3 508)	(2 515)	(1 829)	(1 301)	(1 144)	(977)	(981)
Net Increase (Decrease) in Cash	(270)	(62)	120	(0)	(161)	149	(30)	29	(34)	(104)
Cash at Beginning of Year	133	(137)	(199)	(79)	(79)	(240)	(91)	(121)	(92)	(126)
Cash at End of Year	(137)	(199)	(79)	(79)	(240)	(91)	(121)	(92)	(126)	(231)



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Rate Alternative #2 – 5% 2016-2018 with 1.05% to capital deferral account
ELECTRIC OPERATIONS (MH14)
PROJECTED CASH FLOW STATEMENT
(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
OPERATING ACTIVITIES										
Cash Receipts from Customers	3 365	3 413	3 549	3 653	3 784	3 935	4 070	4 158	4 241	4 347
Cash Paid to Suppliers and Employees	(1 179)	(1 189)	(1 211)	(1 225)	(1 247)	(1 269)	(1 288)	(1 314)	(1 334)	(1 363)
Interest Paid	(1 312)	(1 309)	(1 305)	(1 317)	(1 309)	(1 290)	(1 264)	(1 166)	(1 139)	(1 101)
Interest Received	19	21	35	48	61	70	81	60	74	88
	893	935	1 068	1 158	1 288	1 445	1 600	1 738	1 842	1 972
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	390	580	190	(10)	(20)	(30)	(20)	(20)	(40)	(30)
Sinking Fund Withdrawals	292	97	-	-	60	100	700	13	30	-
Retirement of Long-Term Debt	(402)	(450)	-	-	(60)	(70)	(700)	(13)	-	20
Other	(31)	(30)	(29)	(27)	(25)	(22)	(21)	(38)	(37)	(36)
	249	197	161	(37)	(45)	(22)	(41)	(58)	(47)	(46)
INVESTING ACTIVITIES										
Property, Plant and Equipment, net of contributions	(744)	(751)	(752)	(745)	(762)	(748)	(787)	(800)	(846)	(928)
Sinking Fund Payment	(265)	(263)	(270)	(282)	(294)	(302)	(309)	(286)	(297)	(307)
Other	(30)	(31)	(25)	(26)	(26)	(26)	(26)	(26)	(27)	(27)
	(1 039)	(1 044)	(1 048)	(1 054)	(1 082)	(1 076)	(1 122)	(1 112)	(1 169)	(1 261)
Net Increase (Decrease) in Cash	103	88	182	68	161	348	436	568	626	665
Cash at Beginning of Year	(231)	(128)	(40)	142	210	371	719	1 155	1 723	2 349
Cash at End of Year	(128)	(40)	142	210	371	719	1 155	1 723	2 349	3 014