ELECTRIC GENERAL RATE APPLICATION 2015

Manitoba Hydro Undertaking #8

Manitoba Hydro to prepare a financial run of what quantum relief would be required with respect to government fees to reduce proposed and indicative rate increases to 3.0 percent from 3.95 percent.

Response:

Reduction of proposed and indicative annual rates from 3.95% to 3% from 2015/16 to 2030/31 requires an equivalent reduction in payments to the Province of approximately $200-$220 million per year for 16 years, which would represent between 45% and 60% of projected payments in MH14.

The projected financial statements are attached. Please note that there has been no assumption as to whether the reduction has been made to water rentals, provincial guarantee fees, or capital taxes. For modeling purposes only, the reduction has been classified in water rentals.

ELECTRIC OPERATIONS (MH14)
PROJECTED OPERATING STATEMENT
3% Rate Increases with $200-$220 Million Annual Reduction in Provincial Payments 2016-2031
(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	44	89	137	187	239	292	348	407	469
BPIII Reserve Account	(30)	(32)	(33)	(35)	(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	1 914	1 980	2 057	2 160	2 270	2 630	2 820	2 907	3 010
EXPENSES										
Operating and Administrative	486	542	552	557	571	585	601	607	619	631
Finance Expense	495	511	539	564	723	848	1 146	1 269	1 270	1 281
Depreciation and Amortization	405	401	422	445	521	525	613	667	736	752
Water Rentals and Assessments	124	(77)	(88)	(87)	(88)	(86)	(75)	(73)	(68)	(67)
Fuel and Power Purchased	134	130	191	202	207	205	234	263	257	267
Capital and Other Taxes	99	107	121	134	143	145	146	153	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	1 625	1 748	1 826	2 089	2 234	2 675	2 896	2 978	3 036
Non-controlling Interest	25	12	8	7	5	4	10	0	(1)	(3)
Net Income	102	301	239	237	77	39	(34)	(76)	(73)	(29)
* Additional General Consumers Revenue										
Percent Increase	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Percent Increase	0.00%	3.00%	6.09%	9.27%	12.55%	15.93%	19.41%	22.99%	26.68%	30.48%
Financial Ratios										
Equity	22%	19%	18%	18%	17%	17%	16%	15%	15%	15%
Interest Coverage	1.16	1.42	1.28	1.24	1.07	1.03	0.97	0.94	0.94	0.98
Capital Coverage	0.98	1.34	1.23	1.41	1.19	1.09	1.08	1.18	1.29	1.38

ELECTRIC OPERATIONS (MH14)
PROJECTED OPERATING STATEMENT
3% Rate Increases with $200-$220 Million Annual Reduction in Provincial Payments 2016-2031
(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*	534	602	673	747	824	906	992	1 056	1 123	1 192
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
	3 097	3 112	3 213	3 279	3 369	3 475	3 563	3 635	3 702	3 791
EXPENSES										
Operating and Administrative	644	657	669	683	697	706	719	733	748	763
Finance Expense	1 276	1 269	1 255	1 255	1 240	1 223	1 193	1 132	1 111	1 082
Depreciation and Amortization	767	780	791	804	811	820	831	842	857	873
Water Rentals and Assessments	(67)	(67)	(66)	(66)	(66)	(65)	(64)	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	172	173
Corporate Allocation	8	8	8	8	8	6	5	6	5	5
Other Expenses	3	2	2	2	2	2	3	3	3	3
	3 071	3 086	3 106	3 133	3 149	3 161	3 161	3 338	3 353	3 369
Non-controlling Interest	(5)	(2)	(3)	(5)	(6)	(10)	(12)	(15)	(17)	(19)
Net Income	22	24	104	140	213	304	390	282	333	403
* Additional General Consumers Revenue										
Percent Increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	2.00%	2.00%
Cumulative Percent Increase	34.39%	38.42%	42.58%	46.85%	51.26%	55.80%	60.47%	63.68%	66.95%	70.29%
Financial Ratios										
Equity	15%	15%	16%	17%	18%	19%	21%	22%	23%	25%
Interest Coverage	1.02	1.02	1.08	1.11	1.17	1.24	1.32	1.24	1.29	1.36
Capital Coverage	1.38	1.39	1.51	1.56	1.61	1.80	1.83	1.68	1.74	1.84

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	1 820	2 268	2 290	2 591	2 726	2 167	2 303	2 430
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	21 799	24 961	26 580	27 661	28 298	27 727	27 853	27 953
LIABILITIES AND EQUITY										
Long-Term Debt	11 705	13 608	16 281	18 089	20 577	20 906	21 592	21 755	22 250	22 241
Current and Other Liabilities	2 016	2 166	2 130	3 132	2 106	2 788	2 800	2 171	1 845	1 946
Contributions in Aid of Construction	412	446	480	514	549	583	618	654	690	727
BPIII Reserve Account	49	81	114	149	159	106	53	-	-	-
Retained Earnings	2 717	2 964	3 203	3 440	3 517	3 556	3 522	3 446	3 373	3 344
Accumulated Other Comprehensive Income	94	(399)	(409)	(363)	(328)	(278)	(287)	(298)	(305)	(305)
	16 993	18 866	21 799	24 961	26 580	27 661	28 298	27 727	27 853	27 953

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	2 373	2 521	2 756	3 074	3 250	3 710	3 420	3 714	3 996	4 314
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
	27 900	28 048	28 271	28 558	28 713	29 128	28 821	29 101	29 400	29 801
LIABILITIES AND EQUITY										
Long-Term Debt	21 995	22 598	22 801	22 943	22 876	22 349	22 339	22 343	22 337	21 981
Current and Other Liabilities	2 080	1 562	1 443	1 411	1 383	1 983	1 258	1 214	1 147	1 461
Contributions in Aid of Construction	764	802	839	876	914	952	990	1 029	1 069	1 109
BPIII Reserve Account	-	-	-	-	-	-	-	-	-	-
Retained Earnings	3 366	3 389	3 493	3 632	3 845	4 148	4 537	4 819	5 151	5 553
Accumulated Other Comprehensive Income	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(304)
	27 900	28 048	28 271	28 558	28 713	29 128	28 821	29 101	29 400	29 801

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	1 944	2 011	2 089	2 168	2 267	2 627	2 818	2 904	3 007
Cash Paid to Suppliers and Employees	(803)	(671)	(743)	(773)	(800)	(816)	(870)	(901)	(926)	(956)
Interest Paid	(511)	(514)	(536)	(572)	(754)	(889)	(1 171)	(1 288)	(1 266)	(1 277)
Interest Received	13	15	21	30	35	34	31	28	15	16
	558	773	752	774	650	597	616	656	727	790
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	1 953	2 190	2 990	3 000	2 790	1 200	1 390	600	760	380
Sinking Fund Withdrawals	110	21	-	6	448	199	286	715	165	15
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	1 877	2 636	2 655	2 013	1 064	725	572	443	73
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)	(166)	(243)	(236)	(238)	(261)	(358)	(241)	(246)
Other	(21)	(21)	(21)	(21)	(21)	(35)	(30)	(30)	(30)	(30)
	(2 046)	(2 742)	(3 321)	(3 508)	(2 510)	(1 823)	(1 301)	(1 144)	(969)	(974)
Net Increase (Decrease) in Cash	(270)	(92)	67	(79)	152	(162)	41	84	201	(110)
Cash at Beginning of Year	133	(137)	(228)	(161)	(240)	(88)	(249)	(209)	(125)	77
Cash at End of Year	(137)	(228)	(161)	(240)	(88)	(249)	(209)	(125)	77	(34)

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	3 095	3 109	3 210	3 276	3 366	3 472	3 560	3 632	3 699	3 788
Cash Paid to Suppliers and Employees	(980)	(990)	(1 011)	(1 025)	(1 048)	(1 069)	(1 088)	(1 313)	(1 334)	(1 362)
Interest Paid	(1 275)	(1 272)	(1 270)	(1 284)	(1 289)	(1 275)	(1 266)	(1 180)	(1 174)	(1 159)
Interest Received	19	21	35	47	60	68	79	58	72	85
	859	869	963	1 013	1 089	1 196	1 286	1 196	1 263	1 352
FINANCING ACTIVITIES										
Proceeds from Long-Term Debt	190	580	190	190	(20)	170	(20)	(20)	(40)	(30)
Sinking Fund Withdrawals	285	89	-	-	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)
	42	189	161	163	(45)	178	(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	(257)	(255)	(263)	(274)	(287)	(295)	(303)	(280)	(291)	(301)
Other	(30)	(31)	(25)	(26)	(26)	(26)	(26)	(26)	(27)	(27)
	(1 031)	(1 036)	(1 040)	(1 045)	(1 075)	(1 068)	(1 116)	(1 107)	(1 163)	(1 255)
Net Increase (Decrease) in Cash	(130)	21	84	131	(30)	306	128	31	53	52
Cash at Beginning of Year	(34)	(163)	(142)	(58)	72	42	348	476	507	560
Cash at End of Year	(163)	(142)	(58)	72	42	348	476	507	560	612