

Comparison of MH14 with MH13

MH14 compared with MH13 has major changes in capital forecasts: ¹

- \$11.6 billion **lower** forecast capital expenditure for Conawapa and Pointe Du Bois projects. \$6.0 B in first 10 years, \$5.6 B in last 10 years.
- Savings reduced by \$4.4 billion **higher** costs on four items: sustainable capital², Bipole III, DSM and Keeyask.

Table 1: MH14 compared with MH13

\$billion	1st 10 y	2nd 10 yr	Total
○ Sust Cap	0.4	1.6	2.0
○ BP III	1.3	0	1.3
○ DSM	0.5	0.3	0.8
○ Keeyask	<u>0.3</u>	<u>0</u>	<u>0.3</u>
○ Total	2.6	1.9	4.4

¹ Application, Appendix 3.3, Exec Summary for all operations, pii: "Lower projected capital expenditure forecast (\$7.5 billion) mainly due to the suspension of Conawapa (\$10.1 billion) and the deferral of Pointe du Bois Powerhouse Rebuild (\$1.5 billion). This decrease is partially offset by higher projected capital for sustaining capital (\$1.9 billion), Bipole III (\$1.3 billion), DSM (\$0.9 billion), and Keeyask (\$0.3 billion)."

² Sandy B Bauerlein, at p1114 of Transcript, added investment for sustainable capital for CEF14 vs CEF13 at approximately \$0.4 billion in first 10 years and \$1.6 billion in last 10 years (about \$2.0 billion total).

Table 1: Manitoba Hydro Financial Targets 1986 to 2010/11

Test Year	Reserve Target/Basis for Reserve Level/ Timeframe to Build Reserve	Debt: Equity Target	Timeframe to Meet Debt: Equity Target	Interest Coverage Target	Capital Coverage Target
1986-1988	\$180-200M/ 2 consecutive years of the worst drought on record/ unidentified timeframe	N/A	N/A	N/A	N/A
1988/89	\$280M/ 2 consecutive years of the worst drought on record/ by 1994/95	N/A	N/A	N/A	N/A
1989/90	\$370M/ 2 consecutive years of the worst drought on record plus maximum self-insurance loss/ by 1994/95	85:15	10 years after the achievement of the target reserve (2004/05)	1.15 to 1.25	N/A
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1991/92	370M/ 2 consecutive years of the worst drought on record plus maximum self-insurance loss/ by 1994/95 ¹	85:15	By 2004/05	1.15 to 1.25	N/A
1993/94	\$370M/ retain target from 1992 ² / by 1996/97	85:15	By 2004/05	1.15 to 1.25	N/A
1995/96	N/A (although no longer a formal target, 2 consecutive years of the worst drought on record plus maximum self-insurance loss was estimated in MIPUG/MH I-1(a) (1996/97 GRA) at \$390M, growing to \$470M by 2002/03 and \$450M by 2005/06	75:25	By 2005/06	1.15 to 1.35	1.0
2002 Status Update	N/A (although no longer a formal target, 2 consecutive years of the worst drought on record ³ was shown in PUB/MH I-2(a) (2002 Status Update) to be \$735M, growing to \$771M by 2009/10	75:25	By 2005/06	Minimum 1.20	1.0
2004/05 ⁴	N/A (although no longer a formal target, 2 consecutive years of the worst drought on record plus maximum self-insurance loss was shown in MIPUG/MH I-5(c) (2004 GRA) to be \$716M and growing to \$1,151M by 2011/12	75:25	2011/12	Minimum 1.00	1.0
2005/06 ⁵	N/A	75:25	2011/12	Minimum 1.20	Minimum 1.0 Excludes new major generation and transmission
2006/07 ⁶	N/A	Maintain a minimum of 75:25	2011/12	Minimum 1.20	Attain and maintain 1.0 Excludes head office building and new major generation and transmission
2007/08 ⁷	N/A	75:25	2011/12	Minimum 1.20	Minimum 1.0 Excludes head office building and new major generation and transmission
2008/09 ⁸	N/A	75:25	2011/12	Minimum 1.20	Minimum 1.0 Excludes head office building and new major generation and transmission
2009/10 ⁹ All targets may not be maintained during years of major investment in generation and transmission	N/A	Maintain a minimum of 75:25	N/A ¹⁰	Minimum 1.20	Minimum 1.2 Excludes new major generation and transmission
2010/11 ¹¹ All targets may not be maintained during years of major investment in generation and transmission	N/A	Maintain a minimum of 75:25	N/A ¹²	Minimum 1.20	Minimum 1.2 Excludes new major generation and transmission

¹ IFF91-4 page 5. However, other filed materials also note "slippage" in the achievement of the target by one year, to 1995/96 (this is further summarized in IFF93-3 from the 1994 GRA- page 4.

² 2 years of the worst drought on record plus maximum self-insurance loss was estimated in MIPUG/MH I-1 from that hearing at \$300M in 1993/94 growing to \$570M by 2002-03 and \$530M by 2004/05.

³ Hydro no longer self-insured, so that component of the "minimum retained earnings target" measurement was eliminated. The self-insurance program ended in September of 2000, PUB/MH I-51 from the 2002 Status Update.

⁴ 1986-2004/05 Data as per MIPUG Evidence from 2004 GRA, page 50.

⁵ From IFF05-1 page 2: *capital construction expenditures, except for major new generation and transmission to be financed by internally generated funds*

⁶ From IFF06-3 page 14. *Timeframe to meet debt: equity target projected to be obtained by 2016/17-no change in target date of 2011/12 recommended at that time.*

⁷ From IFF07-1 page 14

⁸ From IFF08-1 page 15 *Timeframe to meet Debt: equity target of 75/25 projected to result by the end of 2008/09 due to the current favourable water flow conditions. Net income levels are projected to be sufficient to maintain this ratio at the target level until 2014/15 when capital expenditure levels begin to grow as a result of the construction of Keeyask, Conawapa and Bipole III*

⁹ From IFF09 -1 page 15.

¹⁰ As noted in IFF09-1: *due to major investments in the generation and transmission system over the next decade, this ratio is projected to regress to 80:20 between 2015/16 to 2018/19 and then to recover strongly thereafter.(p.16)*

¹¹ From IFF10 page 14.

¹² From IFF10 page 14 *Primarily due to major investments in the generation and transmission system over the next decade ("the decade of investment") and lower net export revenues compared to the previous forecast IFF09, this ratio is projected to regress to 81:19 by 2019/20.*

Manitoba Hydro Actual Debt Equity and Interest Coverage Ratios

Year	MH Debt: Equity Ratio Actuals from Annual Reports	MH Interest Coverage Actuals from Annual Reports
1984	96:04	0.99
1985	95:05	1.04
1986	94:06	1.11
1987	94:06	1.05
1988	95:05	0.94
1989	95:05	0.92
1990	95:05	1.07
1991	94:06	1.13
1992	94:06	1.04
1993 ¹	95:05	0.95
1994	93:07	1.16
1995	92:08	1.13
1996	91:09	1.16
1997	88:12	1.23
1998	86:14	1.25
1999	84:16	1.23
2000	83:17	1.35
2001 ²	80:20	1.62
2002	77:23	1.42
2003	80:20	1.14
2004	87:13	0.17
2005	85:15	1.25
2006	81:19	1.77
2007	80:20	1.23
2008	73:27	1.69
2009	77:23	1.49
2010 ³	73:27	1.32

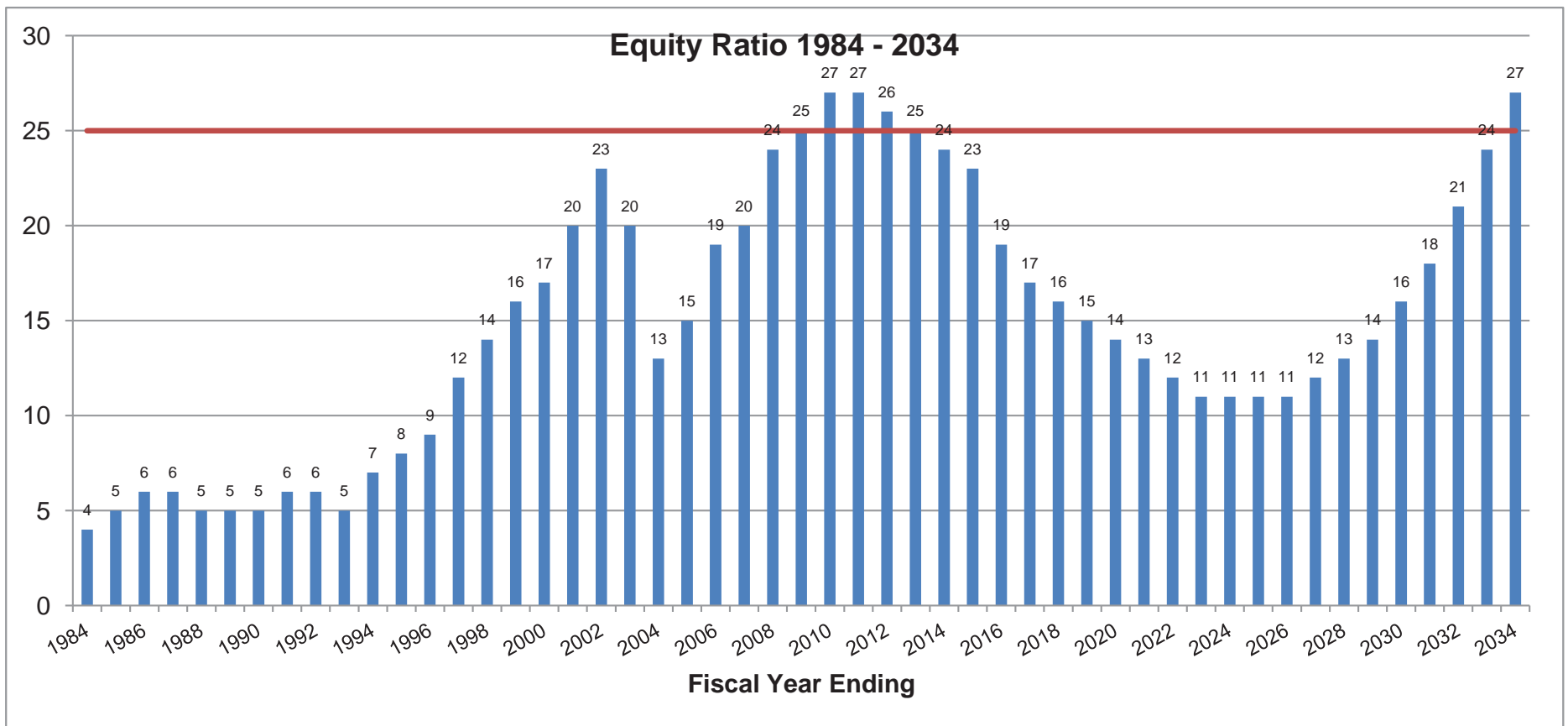
Note: 2008 and 2009 Debt:Equity Ratio and Interest Coverage Expense differ in the table above from the 58th Annual Report as Accumulated Other Comprehensive Income (AOCI) was not included as a component of equity in the accounting practices used in the 58th Annual Report. AOCI is included effective 2009/10 in accordance with changing accounting standards and the table above retroactively applies AOCI to the 2 years for comparative purposes. Without the inclusion of AOCI the Debt Ratio for 2008 and 2009 are 76% and 75% respectively.⁴

¹ 1984-1993 Debt:Equity and Interest Coverage as per page 62 of the 42nd Annual Report for the Year Ended March 31, 1993.

² 1992-2001 Debt:Equity and Interest Coverage as per page 79 of the 50th Annual Report for the Year Ended March 31, 2001.

³ 2001-2010 data from page 100 of Manitoba Hydro's 59th Annual Report for Year Ended March 31, 2010.

⁴ As per CAC/MSOS/MH I-116 b and c



1990 - 2034 Equity Ratios as per PUB-20-3 page 119