

MIPUG/MH I-1

- a) **Please confirm that the estimated Negative Net Salvage for 2015/16 using status quo assumptions is \$64 million, per IFF-13 page 7. Please confirm that MH-13 does not apply this Negative Net Salvage amount in 2015/16 due to IFRS rule changes.**

ANSWER:

Manitoba Hydro confirms that the estimated Negative Net Salvage for 2015/16 is \$64 million in IFF-13 for consolidated operations. Negative Salvage is assumed to be removed from depreciation rates in IFF-13 for the periods starting in 2015/16 and on.

With the release of the Interim Standard IFRS 14 *Regulatory Deferral Accounts*, the inclusion of Negative Salvage in depreciation rates will continue to be permissible when Manitoba Hydro transitions to IFRS in 2015/16. However, Manitoba Hydro continues to propose to remove Negative Salvage as a means to offset some of the negative financial impacts resulting from the transition to IFRS.

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- b) **Please confirm that the estimated Negative Net Salvage for 2014/15 is \$62 million. Please confirm that this amount is included in the calculation of depreciation expense for 2014/15. If not, please provide the value for Negative Net Salvage included in 2014/15.**

ANSWER:

Manitoba Hydro confirms that the estimated Negative Net Salvage for 2014/15 in IFF-13 is \$62 million and that the \$62 million is included in the calculation of depreciation expense under Canadian GAAP for 2014/15.

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- c) **Please provided a schedule for Hydro’s expected internal decision-making process for implementation of IFRS, with specific reference to the date of first implementation in Hydro’s ledgers, quarterly reporting, development of final comparative information for 2014/15.**

ANSWER:

Manitoba Hydro will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) effective for its 2015/16 fiscal year with comparative information presented for 2014/15. On January 30, 2014, the International Accounting Standards Board issued the interim standard IFRS 14 *Regulatory Deferral Accounts*. Manitoba Hydro will adopt the interim standard upon transition to IFRS and will continue to recognize rate-regulated accounts for its financial reporting.

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- d) **Please also provide Hydro's timing and expectations for filing of the responses to PUB Directives 6, 7, and 9, and the expected or necessary dates for receiving approvals from the PUB for the depreciation methods to be applied.**

ANSWER:

The status of directives 6, 7, and 9 of Order 43/13 are as follows:

6. That Manitoba Hydro file with the Board an International Financial Reporting Standards status update report prior to the next General Rate Application that will provide the Board options available for rate-setting purposes.

Manitoba Hydro will file an IFRS status update report with the Public Utilities Board as part of its next General Rate Application, and will also address the use of IFRS for rate-setting purposes in its application.

7. That Manitoba Hydro complete and file with the Board an Asset Condition Assessment Study no later than the filing of the next updated depreciation study with the Board.

Manitoba Hydro expects to be in a position to file a comprehensive Asset Condition Report at its next GRA. Please see Manitoba Hydro's response to CAC/MH I-6 for an update with respect to this directive.

9. That Manitoba Hydro file with the Board, with the next General Rate Application, a chart showing a comparison of the impact on its Integrated Financial Forecast (i.e. 'Budget') of asset depreciation pursuant to the Average Service Life methodology (without net salvage) and the Equal Life Group methodology (without net salvage), applying both methodologies to all planned major capital additions.

Manitoba Hydro will file an analysis of the impact on its financial forecast of using the Average Service Life methodology (without net salvage) compared to the Equal Life Group methodology (without net salvage) at the next General Rate Application.

The timing of the approvals of the method of depreciation to be used for rate-setting purposes will be in conjunction with the 2015/16 and 2016/17 GRA.

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- a) Please provide a table indicating the assumed capitalized interest in each year of MH-13, showing which project is assigned these costs each year.

ANSWER:

Please see the following tables.

MH-13 - CAPITALIZED INTEREST (In Millions of Dollars)										
Major Generation & Transmission	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Wuskwatim	0.1	0.5	1.1	-	-	-	-	-	-	0.0
Keyyask	48.5	45.5	69.2	110.0	167.9	235.2	271.2	83.2	-	-
Conawapa	17.3	20.8	26.1	33.5	43.0	58.6	79.3	104.8	147.0	226.0
Kelsey Improvements & Upgrades	0.9	0.2	-	-	-	-	-	-	-	-
Kettle Improvements & Upgrades	0.2	0.3	0.9	0.9	0.5	0.5	0.5	0.9	1.0	1.0
Pointe du Bois	17.3	0.2	0.4	1.1	0.3	-	-	-	0.0	0.1
Gillam Redevelopment and Expansion Program (GREP)	-	0.5	0.9	0.8	0.7	0.5	0.7	0.7	0.7	0.6
Bipole III - Transmission Line	21.1	38.6	80.9	130.7	97.2	-	-	-	-	-
Riel 230/500kV Station	15.0	5.3	-	-	-	-	-	-	-	-
Firm Import Upgrades	0.0	0.2	0.3	-	-	-	-	-	-	-
Dorsey - US Border New 500kV Transmission Line	0.1	0.2	1.1	4.1	9.2	13.0	9.2	-	-	-
Demand Side Management	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Other	-	-	-	-	-	-	-	0.1	0.4	1.9
Total Major Generation & Transmission	122.3	114.0	182.7	282.9	320.5	309.6	362.7	191.6	150.8	231.5
Major Capital, Base Capital & Non-Construction Capital	22.1	24.1	26.0	19.8	18.7	20.3	16.8	14.6	13.5	17.1
Grand Total	144.5	138.1	208.7	302.6	339.2	329.9	379.5	206.2	164.3	248.5

MH-13 - CAPITALIZED INTEREST (In Millions of Dollars)										
Major Generation & Transmission	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Wuskwatim	-	-	-	-	-	-	-	-	-	-
Keyyask	-	-	-	-	-	-	-	-	-	-
Conawapa	329.1	427.1	514.9	443.3	191.2	4.9	-	-	-	-
Kelsey Improvements & Upgrades	-	-	-	-	-	-	-	-	-	-
Kettle Improvements & Upgrades	1.0	1.0	1.0	-	-	-	-	-	-	-
Pointe du Bois	0.6	2.2	6.0	13.3	25.2	42.8	61.9	12.9	-	-
Gillam Redevelopment and Expansion Program (GREP)	0.7	0.9	1.0	0.3	-	-	-	-	-	-
Bipole III - Transmission Line	-	-	-	-	-	-	-	-	-	-
Riel 230/500kV Station	-	-	-	-	-	-	-	-	-	-
Firm Import Upgrades	-	-	-	-	-	-	-	-	-	-
Dorsey - US Border New 500kV Transmission Line	-	-	-	-	-	-	-	-	-	-
Demand Side Management	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Other	4.4	6.8	10.9	10.4	0.9	0.6	0.3	0.4	0.4	0.7
Total Major Generation & Transmission	337.6	439.8	535.6	469.0	219.1	50.0	63.9	15.1	2.2	2.5
Major Capital, Base Capital & Non-Construction Capital	23.3	24.7	20.4	21.5	12.2	15.4	16.0	19.0	20.5	21.9
Grand Total	360.9	464.5	556.0	490.5	231.4	65.5	80.0	34.0	22.7	24.3

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- b) **For each project in MIPUG-2(a) please provide the undepreciated capital cost used to perform the allocation for each year, as well as the assumed debt and equity financing in respect of each project.**

ANSWER:

Please see the schedule below, which outlines the undepreciated capital cost for Major New Generation and Transmission projects.

Manitoba Hydro finances all projects on a consolidated basis, and as such does not maintain assumptions on the debt and equity financing for each project. Please see Manitoba Hydro's response to PUB/MH I-15(a), which provides on a consolidated basis a summary of the projected internally generated funds that would be available to fund major generation and transmission projects.

Major Generation & Transmission Undepreciated Capital Cost											
(In Millions of Dollars)											
	OB	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Wuskwatim	1 671.1	1 688.5	1 670.4	1 672.0	1 643.2	1 614.3	1 585.4	1 556.5	1 527.7	1 498.8	1 469.9
Herblet Lake - The Pas 230kV Transmission	73.9	72.8	71.4	70.0	68.6	67.2	65.8	64.4	63.1	61.7	60.4
Keeyask	-	-	-	-	-	-	-	2 658.8	6 142.1	6 044.4	5 946.6
Conawapa	-	-	-	-	-	-	-	-	-	-	-
Kelsey Improvements & Upgrades	199.8	235.6	239.6	235.5	231.5	227.4	223.3	219.2	215.2	211.1	207.0
Kettle Improvements & Upgrades	44.2	45.2	46.4	68.0	86.1	93.7	124.2	152.2	150.3	148.4	146.6
Pointe du Bois	42.0	477.7	598.6	595.0	596.6	618.9	608.7	598.6	588.5	578.4	568.3
Gillam Redevelopment and Expansion Program (GREP)	-	-	23.7	54.8	85.6	113.0	133.9	160.2	185.7	209.5	230.7
Bipole III - Transmission Line	18.0	18.5	112.4	155.0	168.3	3 114.4	3 183.3	3 112.4	3 041.5	2 970.6	2 899.7
Community Development Initiative	-	-	-	-	-	60.4	59.6	58.8	57.9	57.1	56.2
Riel 230/500kV Station	0.4	0.4	323.9	315.7	307.4	299.1	290.7	282.4	274.0	265.7	257.3
Firm Import Upgrades	-	-	-	19.7	19.4	19.1	18.9	18.6	18.3	18.0	17.7
Dorsey - US Border New 500kV Transmission Line	-	-	-	6.2	6.2	6.2	6.2	347.4	341.1	334.6	328.2
St. Joseph Wind Transmission	9.6	9.4	9.3	9.2	9.1	8.9	8.8	8.7	8.5	8.4	8.3
Demand Side Management	172.2	170.0	163.5	155.6	148.0	140.8	135.2	129.1	123.2	118.1	113.8

Major Generation & Transmission Undepreciated Capital Cost											
(In Millions of Dollars)											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Wuskwatim	1 441.0	1 412.0	1 383.1	1 354.2	1 325.3	1 296.3	1 267.4	1 238.5	1 209.5	1 180.6	
Herblet Lake - The Pas 230kV Transmission	59.0	57.6	56.3	54.9	53.5	52.2	50.8	49.4	48.1	46.7	
Keeyask	5 848.9	5 751.1	5 653.3	5 555.6	5 457.8	5 360.1	5 262.3	5 164.5	5 066.7	4 968.9	
Conawapa	-	-	-	5 210.2	9 295.8	10 182.0	10 017.7	9 853.4	9 689.1	9 524.7	
Kelsey Improvements & Upgrades	203.0	198.9	194.9	190.8	186.7	182.7	178.6	174.5	170.5	166.4	
Kettle Improvements & Upgrades	144.7	142.8	141.0	139.0	137.1	135.1	133.1	131.2	129.3	127.3	
Pointe du Bois	558.2	548.1	538.0	527.8	517.7	514.3	506.6	498.8	491.1	483.4	
Gillam Redevelopment and Expansion Program (GREP)	255.5	278.7	308.4	311.7	302.9	294.1	285.2	276.4	267.6	258.8	
Bipole III - Transmission Line	2 828.7	2 758.3	2 688.7	2 619.1	2 549.4	2 479.8	2 410.2	2 340.7	2 271.2	2 202.1	
Community Development Initiative	55.4	54.6	53.7	52.9	52.0	51.2	50.4	49.5	48.7	47.9	
Riel 230/500kV Station	249.0	240.7	232.3	224.0	215.6	207.3	199.0	190.9	182.9	174.8	
Firm Import Upgrades	17.4	17.1	16.8	16.6	16.3	16.0	15.7	15.4	15.1	14.8	
Dorsey - US Border New 500kV Transmission Line	321.8	315.4	308.9	302.5	296.1	289.7	283.3	276.8	270.4	264.0	
St. Joseph Wind Transmission	8.1	8.0	7.9	7.8	7.6	7.5	7.4	7.2	7.1	7.0	
Demand Side Management	110.6	108.0	105.2	101.4	98.1	95.8	94.4	93.6	93.4	93.6	

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- c) Please confirm, as per the response to Undertaking 71 of the NFAT hearing (transcript page 3982) that MH-13 does not capitalize any capital taxes related to spending on new major capital projects.

ANSWER:

Confirmed.

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- d) Please provide a calculation of the capital tax for each year that would arise due to each of the undepreciated debt and equity amounts shown in MIPUG-2(b).

ANSWER:

Capital taxes are determined at a corporate level based on year-end debt and equity balances and therefore not on a project-by-project basis.

A reasonable estimate of the capital taxes for a project is to apply the capital tax rate of 0.5% to the assumed undepreciated capital cost for that project.