

May 2, 2014

ADDENDUM TO DSM FINANCIAL EVALUATION OVERVIEW

On April 23, 2014, the PUB Chairperson requested that the following financial evaluations be prepared in addition to Manitoba Hydro’s April 11, 2014 submission of the DSM financial evaluation found in Manitoba Hydro Exhibit 104-12-1:

1. Plan 2 DSM Level 2
2. Plan 6 DSM Level 2
3. Plan 4 DSM Level 2
4. Plan 12 DSM Level 2
5. Plan 1 DSM Level 2 with the potential pipeline load
6. Plan 5 DSM Level 2 with the potential pipeline load
7. Plan 14 DSM Level 2 with the potential pipeline load

This overview along with the attached summary sheets and the sets of pro forma financial statements together form the addendum to the DSM Financial Evaluation filed with the PUB on April 11, 2014.

Similarly to the information filed on April 11, 2014, each of the seven (7) scenarios outlined above were prepared under three (3) different rate setting methodologies (as described in Manitoba Hydro Exhibit 104-12-1) resulting in twenty-one (21) distinct sets of pro forma financial statements.

Table 1 outlines the potential timing of new resources at DSM Level 2 required for domestic load for the purposes of this evaluation.

TABLE 1	
DEVELOPMENT PLAN	DSM LEVEL 2
WITHOUT POTENTIAL PIPELINE LOAD	
KEEYASK 2031/GAS (2)	1-CCGT: 2042, 4-SCGTs: 2031-2042
KEEYASK 2019/GAS/250MW (4)	3-SCGTs: 2040-2047
KEEYASK 2019/GAS/750MW (6)	3-SCGTs: 2040-2047
KEEYASK 2019/CONAWAPA 2040/750MW (12)	N/A
WITH POTENTIAL PIPELINE LOAD	
ALL GAS (1)	2-CCGTs:2039-2044, 3-SCGTs: 2024-2035, 1-LM6000: 2048
KEEYASK 2019/GAS/750MW (5)	1-CCGT: 2047, 3-SCGTs: 2030-2044
PDP (14)	CONAWAPA:2030

Table 2 provides the in-service capital costs for Keeyask, Conawapa, the 750 MW Interconnection and the DSM utility costs at DSM Level 2.

TABLE 2	
(Billions of Nominal Dollars)	
	DSM LEVEL 2
KEEYASK 2019	\$6.3
KEEYASK 2031 *	\$8.6
250 MW Interconnection (MB)	\$0.1
750 MW Interconnection (MB)	\$0.3
750 MW Interconnection (US)	\$0.3
CONAWAPA 2030	\$11.8
CONAWAPA 2040 *	\$12.2
DSM UTILITY COSTS	\$1.1

* Given the extended deferral of the in-service date of Keeyask in Plan 2 and the in-service date of Conawapa in Plan 12, interest during construction (for the purposes of this evaluation) was not capitalized during the periods when the active development to these projects are suspended. As the construction start date approaches and the annual capital expenditures become more substantial, interest is once again capitalized to the projects.

Figure 1 compares the cumulative rate increases of the development plans without the potential pipeline load at **DSM Level 2** under Alternative Rate Methodology #2.

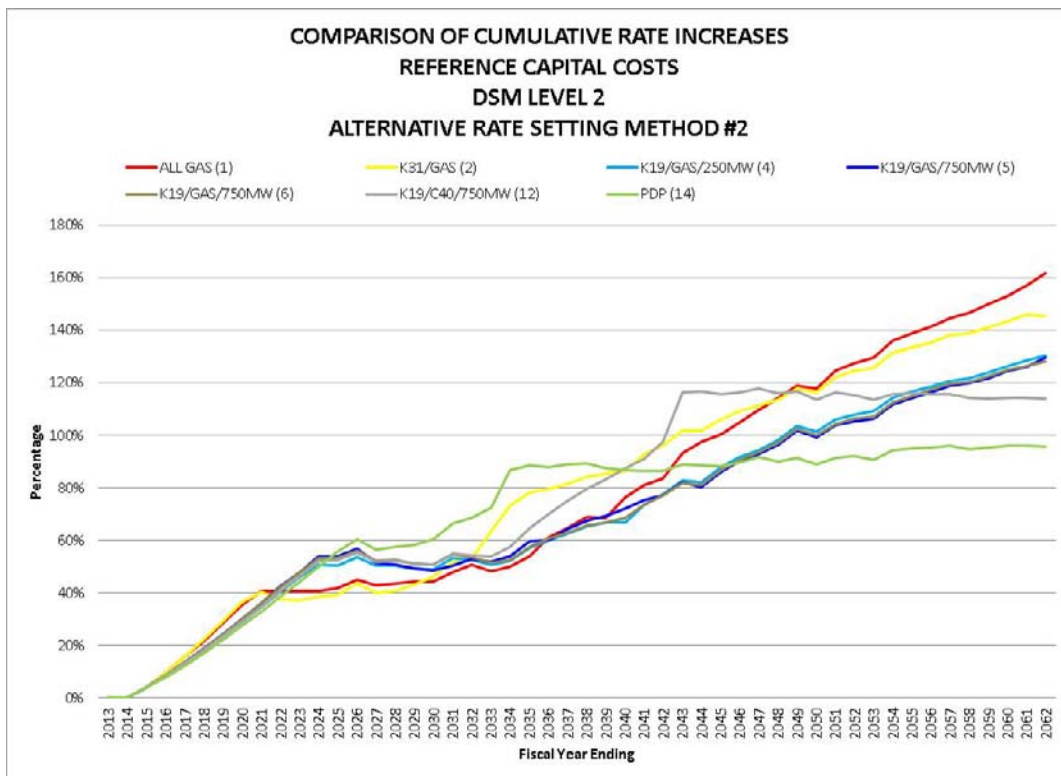


Figure 2 compares the cumulative rate increases (relative to All Gas) of the development plans without the potential pipeline load at **DSM Level 2** under Alternative Rate Methodology #2.

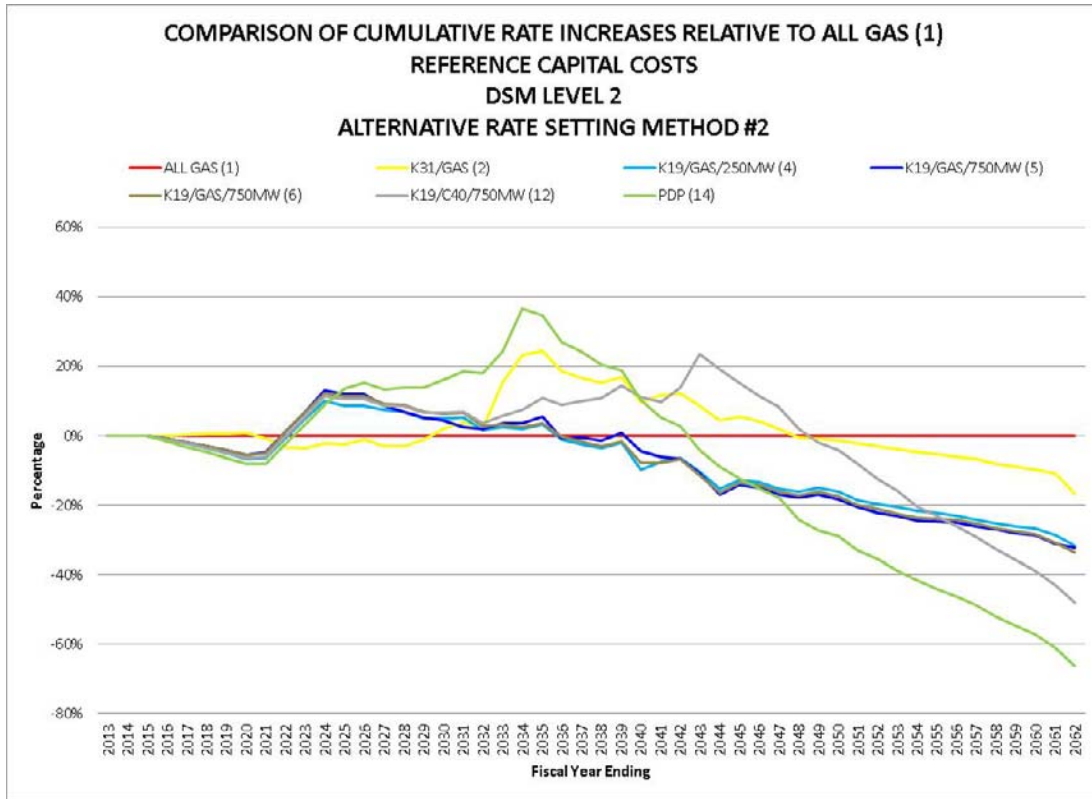


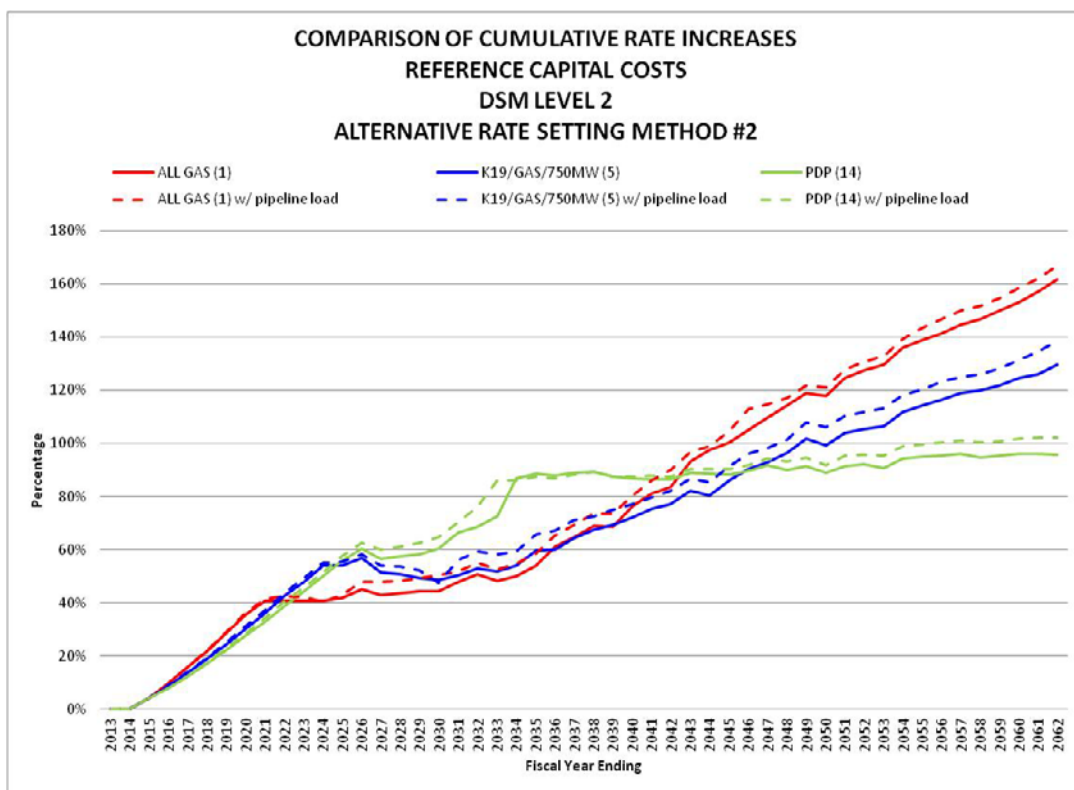
Table 3 outlines the cumulative rate increases.

TABLE 3 CUMULATIVE RATE INCREASES AT DSM LEVEL 2 USING ALTERNATIVE METHODOLOGY #2 AND REFERENCE CAPITAL COSTS		
	2031/32	2061/62
ALL GAS (1)	51%	162%
K31/GAS (2)	53%	145%
K19/GAS/250 MW (4)	52%	130%
K19/GAS/750 MW (5)	53%	130%
K19/GAS/750 MW (6)	53%	128%
K19/C40/750 MW (12)	54%	114%
PDP (14)	69%	96%

Table 4 outlines the cumulative present value of total general consumers’ revenue.

TABLE 4 CUMULATIVE PV OF CONSUMERS REVENUE AT DSM LEVEL 2 USING ALTERNATIVE METHODOLOGY #2 AND REFERENCE CAPITAL COSTS DISCOUNTED AT 1.86% REAL (In Billions)		
	2031/32	2061/62
ALL GAS (1)	\$26.9	\$57.6
K31/GAS (2)	\$26.8	\$58.5
K19/GAS/250 MW (4)	\$27.2	\$56.1
K19/GAS/750 MW (5)	\$27.4	\$56.2
K19/GAS/750 MW (6)	\$27.5	\$56.3
K19/C40/750 MW (12)	\$27.4	\$58.0
PDP (14)	\$27.7	\$57.0

Figure 3 compares the cumulative rate increases of plans 1, 5 and 14 with and without the potential pipeline load at **DSM Level 2** under Alternative Rate Methodology #2 with Reference capital costs.



Manitoba Hydro has summarized the rate increases and key financial metrics in the three attachments to this document in a similar format to Table 4 of the Needs For and Alternatives To Executive Summary (Business Case, page 29) and Table 11.1 found in PUB/MH I-149(a).

The pro forma financial statements for all development plans and scenarios evaluated under the three rate setting methodologies are available electronically.