

June 12, 2014

## **HYPOTHETICAL PLAN 5 DEFERRED DSM FINANCIAL EVALUATION OVERVIEW**

On May 28, 2014, the PUB Panel requested that the financial analysis (under the Main Submission Rate Methodology) for Plan 5 in which the in-service date for Keeyask is deferred until 2026/27 for the 'Pipeline Load' scenario including a number of additional adjustments which are outlined below:

- 2013 Planning Assumptions
- Assume Curtailable Load Capacity is used if needed
- Assume the NSP 125 MW Sale does not proceed
- Assume Brandon Unit #5 is available, if needed
- 2014 Keeyask capital costs with common factors removed
- DSM Level 2
- All firm export agreements as included in Plan 5, except NSP 125
- Same export revenues as in Plan 5, but excluding NSP 125 revenues
- Extend the Diversity Agreements under existing terms until 2035
- 750 MW GNTL is in-service in 2019/20

This overview along with the attached sets of pro forma financial statements, the average unit revenue tables, and the costs for a Keeyask 2026/27 ISD (in a format similar to the summaries found in Undertaking #49) contains the DSM Financial Evaluation requested.

For the purposes of this evaluation, Manitoba Hydro has completed the financial analysis under two (2) scenarios:

1. **K26/Gas30/750MW** is Plan 5 with all the above mentioned adjustments – making no change to the in-service dates for the gas turbines
2. **K26/Gas35/750MW** is Plan 5 with all the above mentioned adjustments as well as adjusting the in-service dates for the gas turbines based on the extension of the diversity agreements

Manitoba Hydro considers both of these plans to be hypothetical and not feasible since Manitoba Hydro fully expects that Minnesota Power would not proceed with the 750MW interconnection and the MP250 MW Sale if Keeyask were to be deferred to 2026.

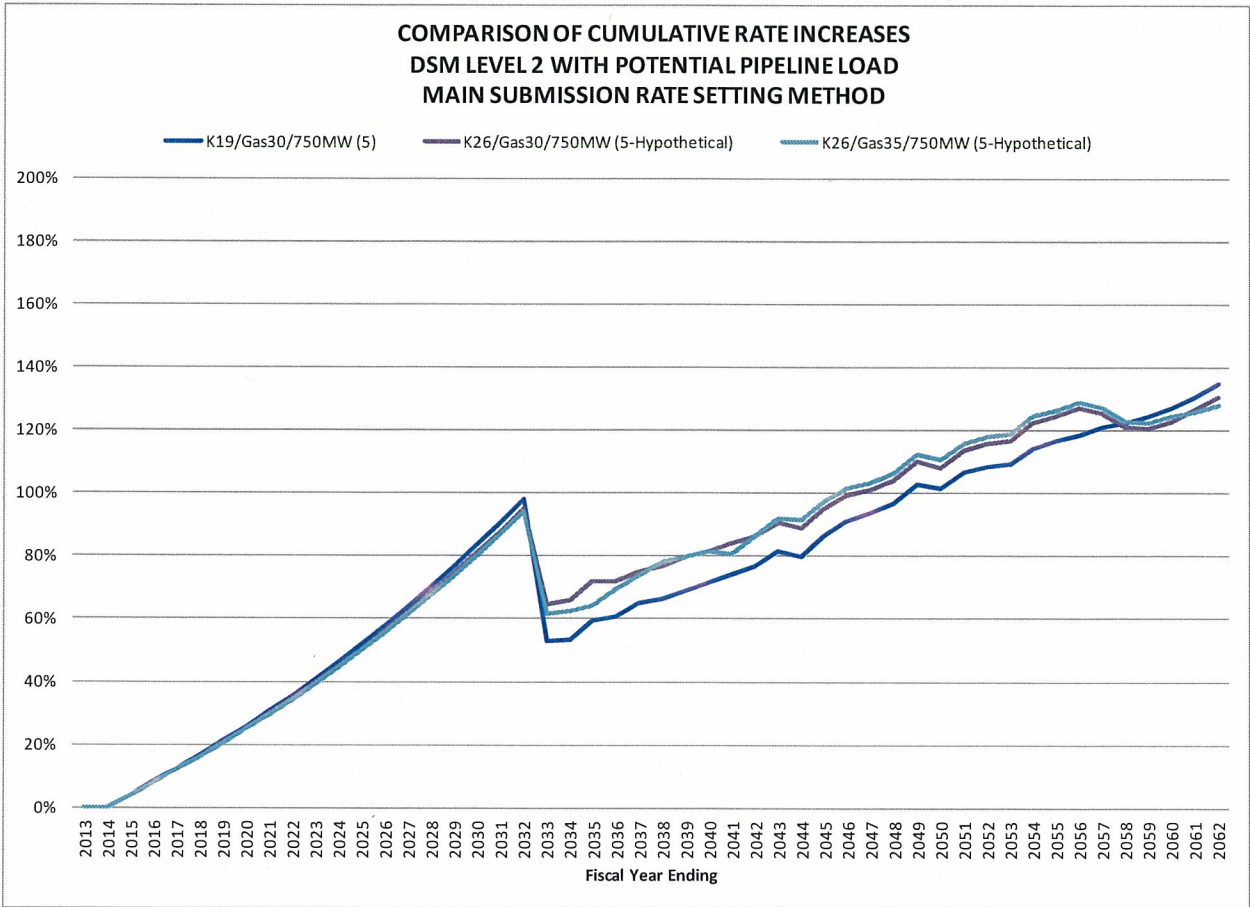
The in-service capital cost for a Keeyask 2026/27 ISD is projected to be \$8.5 billion.

**Table 1** outlines the potential timing of new resources at DSM Level 2 for the purposes of this evaluation. The original Plan 5 has been included for comparison purposes.

TABLE 1	
DEVELOPMENT PLAN	DSM LEVEL 2
<b>WITH POTENTIAL PIPELINE LOAD</b>	
K19/Gas30/750MW (5)	1-CCGT: 2047, 3-SCGTs: 2030-2044
K26/Gas30/750MW (5) (Hypothetical)	1-CCGT: 2047, 3-SCGTs: 2030-2044
K26/Gas35/750MW (5) (Hypothetical)	1-CCGT: 2047, 3-SCGTs: <b>2035</b> -2044

**Figure 1** compares the cumulative rate increases of the development plans with the potential pipeline load at DSM Level 2 under Main Submission Rate Methodology.

**Figure 1**



**Table 2** outlines the cumulative rate increases.

<b>TABLE 2</b> <b>CUMULATIVE RATE INCREASES AT DSM LEVEL 2 WITH THE POTENTIAL PIPELINE LOAD</b> <b>USING MAIN SUBMISSION RATE SETTING METHOD</b>		
	<b>2031/32</b>	<b>2061/62</b>
K19/Gas30/750MW (5)	98%	135%
K26/Gas30/750MW (5) (Hypothetical)	95%	130%
K26/Gas35/750MW (5) (Hypothetical)	94%	128%

**Table 3** outlines the cumulative present value of total general consumers' revenue.

<b>TABLE 3</b> <b>CUMULATIVE PV OF CONSUMERS REVENUE AT DSM LEVEL 2 WITH THE POTENTIAL PIPELINE LOAD</b> <b>USING MAIN SUBMISSION RATE SETTING METHOD</b> <b>DISCOUNTED AT 1.86% REAL</b> <b>(In Billions)</b>		
	<b>2031/32</b>	<b>2061/62</b>
K19/Gas30/750 MW (5)	\$29.2	\$59.1
K26/Gas30/750 MW (5) (Hypothetical)	\$29.0	\$60.2
K26/Gas35/750 MW (5) (Hypothetical)	\$29.0	\$60.1