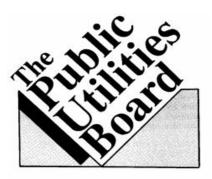
## **News** Release



## NOTICE OF DECISION

April 26, 2013

In Order No. 43/13 dated April 26, 2013 the Public Utilities Board (PUB) approved a 3.5% increase in Manitoba Hydro consumers' billed rates effective May 1, 2013. Of the 3.5% increase, the revenues from 1.5% of the rate increase are to accrue to a deferral account to fund capital expenditures, including Bipole III. As 1.5% of the increase is dedicated to major capital, the PUB expects Manitoba Hydro to realize internal cost savings to meet its net income projections by controlling Operation, Maintenance & Administration costs.

The major reasons for this rate increase are to address:

- Reduced revenues from export sales;
- Higher operating costs related to the Wuskwatim Generating Station;
- Higher Operation, Maintenance & Administration costs;
- Funding of capital expenditures undertaken to support the reliability of electrical service; and
- Manitoba Hydro's financial and credit rating integrity over the longer term.

Net export revenues projected by Manitoba Hydro over a 20-year forecast have declined by over \$6 billion in the current forecast compared to prior forecasts. Lower revenues mean increased borrowing to pay for capital expenditures.

The PUB is concerned with the projected future deterioration of Manitoba Hydro's financial targets, in particular the debt to equity ratio that will fall from a current level of 75:25 to 90:10 by 2021, even with projected annual rate increases of approximately 4%; twice the projected level of inflation. This deterioration will put Manitoba Hydro in a weaker financial position given its planned capital spending over the next two decades of over \$33 billion.

Electricity rates are forecast, by Manitoba Hydro, to more than double from current levels over the next 20 years. The PUB therefore believes that Manitoba Hydro should increase its energy conservation and load management efforts (Demand-Side Management) targets from its 2011 Power Smart Plan to assist consumers to reduce their energy consumption and the impact of projected rate increases. The rate increase granted by this Order contains specific funds designated to be used to implement energy-saving programs.

Board Orders can be viewed on the PUB's website: www.pub.gov.mb.ca.

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