

Needs For and Alternatives To

APPENDIX 11.2

Projected Escalation, Interest and Exchange Rates

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**Projected Escalation, Interest and Exchange Rates
Reference Scenario**

Fiscal Year Ending	2013	2014	2015	2016	2017	2018	2019	2020 & on
MB CPI	1.70	1.80	1.80	1.80	1.80	1.80	1.90	1.90
CDN CPI	1.80	2.10	2.10	1.90	1.90	1.90	1.90	1.90
Cdn GDP Deflator - % chg	1.90	2.00	2.20	1.80	1.80	1.80	1.80	1.80
US GDP Deflator - % chg	1.60	1.80	2.00	1.80	1.80	1.80	1.80	1.80
Hydro Project Escalation (real) - %					0.60			
Gas Fired Generation Projects Escalation (real) - %					0.50			
MH Short Term Cdn T-Bill Rate - %	2.00	2.30	3.10	3.95	4.65	4.75	4.80	4.80
MH Short Term Cdn BA Rate - %	2.35	2.65	3.40	4.25	4.95	5.05	5.10	5.10
MH Cdn Long Term Rate - %	4.15	4.30	4.85	5.55	5.95	6.15	6.30	6.30
MH Short Term US Rate - %	1.70	1.70	1.95	2.90	4.55	5.50	5.65	5.65
MH US Long Term Rate - %	3.85	4.05	4.70	5.45	6.15	6.75	6.75	6.75
WACC (nominal) - %					7.05			
WACC (real) - %					5.05			
US - Cdn Exchange Rate (Cdn \$/US \$)	1.00	0.99	1.02	1.03	1.04	1.04	1.04	1.04

**Projected Escalation, Interest and Exchange Rates
High Scenario**

Fiscal Year Ending	2013	2014	2015	2016	2017	2018	2019	2020 & on
MB CPI	1.70	1.80	2.15	2.35	2.55	2.70	3.00	3.00
CDN CPI	1.80	2.10	2.45	2.45	2.65	2.80	3.00	3.00
Cdn GDP Deflator - % chg	1.90	2.25	2.60	2.40	2.60	2.80	3.00	3.00
US GDP Deflator - % chg	1.60	2.00	2.35	2.40	2.55	2.80	3.00	3.00
Hydro Project Escalation (real) - %					0.80			
Gas Fired Generation Projects Escalation (real) - %					0.70			
MH Short Term Cdn T-Bill Rate - %	2.00	2.30	3.85	5.05	6.10	6.60	7.00	7.00
MH Short Term Cdn BA Rate - %	2.35	2.65	4.25	5.50	6.60	7.15	7.60	7.60
MH Cdn Long Term Rate - %	4.15	4.30	5.75	6.90	7.70	8.35	8.95	8.95
MH Short Term US Rate - %	1.70	1.70	2.65	3.95	6.00	7.30	7.80	7.80
MH US Long Term Rate - %	3.85	4.05	5.55	6.75	7.90	8.90	9.35	9.35
WACC (nominal) - %					9.70			
WACC (real) - %					6.50			
US - Cdn Exchange Rate (Cdn \$/US \$)	1.00	0.99	1.06	1.09	1.11	1.13	1.15	1.15

**Projected Escalation, Interest and Exchange Rates
Low Scenario**

Fiscal Year Ending	2013	2014	2015	2016	2017	2018	2019	2020 & on
MB CPI	1.70	1.80	1.50	1.35	1.20	1.05	1.00	1.00
CDN CPI	1.80	2.10	1.80	1.45	1.30	1.15	1.00	1.00
Cdn GDP Deflator - % chg	1.90	1.90	1.90	1.40	1.30	1.15	1.00	1.00
US GDP Deflator - % chg	1.60	1.70	1.70	1.40	1.25	1.10	1.00	1.00
Hydro Project Escalation (real) - %					0.30			
Gas Fired Generation Projects Escalation (real) - %					0.10			
MH Short Term Cdn T-Bill Rate - %	2.00	2.30	2.50	3.05	3.45	3.25	3.00	3.00
MH Short Term Cdn BA Rate - %	2.35	2.65	2.70	3.20	3.55	3.30	3.00	3.00
MH Cdn Long Term Rate - %	4.15	4.30	3.95	4.25	4.20	3.95	3.65	3.65
MH Short Term US Rate - %	1.70	1.70	1.25	1.80	3.10	3.70	3.50	3.50
MH US Long Term Rate - %	3.85	4.05	3.80	4.10	4.30	4.45	4.00	4.00
WACC (nominal) - %					4.40			
WACC (real) - %					3.35			
US - Cdn Exchange Rate (Cdn \$/US \$)	1.00	0.99	0.99	0.99	0.98	0.97	0.95	0.95