ELECTRIC GENERAL RATE APPLICATION 2015

Manitoba Hydro Undertaking #38

Manitoba Hydro to provide a written undertaking to explain points addressed regarding partnerships.

Response:

The following schedules for Wuskwatim and Keeyask have been revised from Appendix 11.15 to provide an indication of the effects of the partnerships on the estimated revenue requirement calculations. Additionally, a schedule reconciling the differences in finance expense between the partnerships and MH14 is provided.

WUSKWATIM
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average Wuskwatim Energy (GW.h)	1 358	1 493	1 517	1 517	1 517	1 517	1 517	1 517	1 517	1 517
Total Supply (GW.h)	36 315	35 764	33 691	33 841	33 624	34 071	37 444	38 345	38 389	38 393
Wuskwatim % of Total Supply (%)	4%	4%	5%	4%	5%	4%	4%	4%	4%	4%
MH14 Extraprovincial Revenue	409	434	450	457	479	514	817	943	959	987
MH14 Fuel & Power Purchased	(134)	(130)	(191)	(202)	(207)	(205)	(234)	(263)	(257)	(267)
	275	304	259	255	272	309	583	681	701	720
Net Capital Requirement, Opening Balance	**1 655**	1 694	1 690	1 719	1 718	1 717	1 714	1 703	1 688	1 677
In-Service	40	-	30	-	-	-	-	-	3	-
Depreciation Expense	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(28)	(28)
Extraprovincial Revenue (Net of F&PP) Attributed to Wuskwatim	(10)	(13)	(12)	(11)	(12)	(14)	(24)	(27)	(28)	(28)
Sinking Fund Deposits	10	12	12	13	14	14	15	15	16	16
Working Capital	25	25	25	25	25	25	25	25	25	25
Net Capital Requirement, Closing Balance	1 694	1 690	1 719	1 718	1 717	1 714	1 703	1 688	1 677	1 662
Net Capital Requirement	1 683	1 644	1 635	1 596	1 557	1 515	1 464	1 410	1 358	1 302
Average Interest Rate	5.9%	5.7%	5.8%	5.8%	5.8%	5.9%	6.0%	6.0%	5.9%	5.9%
Finance Expense on Capital	99	97	99	100	100	101	102	101	99	99
Liability Accretion to Finance Expense	2	2	2	2	2	2	2	2	2	2
Sinking Fund Interest Income	-	(0)	(1)	(1)	(2)	(3)	(3)	(4)	(4)	(5)
MH Interest Income on TPC Equity Loan & NCN Dividend Loan	(6)	(5)	(6)	(6)	(6)	(7)	(7)	(7)	(8)	(8)
Finance Expense	94	94	95	95	94	94	94	92	89	87
OM&A Costs	13	12	12	12	12	13	13	13	13	13
Depreciation	27	27	27	27	27	27	27	27	28	28
Water Rentals	5	5	5	5	5	5	5	5	5	5
Capital Tax	8	8	8	8	8	8	8	8	7	7
Capital Tax Investment Credit	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Extraprovincial Revenue (Net of F&PP) Attributed to Wuskwatim	(10)	(13)	(12)	(11)	(12)	(14)	(24)	(27)	(28)	(28)
	42	39	40	41	40	38	28	25	24	24
Non-Controlling Interest	25	12	8	7	5	4	10	0	(1)	(3)
Estimated Revenue Requirement	111	121	128	129	129	128	112	117	115	115
Annual Rate Increase/(Decrease)	7.70%	0.56%	0.42%	-0.02%	-0.09%	-0.07%	-1.02%	0.26%	-0.19%	-0.07%
Cumulative Rate Increase	7.70%	8.30%	8.75%	8.73%	8.63%	8.55%	7.44%	7.72%	7.52%	7.45%
Reconcilation of WPLP & MH Wuskwatim Finance Expense:										
WPLP Finance Expense	74	75	77	79	79	79	77	76	75	73
MH Cost of Financing 25% Equity Portion of Asset	25	24	25	25	25	25	25	25	25	25
MH Interest Income on TPC Equity Loan & NCN Dividend Loan	(6)	(5)	(6)	(6)	(6)	(7)	(7)	(7)	(8)	(8)
Other	2	(0)	(1)	(2)	(3)	(4)	(2)	(2)	(3)	(2)
MH Estimated Wuskwatim Finance Expense (above)	94	94	95	95	94	94	94	92	89	87

WUSKWATIM
(In Millions of Dollars)

For the year ended March 31	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Average Wuskwatim Energy (GW.h)	1 517	1 517	1 517	1 517	1 517	1 517	1 517	1 517	1 517	1 517
Total Supply (GW.h)	38 379	38 211	38 401	38 227	38 281	38 347	38 319	38 287	38 217	38 297
Wuskwatim % of Total Supply (%)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
MH14 Extraprovincial Revenue	996	928	944	921	920	927	911	901	883	884
MH14 Fuel & Power Purchased	(278)	(275)	(283)	(283)	(291)	(302)	(307)	(317)	(320)	(333)
	718	653	661	638	629	625	604	584	563	551
Net Capital Requirement, Opening Balance	1 662	1 647	1 636	1 625	1 616	1 607	1 596	1 586	1 577	1 574
In-Service	-	-	-	-	-	-	-	-	4	-
Depreciation Expense	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Extraprovincial Revenue (Net of F&PP) Attributed to Wuskwatim	(28)	(26)	(26)	(25)	(25)	(25)	(24)	(23)	(22)	(22)
Sinking Fund Deposits	17	17	18	18	19	19	20	21	21	22
Working Capital	25	25	25	25	25	22	22	21	21	21
Net Capital Requirement, Closing Balance	1 647	1 636	1 625	1 616	1 607	1 596	1 586	1 577	1 574	1 568
Net Capital Requirement	1 246	1 193	1 139	1 086	1 034	981	930	879	833	784
Average Interest Rate	5.9%	5.9%	5.9%	5.9%	5.9%	5.8%	5.8%	5.6%	5.5%	5.4%
Finance Expense on Capital	98	97	96	95	95	93	93	88	87	85
Liability Accretion to Finance Expense	2	2	2	2	1	1	1	1	1	1
Sinking Fund Interest Income	(6)	(6)	(9)	(10)	(11)	(12)	(12)	(13)	(15)	(16)
MH Interest Income on TPC Equity Loan & NCN Dividend Loan	(8)	(9)	(9)	(10)	(10)	(11)	(11)	(12)	(13)	(12)
Finance Expense	85	83	80	77	75	72	70	64	61	58
OM&A Costs	14	14	14	14	15	11	11	11	11	11
Depreciation	28	28	28	28	28	28	28	28	28	28
Water Rentals	5	5	5	5	5	5	5	5	5	5
Capital Tax	7	7	7	7	7	6	6	6	6	6
Capital Tax Investment Credit	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Extraprovincial Revenue (Net of F&PP) Attributed to Wuskwatim	(28)	(26)	(26)	(25)	(25)	(25)	(24)	(23)	(22)	(22)
	24	27	27	27	28	24	25	26	27	27
Non-Controlling Interest	(5)	(2)	(3)	(5)	(6)	(10)	(12)	(15)	(17)	(19)
Estimated Revenue Requirement	115	112	109	110	110	107	108	104	104	104
Annual Rate Increase/(Decrease)	-0.05%	-0.24%	-0.19%	-0.02%	-0.08%	-0.25%	0.01%	-0.27%	-0.07%	-0.05%
Cumulative Rate Increase	7.39%	7.13%	6.93%	6.90%	6.82%	6.56%	6.57%	6.28%	6.21%	6.16%
Reconcilation of WPLP & MH Wuskwatim Finance Expense:										
WPLP Finance Expense	71	70	67	65	62	60	57	53	51	50
MH Cost of Financing 25% Equity Portion of Asset	24	24	24	24	24	23	23	22	22	21
MH Interest Income on TPC Equity Loan & NCN Dividend Loan	(8)	(9)	(9)	(10)	(10)	(11)	(11)	(12)	(13)	(12)
Other	(2)	(2)	(2)	(1)	(0)	0	2	1	0	(1)
MH Estimated Wuskwatim Finance Expense (above)	85	83	80	77	75	72	70	64	61	58

KEEYASK (ISD 2019/20)
(In Millions of Dollars)

For the year ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average Keeyask Energy (GW.h)	-	-	-	-	-	606	3 853	4 425	4 428	4 427
Total Supply (GW.h)	36 315	35 764	33 691	33 841	33 624	34 071	37 444	38 345	38 389	38 393
Keeyask % of Total Supply (%)	0%	0%	0%	0%	0%	2%	10%	12%	12%	12%
MH14 Extraprovincial Revenue	409	434	450	457	479	514	817	943	959	987
MH14 Fuel & Power Purchased	(134)	(130)	(191)	(202)	(207)	(205)	(234)	(263)	(257)	(267)
	275	304	259	255	272	309	583	681	701	720
Net Capital Requirement, Opening Balance	-	-	-	-	-	-	2 775	6 376	6 397	6 336
In-Service	-	-	-	-	-	2 748	3 665	83	-	-
Depreciation Expense	-	-	-	-	-	(6)	(65)	(90)	(90)	(90)
Extraprovincial Revenue (Net of F&PP) Attributed to Keeyask	-	-	-	-	-	(5)	(60)	(79)	(81)	(83)
Sinking Fund Deposits	-	-	-	-	-	-	-	43	45	47
Working Capital	-	-	-	-	-	38	62	64	65	65
Net Capital Requirement, Closing Balance	-	-	-	-	-	2 775	6 376	6 397	6 336	6 275
Average Interest Rate	5.9%	5.7%	5.8%	5.8%	5.8%	5.9%	6.0%	6.0%	5.9%	5.9%
Finance Expense on Capital	-	-	-	-	-	41	246	381	375	373
Liability Accretion to Finance Expense	-	-	-	-	-	0	4	6	6	6
Sinking Fund Interest Income	-	-	-	-	-	-	-	-	(2)	(4)
Finance Expense	-	-	-	-	-	41	250	387	381	378
OM&A Costs	-	-	-	-	-	5	14	14	14	15
Depreciation	-	-	-	-	-	6	65	90	90	90
Water Rentals	-	-	-	-	-	2	13	15	15	15
Capital Tax	8	12	17	23	28	31	32	32	31	31
KCN Preferred Distribution						0	3	3	5	5
Extraprovincial Revenue (Net of F&PP) Attributed to Keeyask	-	-	-	-	-	(5)	(60)	(79)	(81)	(83)
Estimated Revenue Requirement	8	12	17	23	28	80	316	462	455	451
Annual Rate Increase/(Decrease)	0.59%	0.22%	0.32%	0.43%	0.30%	3.39%	14.87%	7.88%	-0.52%	-0.41%
Cumulative Rate Increase	0.59%	0.81%	1.14%	1.58%	1.88%	5.33%	20.99%	30.52%	29.84%	29.31%
Reconcilation of KHLP & MH Keeyask Finance Expense:										
KHLP Finance Expense	0	0	0	0	0	20	181	247	248	247
MH Cost of Financing 25% Equity Portion of Asset	-	-	-	-	-	20	68	95	94	93
Impact of MH Average Cost of Debt vs Market Interest Rate	-	-	-	-	-	-	-	30	27	31
Other	(0)	(0)	(0)	(0)	(0)	1	0	15	12	7
MH Estimated Wuskwatim Finance Expense (above)	-	-	-	-	-	41	250	387	381	378

KEEYASK (ISD 2019/20)
(In Millions of Dollars)

For the year ended March 31

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Average Keeyask Energy (GW.h)	4 412	4 409	4 432	4 417	4 417	4 417	4 426	4 412	4 410	4 413
Total Supply (GW.h)	38 379	38 211	38 401	38 227	38 281	38 347	38 319	38 287	38 217	38 297
Keeyask % of Total Supply (%)	11%	12%	12%	12%	12%	12%	12%	12%	12%	12%
MH14 Extraprovincial Revenue	996	928	944	921	920	927	911	901	883	884
MH14 Fuel & Power Purchased	(278)	(275)	(283)	(283)	(291)	(302)	(307)	(317)	(320)	(333)
	718	653	661	638	629	625	604	584	563	551
Net Capital Requirement, Opening Balance	6 275	6 216	6 166	6 117	6 073	6 032	5 998	5 963	5 933	5 908
In-Service	-	-	-	-	-	4	-	-	-	-
Depreciation Expense	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)	(90)
Extraprovincial Revenue (Net of F&PP) Attributed to Keeyask	(83)	(75)	(76)	(74)	(73)	(72)	(70)	(67)	(65)	(63)
Sinking Fund Deposits	49	51	53	55	58	60	62	64	67	70
Working Capital	65	65	64	64	64	64	63	63	63	63
Net Capital Requirement, Closing Balance	6 216	6 166	6 117	6 073	6 032	5 998	5 963	5 933	5 908	5 887
Average Interest Rate	5.9%	5.9%	5.9%	5.9%	5.9%	5.8%	5.8%	5.6%	5.5%	5.4%
Finance Expense on Capital	369	366	362	358	355	351	350	331	326	320
Liability Accretion to Finance Expense	6	6	6	6	6	6	6	6	6	6
Sinking Fund Interest Income	(6)	(8)	(12)	(15)	(17)	(20)	(23)	(27)	(30)	(33)
Finance Expense	375	371	367	364	361	357	356	337	332	326
OM&A Costs	15	15	15	15	15	15	14	15	15	15
Depreciation	90	90	90	90	90	90	90	90	90	90
Water Rentals	15	15	15	15	15	15	15	15	15	15
Capital Tax	30	30	29	29	29	28	28	27	27	26
KCN Preferred Distribution	5	5	5	6	6	6	6	6	7	7
Extraprovincial Revenue (Net of F&PP) Attributed to Keeyask	(83)	(75)	(76)	(74)	(73)	(72)	(70)	(67)	(65)	(63)
Estimated Revenue Requirement	448	451	445	445	443	439	439	423	420	416
Annual Rate Increase/(Decrease)	-0.34%	-0.06%	-0.46%	-0.22%	-0.28%	-0.42%	-0.22%	-0.98%	-0.37%	-0.42%
Cumulative Rate Increase	28.87%	28.79%	28.20%	27.93%	27.57%	27.04%	26.76%	25.52%	25.05%	24.52%
Reconcilation of KHLP & MH Keeyask Finance Expense:										
KHLP Finance Expense	248	246	242	240	237	234	229	225	215	209
MH Cost of Financing 25% Equity Portion of Asset	92	91	90	90	89	88	87	83	81	80
Impact of MH Average Cost of Debt vs Market Interest Rate	31	33	37	40	43	44	48	35	34	30
Other	4	1	(3)	(5)	(7)	(8)	(9)	(5)	2	6
MH Estimated Wuskwatim Finance Expense (above)	375	371	367	364	361	357	356	337	332	326