2017/18 & 2018/19 ELECTRIC GENERAL RATE APPLICATION

Manitoba Hydro Undertaking #5

Manitoba Hydro to provide its most current analysis to support the operating and administrative costs in the 2017/18 year forecast as well as in the 2018/19 year forecast, including the voluntary departure information.

Response:

The following provides a summary of the cost and savings incorporated in the forecasted O&A expenditures for IFF16 as well as an update reflecting the results of the Voluntary Departure program. Although the assumptions with respect to the number and timing of staff leaving the corporation are different, the total projected O&A forecast requirements for 2017/18 and 2018/19 are similar.

(in millions of dollars)

	MH16 O&A Target Assumptions		O&A Target Assumptions Post VDP	
	2017/18	2018/19	2017/18	2018/19
O&A Projected 2016/17 Outlook	$ 535.4	$ 535.4	$ 535.4	$ 535.4
Add:				
Impact of General Wage Increases, Merit & Progression	9.3	17.0	9.0	17.1
Manitoba CPI (Non-labour & benefit components)	2.1	5.4	2.1	5.4
Operating costs for in-service of Bipole III converters		8.4		8.4
Less:				
Impact of labour savings through staffing reductions	(22.8)	(53.7)	(23.0)	(65.5)
Sourcing savings through Supply Chain Initiative	(5.6)	(11.3)	(5.6)	(11.3)
$ to address Restructuring (e.g. re-training, IT technology) & potential benefit impacts				12.0
O&A Forecast	$ 518.3	$ 501.2	$ 517.9	$ 501.6

** 2018/19 costs and savings are cumulative since 2016/17*

Key Assumptions:

- IFF16 assumed that ½ of the 500 operational employees would leave the corporation midway through the 2017/18 fiscal year with the balance at the end of the year;
- The Voluntary Departure program will result in 821 employees leaving the corporation with a greater percentage departing in the latter part of the 2017/18 fiscal year. Approximately 70% of the 821 are assumed to be operational in nature;
- The corporation continues to require an O&A target of $501 million for the 2018/19 fiscal year, incorporating the need for additional transitionary expenditures to support the continued operations of the business given the magnitude of staffing reductions. Expenditures include re-training of staff where necessary, implementation of new technologies etc.;
- In addition, it is also recognized that there are potential impacts to employee benefit costs including the pension liability. The impacts will not be fully understood until later in 2018/19 pending an evaluation by the corporation's actuary;
- Assumptions for all non-labour costs as well as savings achieved through the Supply Chain initiative remain unchanged.