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## 2017/18 & 2018/19 ELECTRIC GENERAL RATE APPLICATION

### Manitoba Hydro Undertaking #12

Manitoba Hydro to produce an IFF run that assumes zero payments to government in each of the years 2018 through 2023, and solves for even annual rate increases over the period 2018 to 2027 that achieves a 25 percent equity ratio.

### Response:

Manitoba Hydro has constructed two scenarios. Scenario 1 was prepared in addition to the original undertaking found in Scenario 2. Scenario 1 is reflective of the PUB's recommendation with regard to government payments relating to Keeyask as found at Recommendation #12, page 36 of the Board's June 2014 report on NFAT.

Scenario 1 assumes no payments to the government for Capital Taxes and Water Rentals related to the Keeyask Project for a six-year period (2018/19 – 2023/24). These government payments total \$0.3B over this time period. Even annual rate increases from 2018/19 to 2023/24 were reduced from 7.90% to 7.66% to achieve a 25% equity ratio in 2026/27. The projected financial statements for Scenario 1 are provided below.

**ELECTRIC OPERATIONS**  
**PROJECTED OPERATING STATEMENT**  
**MH Undertaking #12 - MH16 Update with Interim with Scenario 1 Government Payments (2019-2024 )**  
**(In Millions of Dollars)**

For the year ended March 31

	<b>ACTUAL</b>										
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>REVENUES</b>											
Domestic Revenue at approved rates additional*	1 515	1 578	1 565	1 551	1 537	1 544	1 542	1 542	1 553	1 567	1 583
BP/III Reserve Account	-	37	176	307	445	600	763	940	1 059	1 122	1 187
Extraprovincial	(96)	(151)	2	80	80	80	80	27	-	-	-
Other	460	514	469	420	567	693	779	788	805	667	671
	28	30	31	31	33	33	34	34	35	35	36
	<b>1 907</b>	<b>2 008</b>	<b>2 242</b>	<b>2 389</b>	<b>2 661</b>	<b>2 951</b>	<b>3 197</b>	<b>3 330</b>	<b>3 452</b>	<b>3 390</b>	<b>3 476</b>
<b>EXPENSES</b>											
Operating and Administrative	536	518	501	511	513	524	536	548	559	571	583
Finance Expense	608	587	677	743	814	878	1 112	1 140	1 123	1 097	1 056
Finance Income	(17)	(17)	(21)	(28)	(35)	(34)	(41)	(22)	(28)	(30)	(23)
Depreciation and Amortization	375	396	471	515	555	597	689	714	726	739	752
Water Rentals and Assessments	131	130	120	110	113	113	113	113	131	131	131
Fuel and Power Purchased	132	124	140	158	165	156	140	135	138	127	129
Capital and Other Taxes	119	132	117	120	123	124	132	133	175	175	176
Other Expenses	60	116	109	481	94	92	71	64	67	71	76
Corporate Allocation	8	8	8	8	8	8	8	8	8	8	8
	<b>1 952</b>	<b>1 995</b>	<b>2 121</b>	<b>2 620</b>	<b>2 351</b>	<b>2 457</b>	<b>2 760</b>	<b>2 832</b>	<b>2 900</b>	<b>2 889</b>	<b>2 887</b>
Net Income before Net Movement in Reg. Deferral	(46)	13	120	(230)	310	494	437	498	551	501	589
Net Movement in Regulatory Deferral	66	72	114	464	71	64	43	(48)	(50)	(49)	(45)
Non-recurring Gain	20	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	<b>41</b>	<b>85</b>	<b>234</b>	<b>234</b>	<b>381</b>	<b>557</b>	<b>480</b>	<b>451</b>	<b>502</b>	<b>452</b>	<b>544</b>
<b>Net Income Attributable to:</b>											
Manitoba Hydro before Non-recurring Item	33	93	235	232	376	548	470	439	499	450	541
Non-recurring Gain	20	-	-	-	-	-	-	-	-	-	-
<b>Manitoba Hydro</b>	<b>53</b>	<b>93</b>	<b>235</b>	<b>232</b>	<b>376</b>	<b>548</b>	<b>470</b>	<b>439</b>	<b>499</b>	<b>450</b>	<b>541</b>
Non-controlling Interest	(12)	(8)	(1)	2	5	9	10	11	3	2	3
	<b>41</b>	<b>85</b>	<b>234</b>	<b>234</b>	<b>381</b>	<b>557</b>	<b>480</b>	<b>451</b>	<b>502</b>	<b>452</b>	<b>544</b>
* Additional Domestic Revenue											
Percent Increase		3.36%	7.66%	7.66%	7.66%	7.66%	7.66%	7.66%	4.54%	2.00%	2.00%
Cumulative Percent Increase		3.36%	11.28%	19.80%	28.98%	38.87%	49.51%	60.96%	68.27%	71.63%	75.07%
<b>Financial Ratios</b>											
Equity	16%	15%	15%	15%	15%	17%	17%	19%	21%	23%	25%
EBITDA Interest Coverage	1.51	1.54	1.73	1.75	1.87	2.05	2.06	2.11	2.20	2.20	2.33
Capital Coverage	1.53	1.40	1.53	1.52	1.93	2.40	2.32	2.42	2.28	2.13	2.25

**ELECTRIC OPERATIONS  
PROJECTED BALANCE SHEET**  
MH Undertaking #12 - MH16 Update with Interim with Scenario 1 Government Payments (2019-2024 )  
(In Millions of Dollars)

For the year ended March 31

	ACTUAL										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>ASSETS</b>											
Plant in Service	13 065	13 679	19 062	19 684	20 747	26 166	30 501	31 031	31 667	32 331	32 942
Accumulated Depreciation	(972)	(1 301)	(1 731)	(2 178)	(2 616)	(3 125)	(3 705)	(4 328)	(4 942)	(5 607)	(6 212)
Net Plant in Service	12 093	12 378	17 332	17 506	18 131	23 042	26 796	26 703	26 724	26 725	26 730
Construction in Progress	7 079	9 471	6 745	7 523	8 012	3 837	370	457	421	417	414
Current and Other Assets	1 773	1 915	2 293	2 547	2 644	1 849	1 916	2 160	2 371	2 183	2 265
Goodwill and Intangible Assets	327	541	782	926	1 348	1 302	1 256	1 211	1 167	1 123	1 081
Total Assets before Regulatory Deferral	21 272	24 305	27 151	28 502	30 135	30 029	30 337	30 531	30 683	30 448	30 490
Regulatory Deferral Balance	462	533	647	1 111	1 182	1 246	1 289	1 241	1 192	1 143	1 098
	21 733	24 839	27 798	29 613	31 318	31 275	31 626	31 772	31 874	31 591	31 588
<b>LIABILITIES AND EQUITY</b>											
Long-Term Debt	15 725	18 141	21 376	22 189	22 994	22 650	23 681	23 178	22 490	21 229	21 671
Current and Other Liabilities	3 204	3 643	3 046	3 813	4 352	4 139	3 018	3 172	3 453	3 970	2 974
Provisions	70	50	49	48	46	45	43	42	41	40	39
Deferred Revenue	450	465	491	520	542	551	561	571	582	593	603
BPIII Reserve Account	196	347	346	266	186	106	27	(0)	(0)	(0)	(0)
Retained Earnings	2 749	2 842	3 077	3 309	3 685	4 233	4 703	5 142	5 641	6 091	6 632
Accumulated Other Comprehensive Income	(709)	(699)	(636)	(580)	(537)	(497)	(455)	(383)	(382)	(381)	(381)
Total Liabilities and Equity before Regulatory Deferral	21 684	24 790	27 749	29 564	31 269	31 226	31 577	31 724	31 825	31 542	31 539
Regulatory Deferral Balance	49	49	49	49	49	49	49	49	49	49	49
	21 733	24 839	27 798	29 613	31 318	31 275	31 626	31 772	31 874	31 591	31 588
Net Debt	15 427	18 473	20 719	22 357	23 221	23 503	23 250	22 666	22 066	21 522	20 887
Total Equity	2 856	3 163	3 536	3 821	4 222	4 776	4 923	5 430	5 943	6 407	6 962
Equity Ratio	16%	15%	15%	15%	15%	17%	17%	19%	21%	23%	25%

**ELECTRIC OPERATIONS**  
**PROJECTED CASH FLOW STATEMENT**  
**MH Undertaking #12 - MH16 Update with Interim with Scenario 1 Government Payments (2019-2024 )**  
**(In Millions of Dollars)**

*For the year ended March 31*

	<b>ACTUAL</b>										
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>OPERATING ACTIVITIES</b>											
Cash Receipts from Customers	1 901	2 152	2 229	2 298	2 569	2 858	3 105	3 292	3 439	3 378	3 463
Cash Paid to Suppliers and Employees	(555)	(892)	(815)	(836)	(847)	(848)	(847)	(878)	(953)	(953)	(966)
Interest Paid	(553)	(531)	(635)	(700)	(762)	(830)	(1 059)	(1 112)	(1 100)	(1 082)	(1 033)
Interest Received	17	5	11	22	26	20	10	14	21	22	16
	<u>810</u>	<u>734</u>	<u>791</u>	<u>785</u>	<u>986</u>	<u>1 200</u>	<u>1 209</u>	<u>1 315</u>	<u>1 406</u>	<u>1 366</u>	<u>1 480</u>
<b>FINANCING ACTIVITIES</b>											
Proceeds from Long-Term Debt	2 166	3 468	3 600	2 160	2 190	790	1 360	(10)	(10)	(50)	590
Sinking Fund Withdrawals	146	0	0	120	318	813	182	44	337	138	232
Sinking Fund Payment	(146)	(182)	(222)	(260)	(296)	(353)	(238)	(249)	(253)	(245)	(242)
Retirement of Long-Term Debt	(320)	(407)	(1 002)	(349)	(1 293)	(1 366)	(1 141)	(290)	(412)	(715)	(1 178)
Other	(5)	(10)	(10)	(11)	(11)	(11)	11	(5)	(5)	(5)	(5)
	<u>1 841</u>	<u>2 869</u>	<u>2 366</u>	<u>1 661</u>	<u>908</u>	<u>(127)</u>	<u>174</u>	<u>(509)</u>	<u>(342)</u>	<u>(877)</u>	<u>(603)</u>
<b>INVESTING ACTIVITIES</b>											
Property, Plant and Equipment, net of contributions	(2 925)	(3 659)	(3 002)	(2 391)	(1 760)	(1 368)	(898)	(700)	(704)	(732)	(756)
Other	(35)	(89)	(57)	(46)	(89)	(109)	(99)	(96)	(96)	(82)	(81)
	<u>(2 960)</u>	<u>(3 748)</u>	<u>(3 059)</u>	<u>(2 438)</u>	<u>(1 850)</u>	<u>(1 477)</u>	<u>(997)</u>	<u>(796)</u>	<u>(800)</u>	<u>(814)</u>	<u>(838)</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(309)</b>	<b>(145)</b>	<b>97</b>	<b>8</b>	<b>45</b>	<b>(405)</b>	<b>386</b>	<b>10</b>	<b>264</b>	<b>(326)</b>	<b>39</b>
<b>Cash at Beginning of Year</b>	<b>943</b>	<b>634</b>	<b>489</b>	<b>586</b>	<b>594</b>	<b>638</b>	<b>234</b>	<b>620</b>	<b>630</b>	<b>894</b>	<b>568</b>
<b>Cash at End of Year</b>	<b>634</b>	<b>489</b>	<b>586</b>	<b>594</b>	<b>638</b>	<b>234</b>	<b>620</b>	<b>630</b>	<b>894</b>	<b>568</b>	<b>607</b>

In addition, Manitoba Hydro has produced an IFF run entitled Scenario 2 in response to Undertaking #12. Scenario 2 assumes zero payments to the government (Provincial Guarantee Fee, Capital Tax and Water Rentals) for a six-year period (2018/19 – 2023/24). These government payments total \$2.7B over this time period. Even annual rate increases from 2018/19 to 2023/24 were reduced from 7.90% to 4.55% to achieve a 25% equity ratio in 2026/27. The projected financial statements for Scenario 2 are provided below.

**ELECTRIC OPERATIONS**  
**PROJECTED OPERATING STATEMENT**  
**MH Undertaking #12 - MH16 Update with Interim with Scenario 2 Government Payments (2019-2024)**  
**(In Millions of Dollars)**

*For the year ended March 31*

	<b>ACTUAL</b>										
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>REVENUES</b>											
Domestic Revenue at approved rates	1 515	1 578	1 565	1 551	1 537	1 544	1 542	1 542	1 553	1 567	1 583
additional*	-	37	126	201	278	363	449	539	638	688	741
BP/III Reserve Account	(96)	(151)	3	79	79	79	79	26	-	-	-
Extraprovincial	460	514	469	420	567	693	779	788	805	667	671
Other	28	30	31	31	33	33	34	34	35	35	36
	<u>1 907</u>	<u>2 008</u>	<u>2 193</u>	<u>2 283</u>	<u>2 494</u>	<u>2 713</u>	<u>2 883</u>	<u>2 930</u>	<u>3 031</u>	<u>2 957</u>	<u>3 030</u>
<b>EXPENSES</b>											
Operating and Administrative	536	518	501	511	513	524	536	548	559	571	583
Finance Expense	608	587	518	559	612	654	835	850	1 057	1 036	1 040
Finance Income	(17)	(17)	(18)	(24)	(30)	(29)	(32)	(18)	(19)	(12)	(16)
Depreciation and Amortization	375	396	471	515	555	597	687	711	723	736	749
Water Rentals and Assessments	131	130	10	10	10	10	10	10	131	131	131
Fuel and Power Purchased	132	124	140	158	165	156	138	135	138	127	129
Capital and Other Taxes	119	132	40	41	42	43	44	44	175	175	175
Other Expenses	60	116	109	481	94	92	71	64	67	71	76
Corporate Allocation	8	8	8	8	8	8	8	8	8	8	8
	<u>1 952</u>	<u>1 995</u>	<u>1 779</u>	<u>2 260</u>	<u>1 970</u>	<u>2 054</u>	<u>2 297</u>	<u>2 352</u>	<u>2 840</u>	<u>2 843</u>	<u>2 875</u>
Net Income before Net Movement in Reg. Deferral	(46)	13	414	24	524	660	586	578	191	114	154
Net Movement in Regulatory Deferral	66	72	114	464	71	64	43	(48)	(50)	(49)	(45)
Non-recurring Gain	20	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	<u>41</u>	<u>85</u>	<u>527</u>	<u>488</u>	<u>596</u>	<u>723</u>	<u>628</u>	<u>531</u>	<u>141</u>	<u>65</u>	<u>109</u>
<b>Net Income Attributable to:</b>											
Manitoba Hydro before Non-recurring Item	33	93	527	484	589	710	617	518	138	63	106
Non-recurring Gain	20	-	-	-	-	-	-	-	-	-	-
<b>Manitoba Hydro</b>	<u>53</u>	<u>93</u>	<u>527</u>	<u>484</u>	<u>589</u>	<u>710</u>	<u>617</u>	<u>518</u>	<u>138</u>	<u>63</u>	<u>106</u>
Non-controlling Interest	(12)	(8)	0	4	7	13	11	13	4	3	4
	<u>41</u>	<u>85</u>	<u>527</u>	<u>488</u>	<u>596</u>	<u>723</u>	<u>628</u>	<u>531</u>	<u>141</u>	<u>65</u>	<u>109</u>
<b>* Additional Domestic Revenue</b>											
Percent Increase		3.36%	4.55%	4.55%	4.55%	4.55%	4.55%	4.55%	4.54%	2.00%	2.00%
Cumulative Percent Increase		3.36%	8.06%	12.98%	18.13%	23.50%	29.12%	35.00%	41.13%	43.95%	46.83%
<b>Financial Ratios</b>											
Equity	16%	15%	16%	17%	18%	20%	21%	24%	24%	25%	25%
EBITDA Interest Coverage	1.51	1.54	2.27	2.27	2.37	2.55	2.57	2.56	1.92	1.87	1.93
Capital Coverage	1.53	1.40	2.09	2.02	2.35	2.75	2.60	2.56	1.70	1.52	1.58

**ELECTRIC OPERATIONS  
PROJECTED BALANCE SHEET  
MH Undertaking #12 - MH16 Update with Interim with Scenario 2 Government Payments (2019-2024)  
(In Millions of Dollars)**

*For the year ended March 31*

	<b>ACTUAL</b>										
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>ASSETS</b>											
Plant in Service	13 065	13 679	19 062	19 684	20 747	26 060	30 298	30 828	31 464	32 128	32 739
Accumulated Depreciation	(972)	(1 301)	(1 731)	(2 178)	(2 616)	(3 124)	(3 703)	(4 322)	(4 934)	(5 595)	(6 198)
Net Plant in Service	12 093	12 378	17 332	17 506	18 131	22 936	26 596	26 505	26 530	26 533	26 541
Construction in Progress	7 079	9 471	6 712	7 446	7 883	3 765	370	457	421	417	414
Current and Other Assets	1 773	1 915	2 213	2 570	2 538	1 966	1 823	2 145	1 992	2 024	2 069
Goodwill and Intangible Assets	327	541	782	926	1 348	1 302	1 256	1 211	1 167	1 123	1 081
Total Assets before Regulatory Deferral	21 272	24 305	27 038	28 448	29 900	29 968	30 044	30 318	30 109	30 097	30 104
Regulatory Deferral Balance	462	533	647	1 111	1 182	1 246	1 289	1 241	1 192	1 143	1 098
	21 733	24 839	27 685	29 559	31 082	31 214	31 333	31 559	31 301	31 240	31 202
<b>LIABILITIES AND EQUITY</b>											
Long-Term Debt	15 725	18 141	20 976	21 599	22 014	21 680	22 331	21 842	21 153	20 502	21 344
Current and Other Liabilities	3 204	3 643	3 043	3 806	4 341	4 130	3 009	3 165	3 446	3 964	2 968
Provisions	70	50	49	48	46	45	43	42	41	40	39
Deferred Revenue	450	465	491	520	542	551	561	571	582	593	603
BP/III Reserve Account	196	347	344	265	185	106	26	(0)	(0)	(0)	(0)
Retained Earnings	2 749	2 842	3 369	3 853	4 441	5 151	5 768	6 287	6 424	6 487	6 593
Accumulated Other Comprehensive Income	(709)	(699)	(636)	(580)	(537)	(497)	(455)	(396)	(395)	(394)	(394)
Total Liabilities and Equity before Regulatory Deferral	21 684	24 790	27 636	29 511	31 033	31 165	31 284	31 510	31 252	31 191	31 154
Regulatory Deferral Balance	49	49	49	49	49	49	49	49	49	49	49
	21 733	24 839	27 685	29 559	31 082	31 214	31 333	31 559	31 301	31 240	31 202
Net Debt	15 427	18 473	20 394	21 734	22 328	22 389	21 984	21 333	21 096	20 941	20 742
Total Equity	2 856	3 163	3 826	4 364	4 978	5 695	5 996	6 570	6 723	6 800	6 914
Equity Ratio	16%	15%	16%	17%	18%	20%	21%	24%	24%	25%	25%

**ELECTRIC OPERATIONS**  
**PROJECTED CASH FLOW STATEMENT**  
**MH Undertaking #12 - MH16 Update with Interim with Scenario 2 Government Payments (2019-2024)**  
(In Millions of Dollars)

*For the year ended March 31*

	<b>ACTUAL</b>										
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>OPERATING ACTIVITIES</b>											
Cash Receipts from Customers	1 901	2 152	2 179	2 193	2 403	2 621	2 791	2 891	3 018	2 944	3 017
Cash Paid to Suppliers and Employees	(555)	(892)	(628)	(656)	(663)	(664)	(656)	(687)	(953)	(952)	(966)
Interest Paid	(553)	(531)	(480)	(519)	(564)	(606)	(789)	(822)	(1 034)	(1 021)	(1 017)
Interest Received	17	5	12	22	26	21	8	12	13	5	10
	<u>810</u>	<u>734</u>	<u>1 083</u>	<u>1 040</u>	<u>1 202</u>	<u>1 372</u>	<u>1 354</u>	<u>1 394</u>	<u>1 044</u>	<u>976</u>	<u>1 043</u>
<b>FINANCING ACTIVITIES</b>											
Proceeds from Long-Term Debt	2 166	3 468	3 200	1 970	1 800	800	980	(10)	(10)	560	990
Sinking Fund Withdrawals	146	0	0	120	318	813	182	34	323	124	217
Sinking Fund Payment	(146)	(182)	(222)	(260)	(296)	(353)	(228)	(234)	(239)	(231)	(234)
Retirement of Long-Term Debt	(320)	(407)	(1 002)	(349)	(1 293)	(1 366)	(1 141)	(290)	(412)	(715)	(1 178)
Other	(5)	(10)	(10)	(10)	(11)	(11)	12	(5)	(5)	(5)	(5)
	<u>1 841</u>	<u>2 869</u>	<u>1 966</u>	<u>1 471</u>	<u>518</u>	<u>(117)</u>	<u>(196)</u>	<u>(505)</u>	<u>(342)</u>	<u>(267)</u>	<u>(209)</u>
<b>INVESTING ACTIVITIES</b>											
Property, Plant and Equipment, net of contributions	(2 925)	(3 659)	(2 969)	(2 348)	(1 707)	(1 319)	(891)	(700)	(704)	(732)	(756)
Other	(35)	(89)	(57)	(46)	(89)	(109)	(99)	(96)	(96)	(82)	(81)
	<u>(2 960)</u>	<u>(3 748)</u>	<u>(3 026)</u>	<u>(2 394)</u>	<u>(1 796)</u>	<u>(1 428)</u>	<u>(990)</u>	<u>(796)</u>	<u>(800)</u>	<u>(814)</u>	<u>(838)</u>
<b>Net Increase (Decrease) in Cash</b>	(309)	(145)	22	117	(76)	(173)	168	94	(98)	(105)	(4)
<b>Cash at Beginning of Year</b>	943	634	489	511	628	551	378	546	640	542	437
<b>Cash at End of Year</b>	<u>634</u>	<u>489</u>	<u>511</u>	<u>628</u>	<u>551</u>	<u>378</u>	<u>546</u>	<u>640</u>	<u>542</u>	<u>437</u>	<u>433</u>