

RESPONSE TO DIRECTIVE #14 – BOARD ORDER 73/15

For Year Ended March 31, 2018

14. *Manitoba Hydro shall file quarterly updates regarding its Operation, Maintenance & Administration (OM&A) expenditures and the actual OM&A expenditures compared to Manitoba Hydro's target.*

Manitoba Hydro's Operating and Administrative (O&A) expenses for Electric Operations for the year-ended 2017/18 were \$516.8 million, a decrease of \$19.0 million or 3.5% as compared to year ended 2016/17. The decrease is primarily due to a reduction in employee-related expenditures resulting from the corporate restructuring initiative, as well as a reduction in consulting and professional fees related to the completion of the strategic initiative funding program in 2017, and other work such as Wuskwatim Aquatic Monitoring, interconnection studies, power sale negotiations and ARC flash studies. This is partially offset by an increase in uncollectible accounts reflecting a change in the collectability for certain accounts, an increase in construction and maintenance services as a result of increased vegetation management treatment costs, and an increase in maintenance requirements at Jenpeg associated with water head bearing repairs and airport road maintenance.

O&A expenses for the year ending March 31, 2018 were on target with forecast reflecting a minimal variance of \$1.5 million lower than forecast or 0.3%.

A summary of Manitoba Hydro's actual 2017/18 O&A expenditures by cost element with a comparison to the 2016/17 year end expenditures and 2017/18 forecast has been provided in the table below.

ELECTRIC OPERATIONS
OPERATING & ADMINISTRATIVE COSTS BY COST ELEMENT
FOR THE YEAR ENDING MARCH 31

(in Thousands of Dollars)

	2016/17 Actual	2017/18 Actual	2017/18 Forecast	Favourable (Unfavourable) Variance
Employee Related Expenditures				
Wages & salaries	\$517 311	\$493 691		
Overtime	72 256	75 095		
Employee benefits	165 924	156 884		
Other	71 944	68 232		
Total Employee Related Expenditures	827 435	793 902		
Less: Capitalized labour and overhead	(345 763)	(336 400)		
Operational Employee Related Expenditures	481 672	457 502		
External services and materials	126 024	122 842		
Donations, sponsorships & grants	2 134	2 434		
Uncollectible accounts	4 266	12 375		
Other	2 820	1 202		
Cost recoveries	(15 706)	(16 387)		
O&A charged to gas operations	(65 384)	(63 113)		
Operating & Administrative Expenses	535 826	516 855	518 340	1 485

RESPONSE TO DIRECTIVE #14 – BOARD ORDER 73/15

For Three Quarter Ended June 30, 2018

14. *Manitoba Hydro shall file quarterly updates regarding its Operation, Maintenance & Administration (OM&A) expenditures and the actual OM&A expenditures compared to Manitoba Hydro's target.*

Manitoba Hydro's Operating and Administrative (O&A) expenses for Electric Operations for the first quarter of 2018/19 were \$123.1 million, a decrease of \$14.8 million or 10.7% as compared to the first quarter of 2017/18. The decrease is primarily due to a reduction in employee related expenditures as a result of the voluntary departure program.

O&A expenses for the first quarter of 2018/19 were \$4.3 million or 3.4% lower than forecast primarily due to primarily due to an unallocated contingency forecast for transitional business requirements which may be required as a result of the VDP, the timing of requirements for consulting and professional services and delays in awarding vegetation management contracts.

A summary of Manitoba Hydro's actual and forecast O&A expenditures by cost element with a comparison to the 2017/18 first quarter expenditures has been provided in the table below.

ELECTRIC OPERATIONS
OPERATING & ADMINISTRATIVE COSTS BY COST ELEMENT
FOR THE QUARTER ENDED JUNE 30
(in Thousands of Dollars)

	2017/18 Actual	2018/19 Actual	2018/19 Forecast	Favourable (Unfavourable) Variance
Employee Related Expenditures				
Wages & salaries	\$129 393	\$114 967	\$116 922	\$1 955
Overtime	20 730	20 138	21 069	931
Employee benefits	45 579	38 477	38 877	400
Other	17 262	17 092	18 276	1 184
Total Employee Related Expenditures	212 964	190 674	195 144	4 470
Less: Capitalized labour and overhead	(85 132)	(78 846)	(83 815)	(4 969)
Operational Employee Related Expenditures	127 832	111 828	111 329	(499)
External services and materials	28 968	29 456	32 226	2 770
Donations, sponsorships & grants	661	546	535	(11)
Uncollectible accounts	1 093	1 079	1 066	(13)
Other	76	121	2 005	1 884
Cost recoveries	(3 817)	(4 267)	(3 648)	619
O&A charged to gas operations	(16 917)	(15 679)	(16 111)	(432)
Operating & Administrative Expenses	137 896	123 084	127 403	4 319

RESPONSE TO DIRECTIVE #14 – BOARD ORDER 73/15

For the Quarter Ended September 30, 2018

14. *Manitoba Hydro shall file quarterly updates regarding its Operation, Maintenance & Administration (OM&A) expenditures and the actual OM&A expenditures compared to Manitoba Hydro's target.*

Manitoba Hydro's Operating and Administrative (O&A) expenses for Electric Operations for the second quarter of 2018/19 was \$249.5 million, as compared to a forecast of \$249.3 million. The minor variance is attributable to higher employee related expenditures primarily due to lower than anticipated capitalization of resources, offset by unallocated contingency funds for transitional requirements which may be required as a result of the Voluntary Departure Program (VDP), as well as the timing of consulting and professional fee requirements.

Compared to the same 6 month period last year, O&A expenditures were lower by \$16.4 million or 6.1%. The decrease is primarily due to a reduction in employee related expenditures as a result of the VDP and management reductions.

A summary of Manitoba Hydro's actual and forecast O&A expenditures by cost element with a comparison to the 2017/18 second quarter expenditures has been provided in the table below, as well as the annual O&A forecast for 2018/19.

ELECTRIC OPERATIONS
OPERATING & ADMINISTRATIVE COSTS BY COST ELEMENT
FOR THE QUARTER ENDED SEPTEMBER 30
(in Thousands of Dollars)

	2017/18 Q2 Actual	2018/19 Annual Forecast	2018/19 Q2 Actual	2018/19 Q2 Forecast	Favourable (Unfavourable) Variance
Employee Related Expenditures					
Wages & salaries	\$254 647	\$469 597	\$230 728	\$235 672	\$4 944
Overtime	36 744	76 642	35 395	39 423	4 028
Employee benefits	82 769	145 225	73 067	71 778	(1 289)
Other	33 188	73 421	33 952	36 345	2 393
Total Employee Related Expenditures	407 348	764 885	373 142	383 218	10 076
Less: Capitalized labour and overhead	(163 797)	(332 292)	(150 109)	(167 570)	(17 461)
Operational Employee Related Expenditures	243 551	432 593	223 033	215 648	(7 385)
External services and materials	58 909	130 905	62 323	65 041	2 718
Donations, sponsorships & grants	1 060	2 140	905	1 070	165
Uncollectible accounts	2 180	4 265	2 182	2 133	(49)
Other	308	9 188	225	4 396	4 171
Cost recoveries	(7 420)	(14 593)	(8 626)	(7 295)	1 331
O&A charged to gas operations	(32 668)	(63 315)	(30 511)	(31 676)	(1 165)
Operating & Administrative Expenses	265 920	501 183	249 531	249 318	(213)