

**PUB MFR 15**

**Finance Expense and Debt**

**Manitoba Hydro's most recent presentation(s) made to each credit rating agency.**

Please see the attachments to this response:

- Attachment 1 – Presentation to S&P (April 23, 2021)
- Attachment 2 – Presentation to Moody's (May 6, 2021)
- Attachment 3 – Presentation to DBRS (August 25, 2021)

These presentations include updates on Manitoba Hydro's corporate profile, Strategy 2040, financial results, capital projects, power sales contracts, liquidity and projected financing, financial targets and rate setting. To assist in trend analysis to address concerns raised by credit rating agencies about the self-sustainability of the utility, Manitoba Hydro incorporated, as part of its presentation, a scenario with annual rate increases of 3.5% to 2030. This scenario was provided to illustrate one potential path to recovery of financial health and achievement of the debt ratio targets set out in Bill 35 through annual, consistent rate increases. The potential scenario is not reflective of any long-term financial forecast or rate strategy approved by the Manitoba Hydro-Electric Board. Pending the review of Manitoba Hydro's financial metrics and targets, the utility has continued to provide the credit rating agencies with performance updates and projections with respect to its previously approved financial metrics including the debt ratio, EBITDA interest coverage ratio and capital coverage ratio. Updates on solely the debt ratio would provide little insight to the credit rating agencies into the short and medium term impact of influences on operating results as balance sheet ratios typically react much more slowly to changes in financial results than do income statement and cash flow ratios.

# Manitoba Hydro Corporate Update

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Presentation to S&P  
April 23, 2021

# Agenda

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- Corporate Profile
- Strategy 2040
- Financial Results
- Capital Overview
- Power Sale Contracts
- Liquidity & Projected Financing
- Financial Targets
- Rates

# Corporate Profile

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# Strategy 2040

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## Mission Statement:

- Help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage, while ensuring safe, clean, reliable energy at the lowest possible cost.

# Strategy 2040

<b>1</b> Provide safe reliable energy that meets the evolving energy needs of Manitobans	<b>2</b> Serve customers efficiently, responsively, and digitally	<b>3</b> Help all Manitobans understand their energy options and make informed choices	<b>4</b> Ensure Manitobans get maximum value from their clean hydro generation dams and energy infrastructure	<b>5</b> Keep energy prices as low as possible, while providing the level of service Manitobans expect
Energy powers your life and your business – Manitoba Hydro will ensure your energy is safely and reliably produced and delivered to you	You expect responsive service, and to be able to deal with your energy provider the way you want – Manitoba Hydro will modernize its customer service to deliver digitally, and to improve responsiveness	Your home and business energy choices are expanding and becoming a lot more complex – Manitoba Hydro will help you understand your energy options and make informed choices that are right for you	All Manitobans have a tremendous asset (our Hydro Generation dams) that is becoming even more valuable as the world moves to price and reduce the use of carbon – Manitoba Hydro will help protect and maximize the value of these assets for all Manitobans	Whether at home or in your business, your energy costs are important to you – Manitoba Hydro will take all responsible measures to keep costs low, while making necessary investments to serve the needs of Manitobans

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# Financial Results

# Financial Results – Consolidated

For the Fiscal Years Ended March 31<sup>st</sup> (\$ are in millions)

	2020	Outlook 2021	Approved Budget 2022	Projection 2023
<i>Assumed Electric Rate Increases</i>			3.50%	3.50%
Revenues	\$2,621	\$2,830	\$3,112	\$3,293
Expenses	(2,605)	(2,808)	(3,210)	(3,337)
Net Movement in Regulatory Balances	97	87	272	211
Non-Controlling Interest	1	1	16	(3)
Net Income	\$114	\$110	\$190	\$164
Total Assets and Regulatory Deferral Balance	\$29,247	\$30,963	\$31,445	\$30,973
Retained Earnings	\$3,139	\$3,250	\$3,440	\$3,604
Financial Ratios:				
Debt/ Equity	86:14	86:14	86:14	87:13
EBITDA Interest Coverage	1.60	1.58	1.76	1.78



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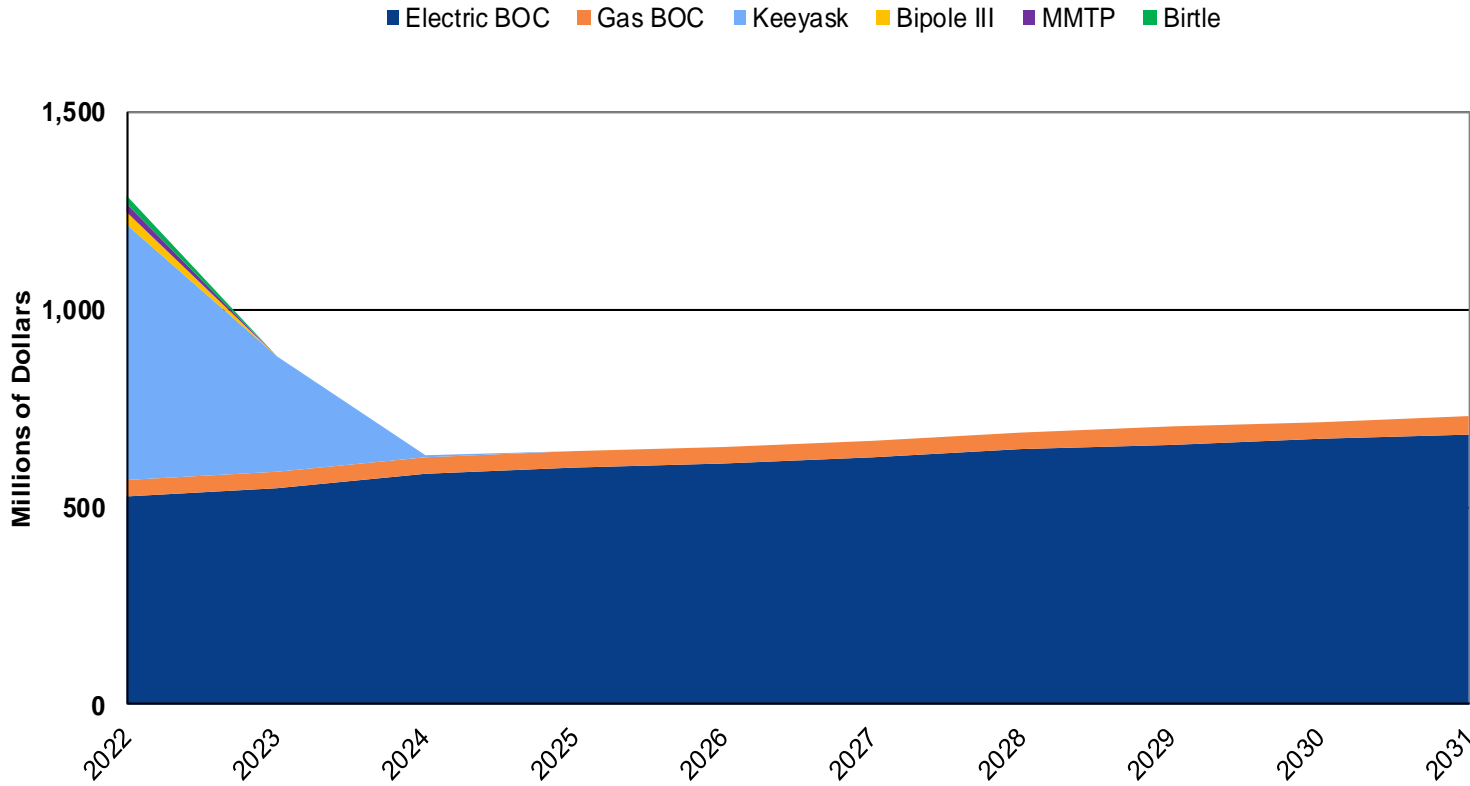
# Capital Overview

# Major Generation and Transmission Projects

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- MMTP (2020/21) \$490 million
- Birtle Transmission Project (2021/22) \$69.3 million

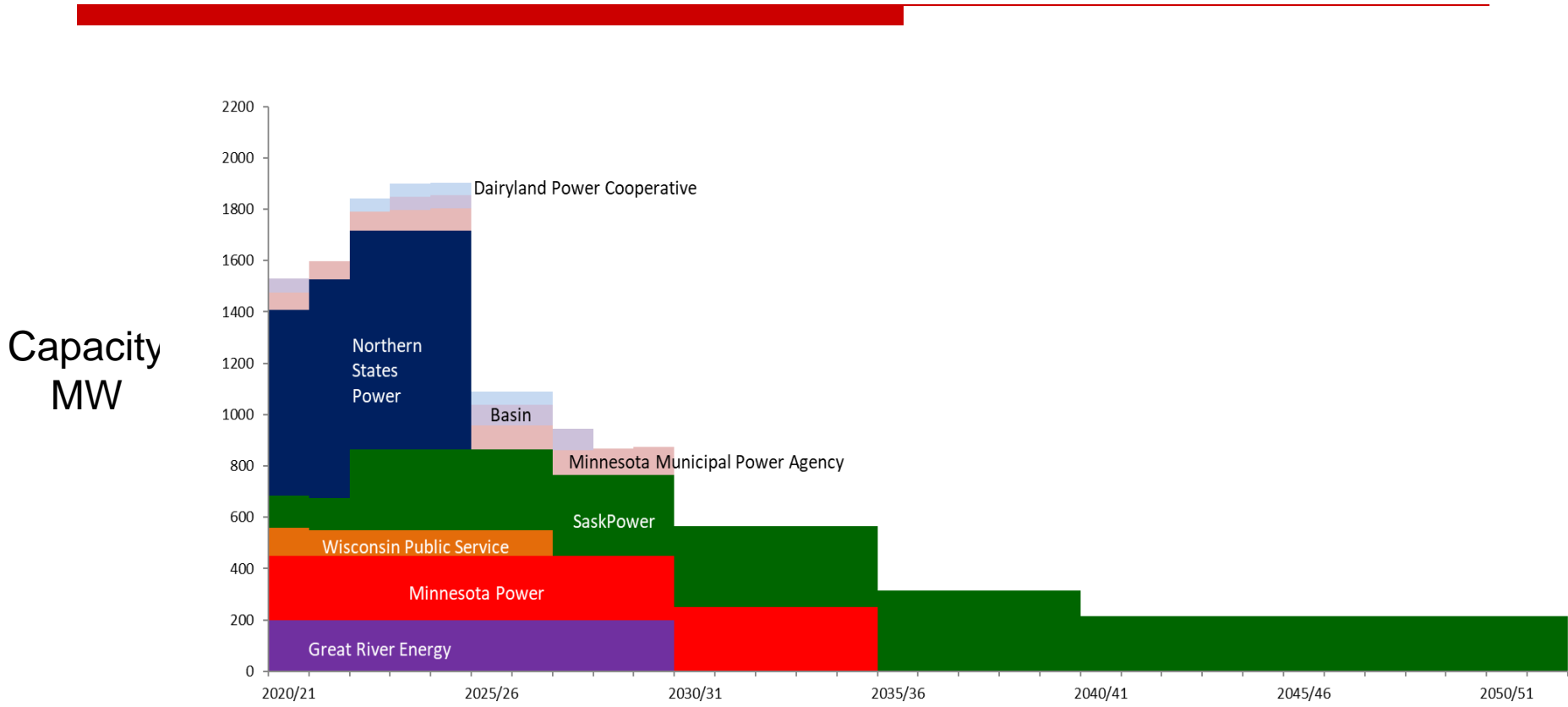
# Capital Expenditures (Projected)



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# Long-Term Export Contracts

# MH's Firm Export Contract Portfolio Summer Season 2020 - 2051



# Future Long-Term Export Contracts

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- Dairyland
  - 50 MW Diversity Exchange Sale starting in 2022 (5 years)
  
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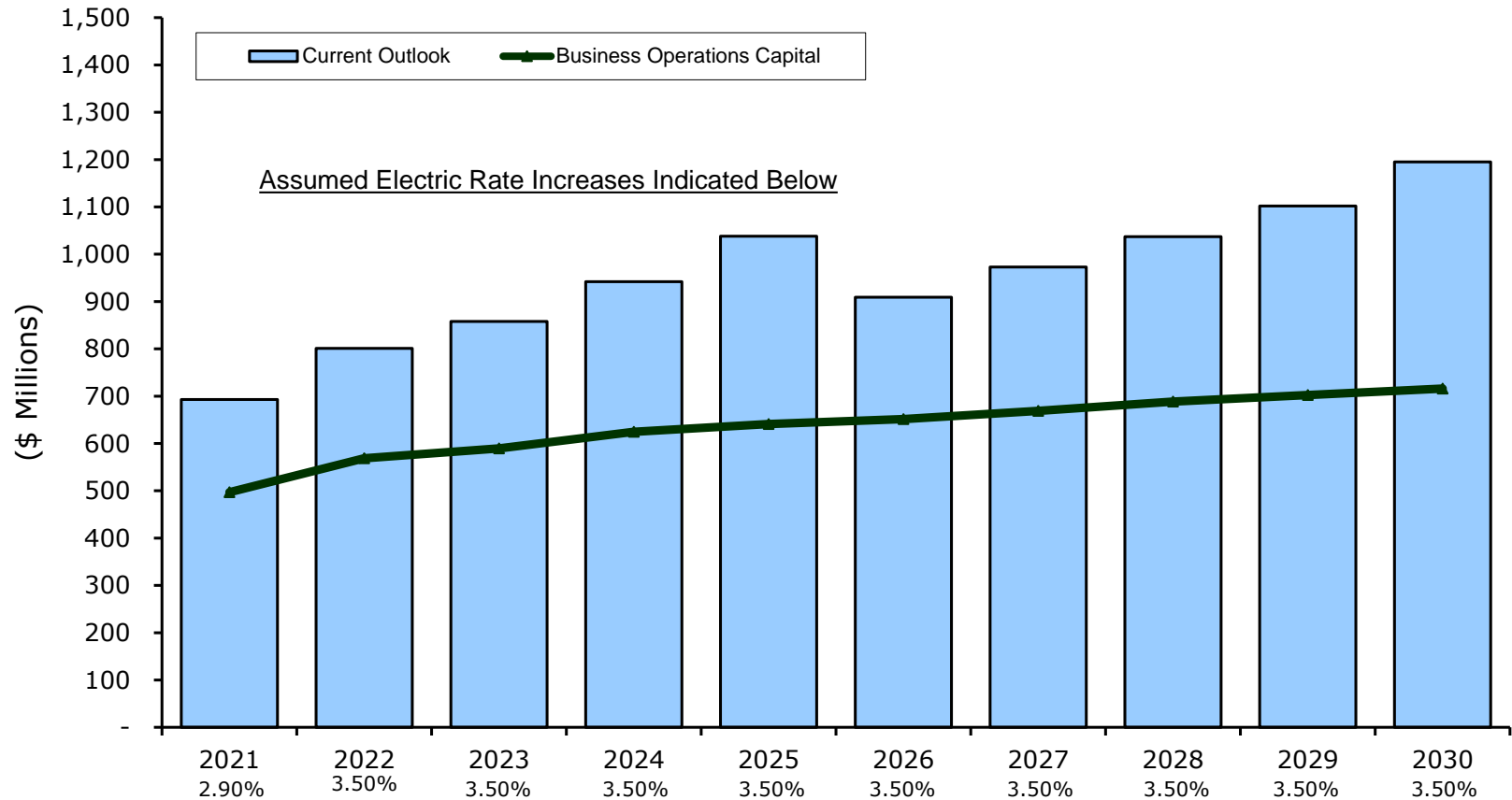
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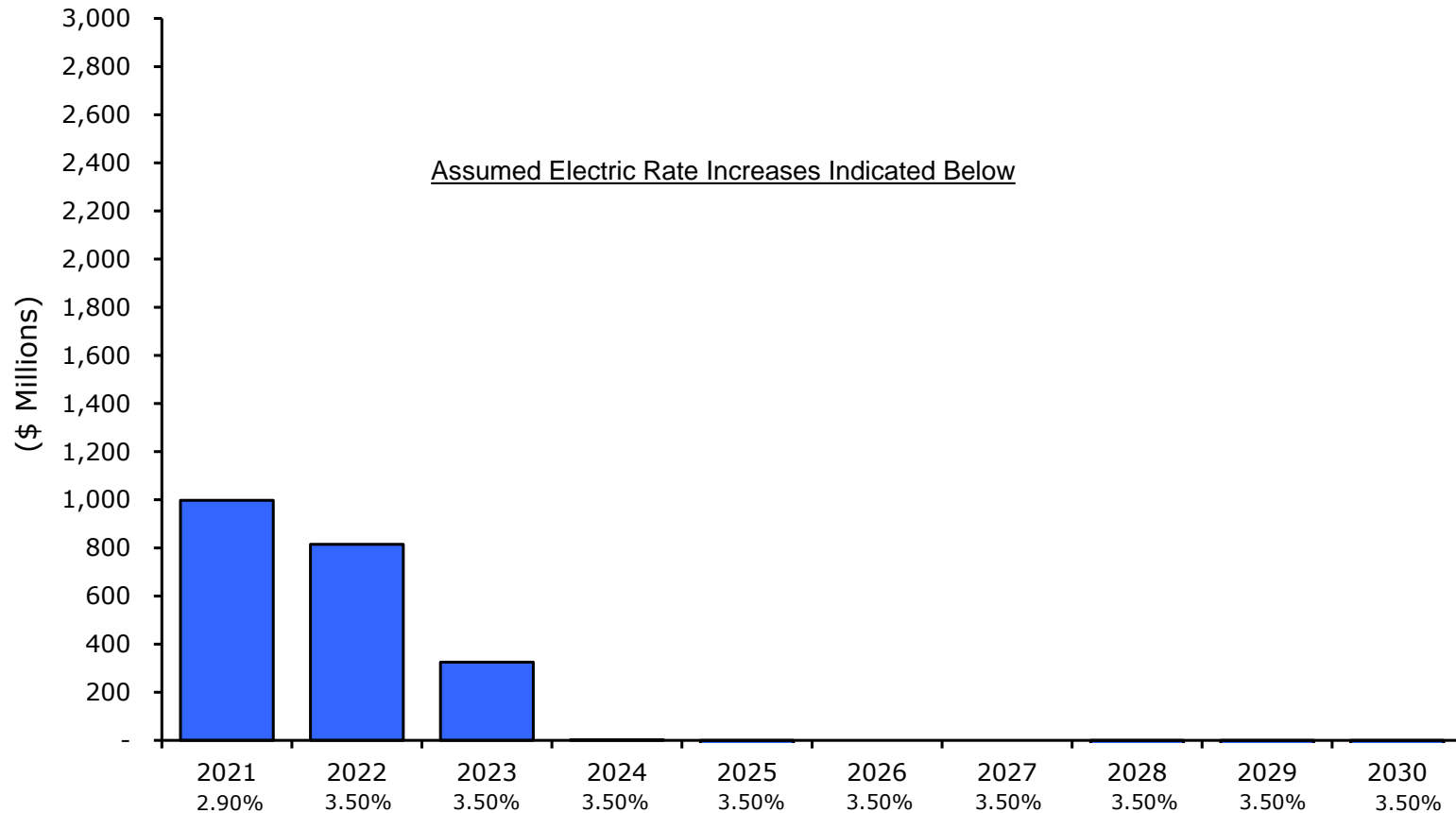
# Liquidity & Financing



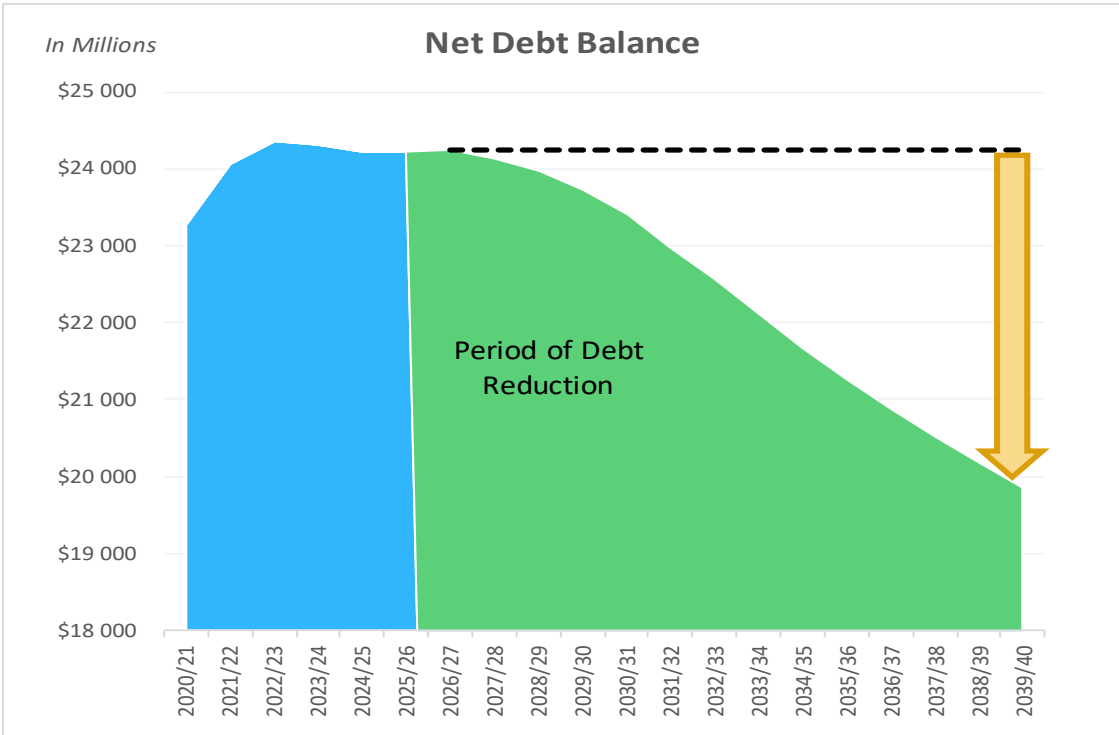
# Cash Flow from Operations



# Forecasted New Debt Financing Requirements



# Net Debt

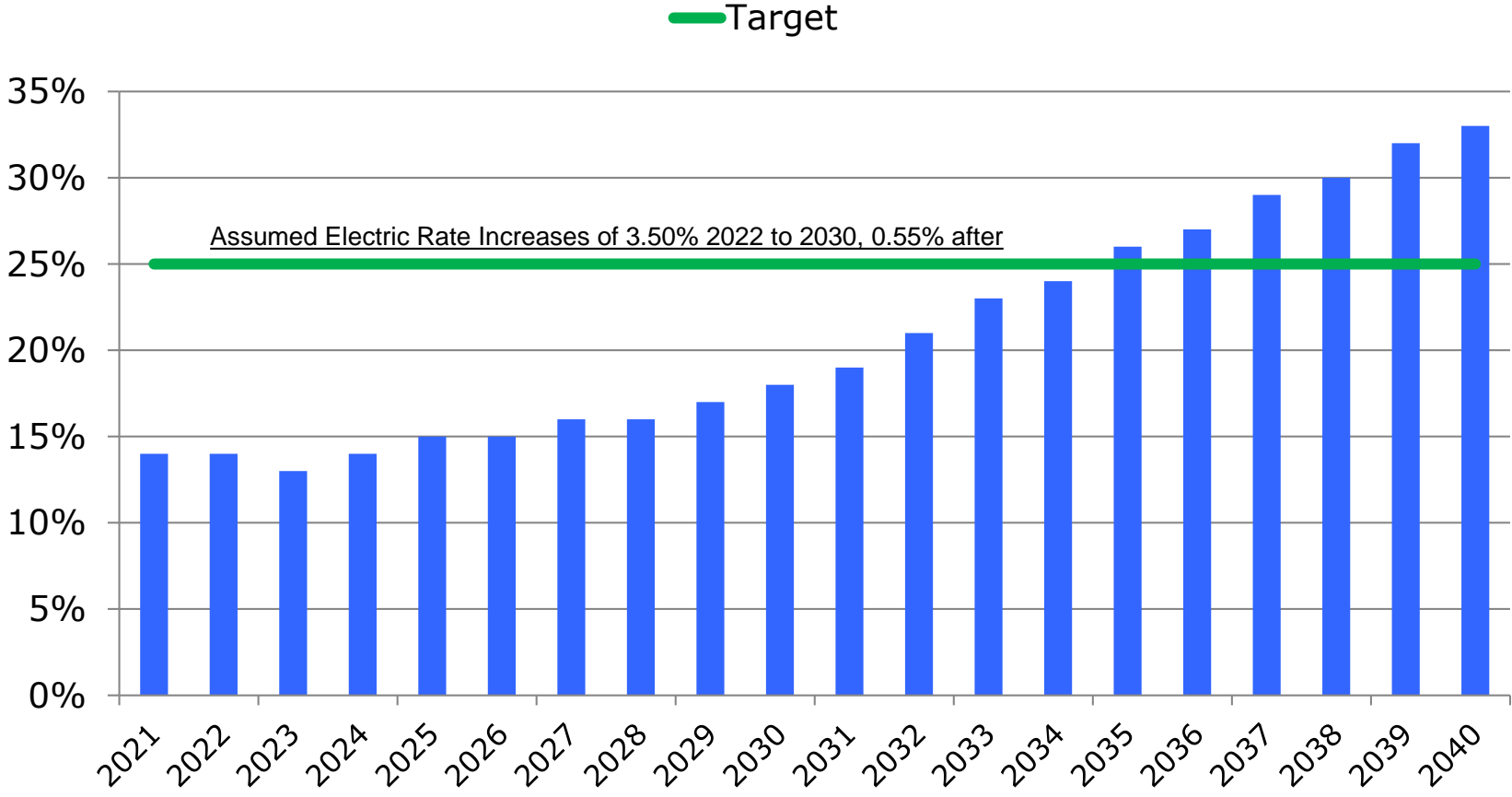


Debt-to-Capitalization Ratio	2024/25	2029/30	2034/35	2039/40
Bill 35 Targets	87%	84%	78%	70%

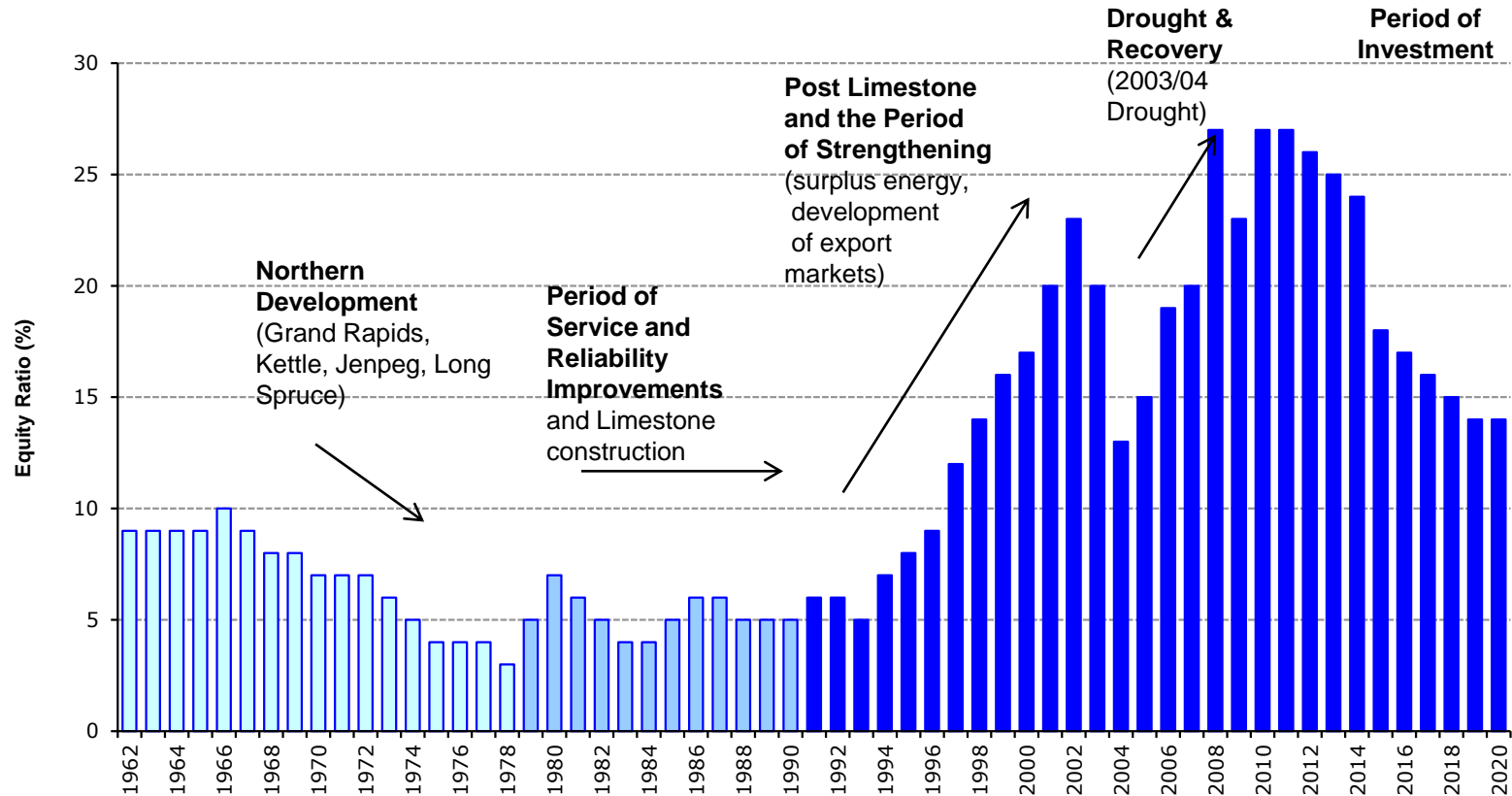
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# Financial Targets

# Equity Ratio



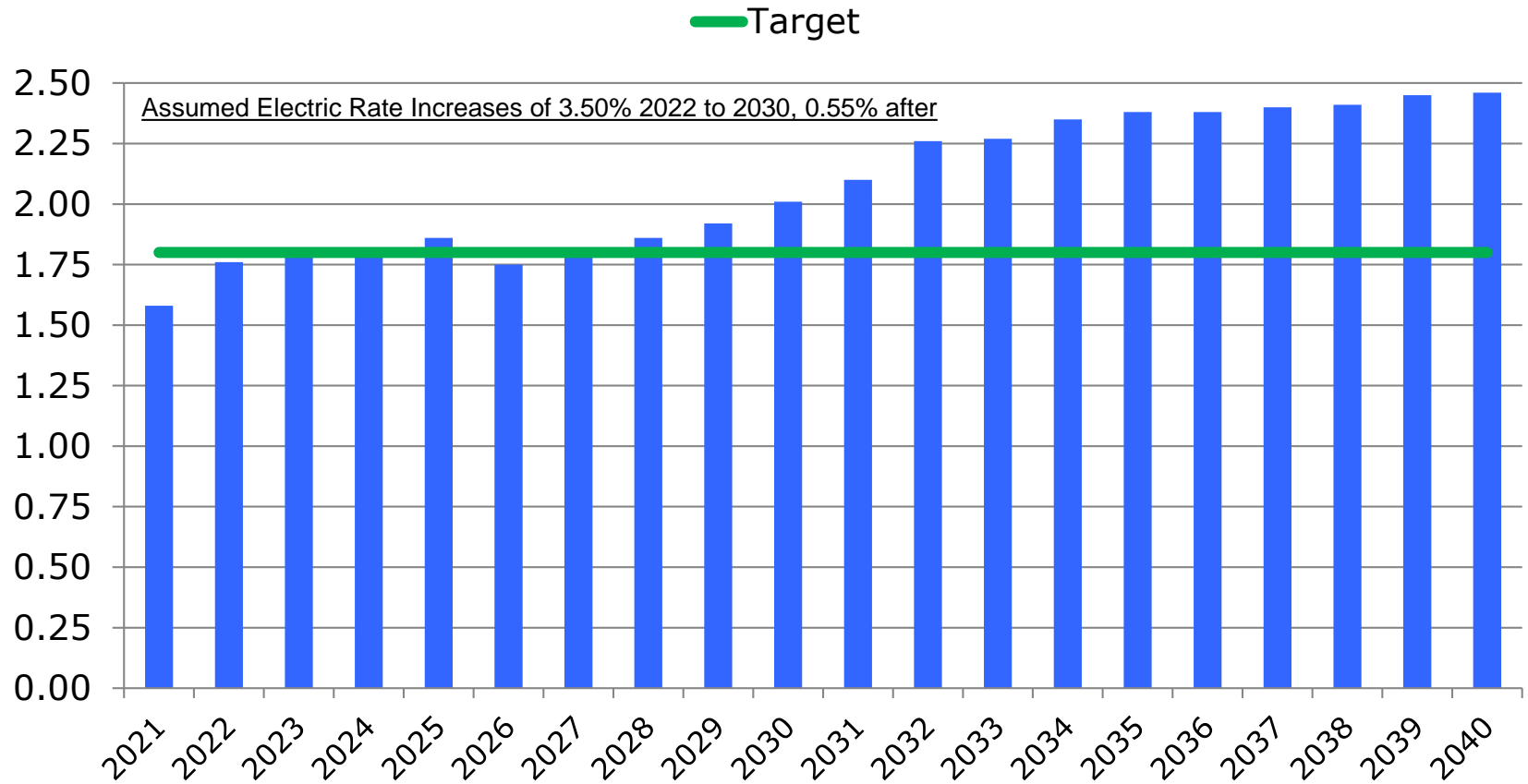
# Manitoba Hydro Equity Ratio 1962 to 2020



# Capital Coverage Ratio



# EBITDA Interest Coverage Ratio





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# Rates

# Domestic Rate Strategy

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- In March 2020, the Province introduced The Public Utilities Ratepayer Protection and Regulatory Reform Act, which was reintroduced in October 2020 as Bill 35 and is awaiting passage.
- On **November 2020**, the Province legislated a 2.9% rate increase effective December 1, 2020.

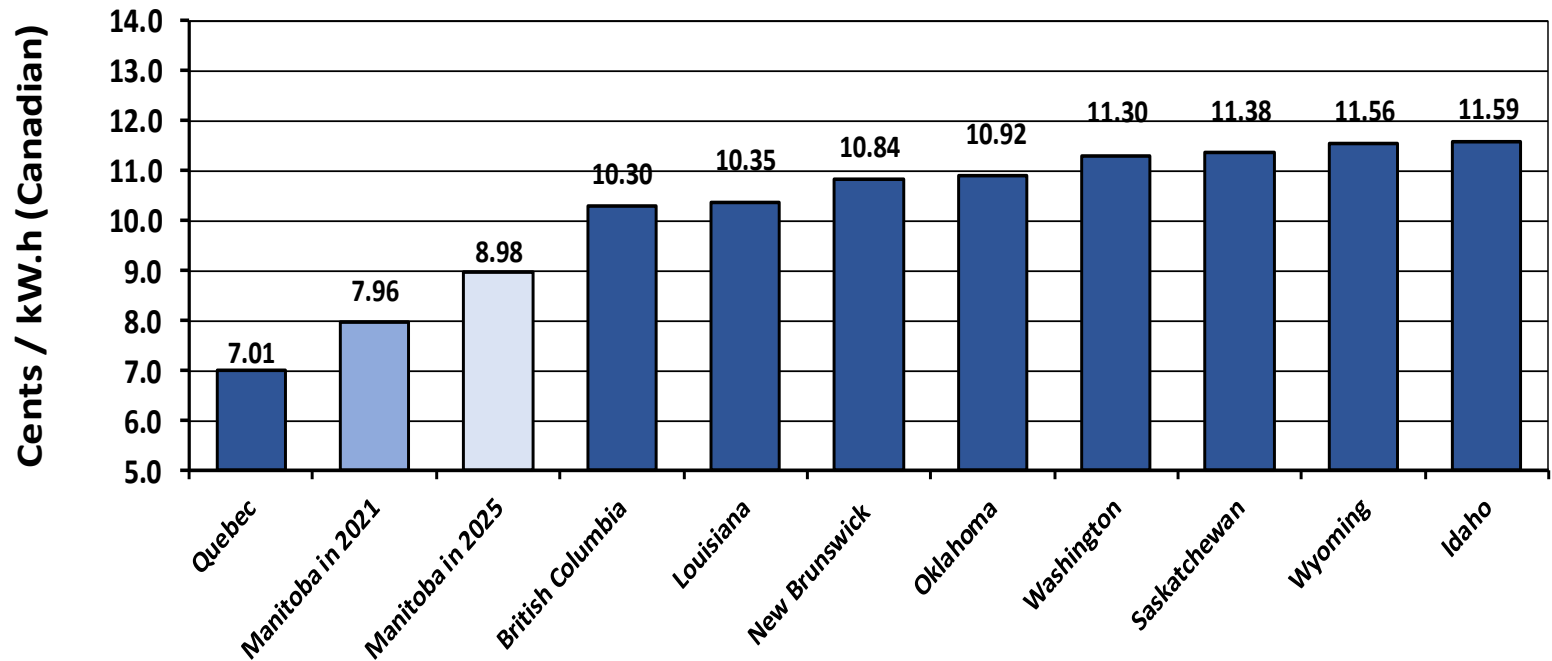
# PUBLIC UTILITIES RATEPAYER PROTECTION AND REGULATORY REFORM ACT

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- Amendments:
  - a multi-year rate setting process that enables the PUB to approve a series of rates changes for a five-year period;
  - Financial targets set by government to measure and monitor the utility's debt level;
  - approval by government of all long-term plans and major investment decisions.
  - A legislated rate cap on Manitoba Hydro rates to provide rate stability for customers.
  
- The proposed legislation provides for a transition period prior to the new multi-year rate setting process beginning in 2023, during which time rates will be determined with consideration given to the impact of increased rates on customers and the need for Manitoba Hydro to maintain a positive net income and keep the debt level from growing.

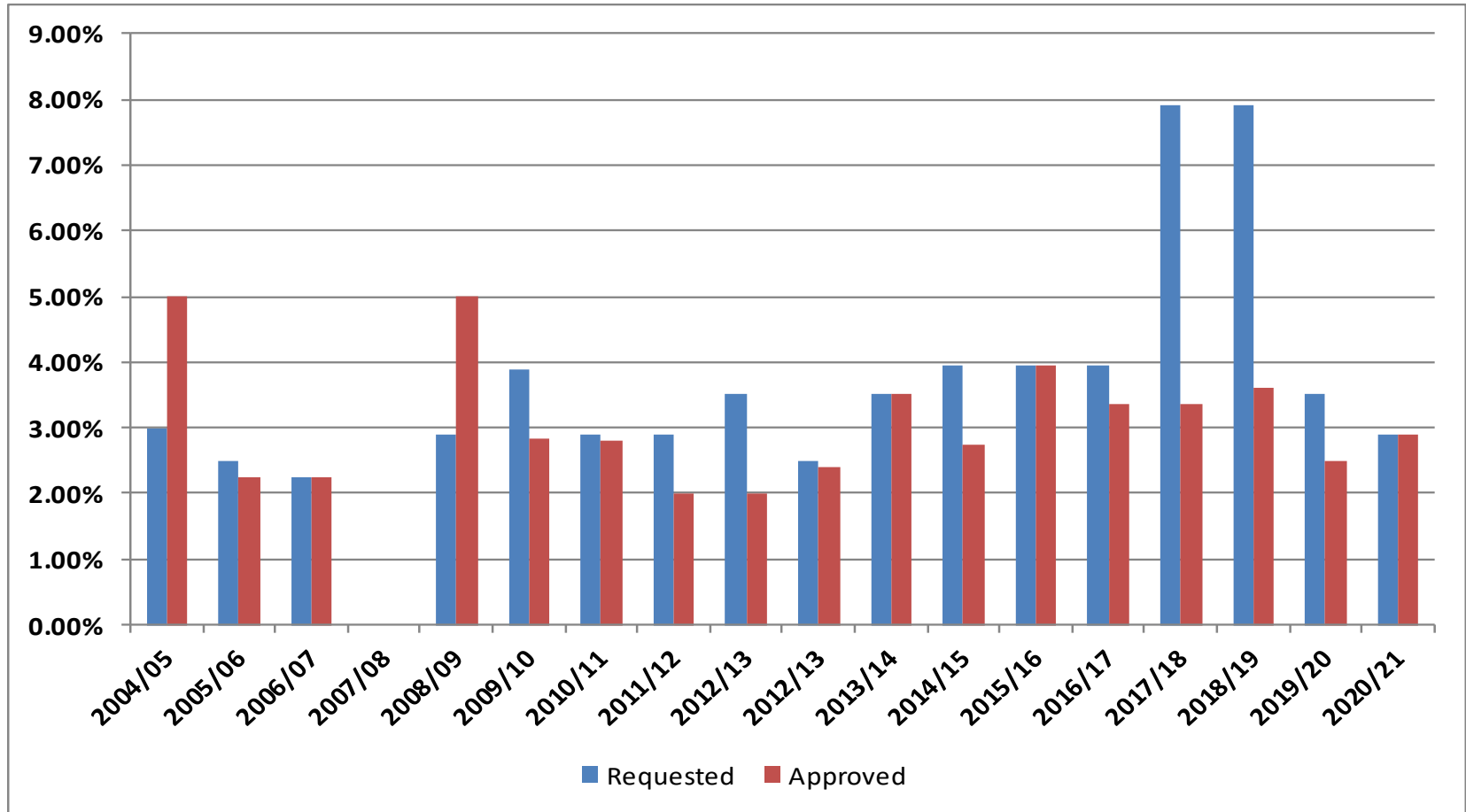
# Average Retail Price of Electricity 2020

## Ten Lowest Cost Provinces/States in North America



Source: US Dept of Energy (July 2020) & Edison Electric Survey (July 1, 2020)  
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# Previously Approved or Awarded Rates vs Request



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# Questions?

# Manitoba Hydro Corporate Update

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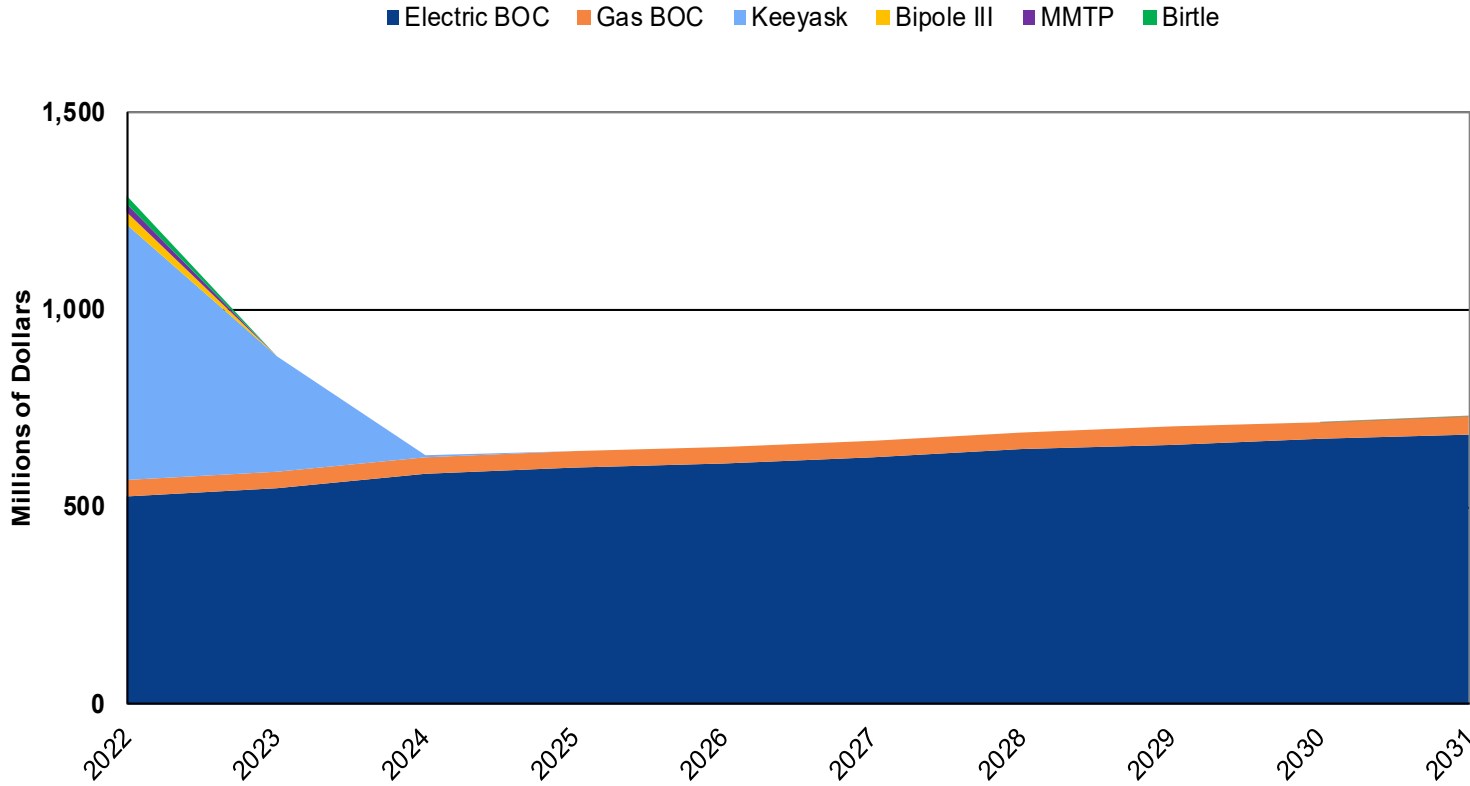
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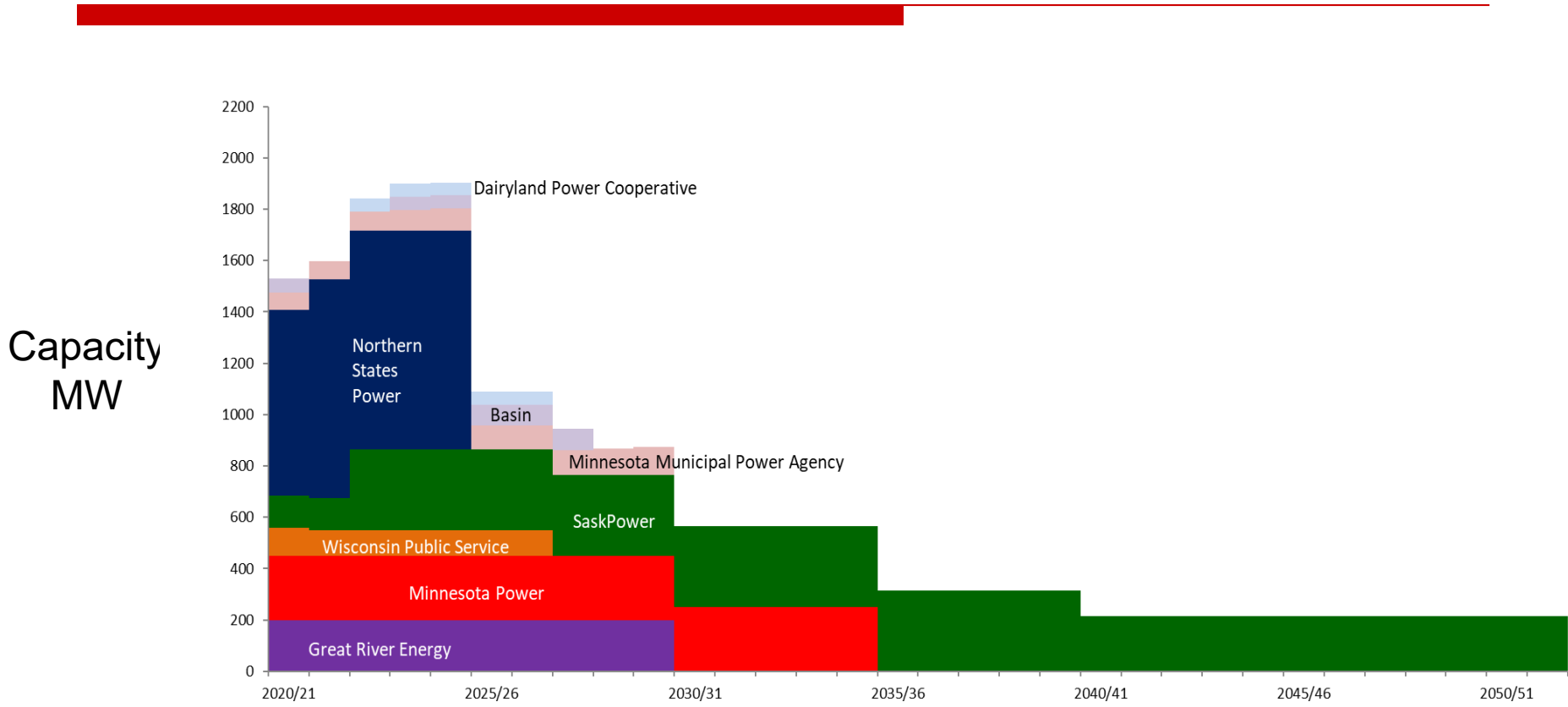




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# Long-Term Export Contracts

# MH's Firm Export Contract Portfolio Summer Season 2020 - 2051



# Future Long-Term Export Contracts

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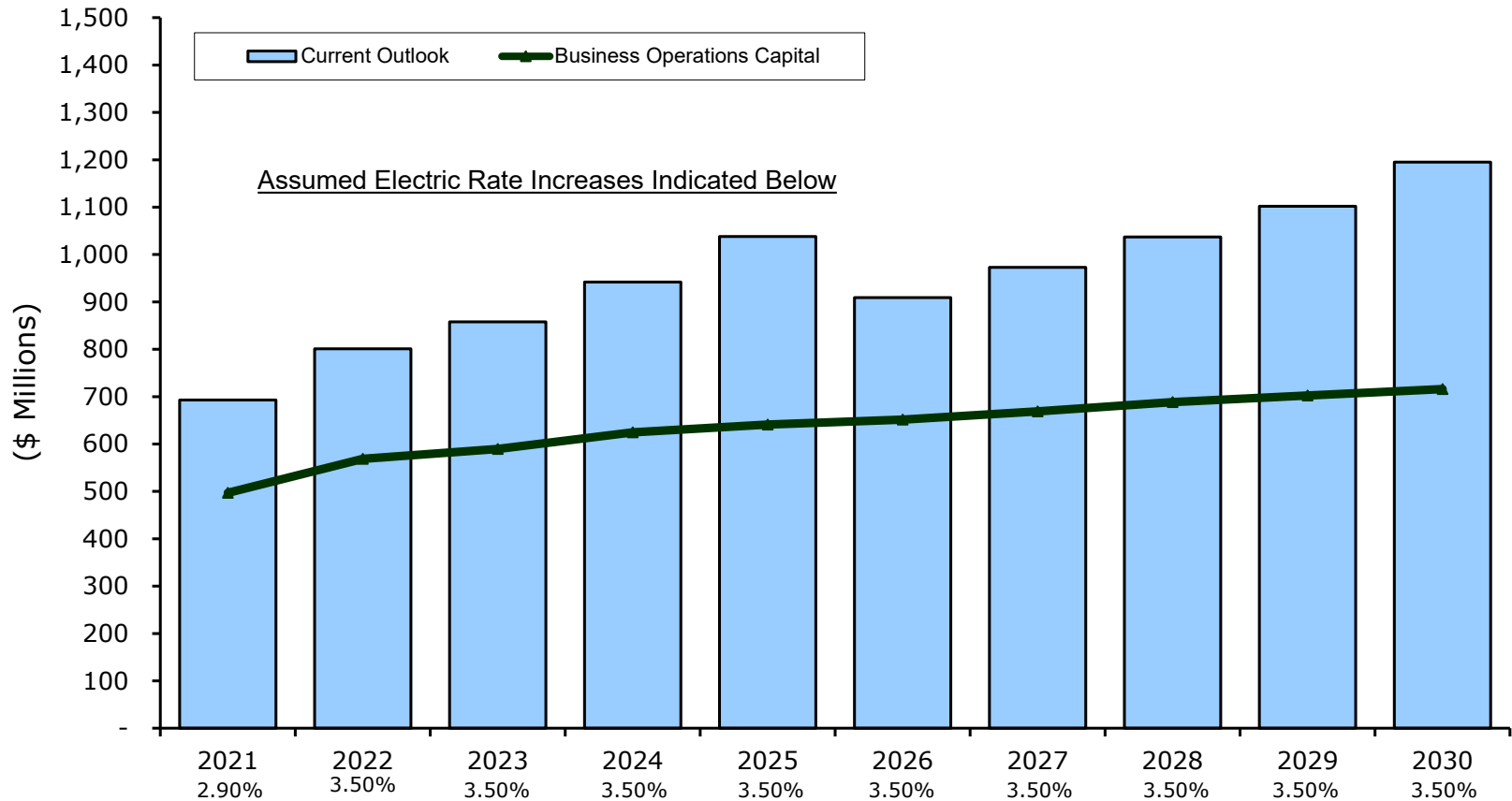
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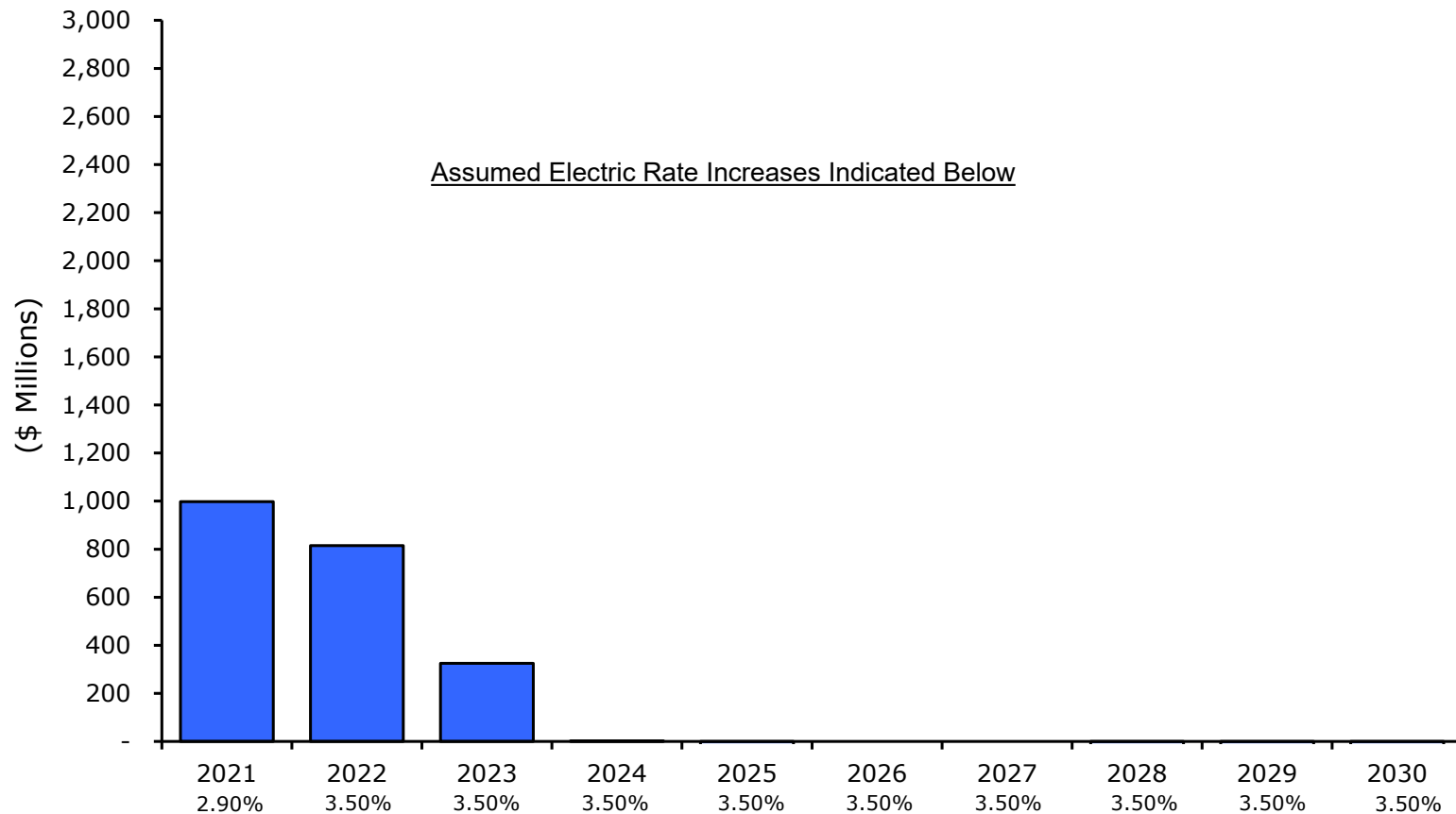
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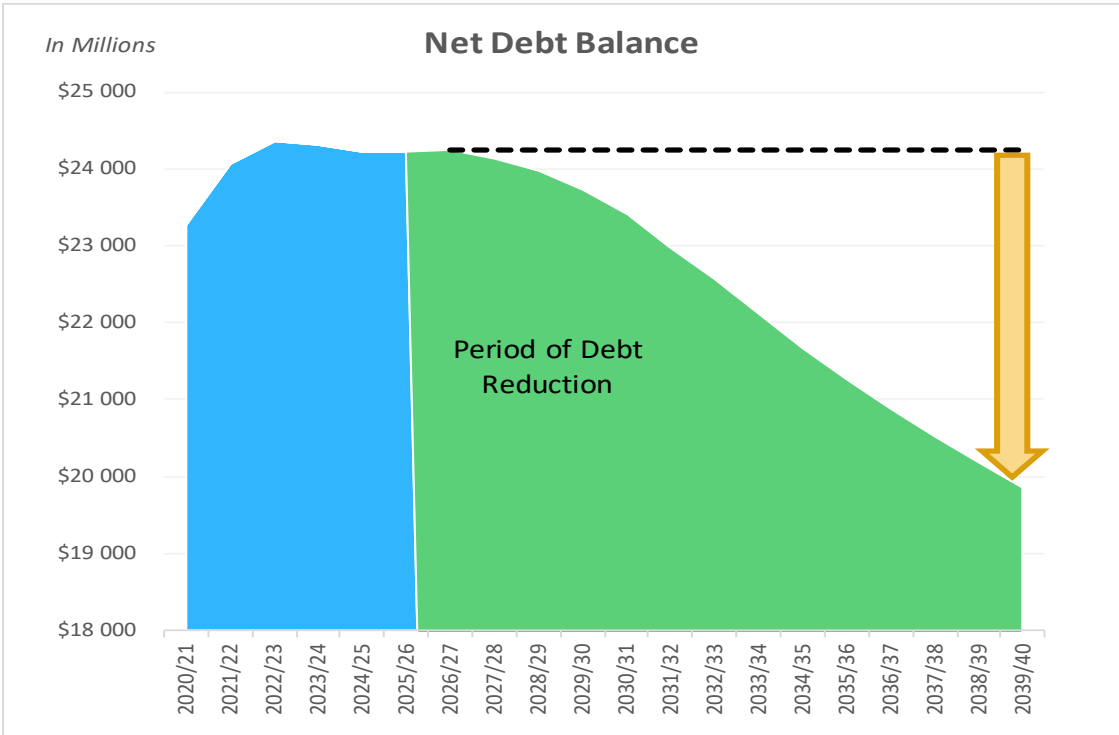
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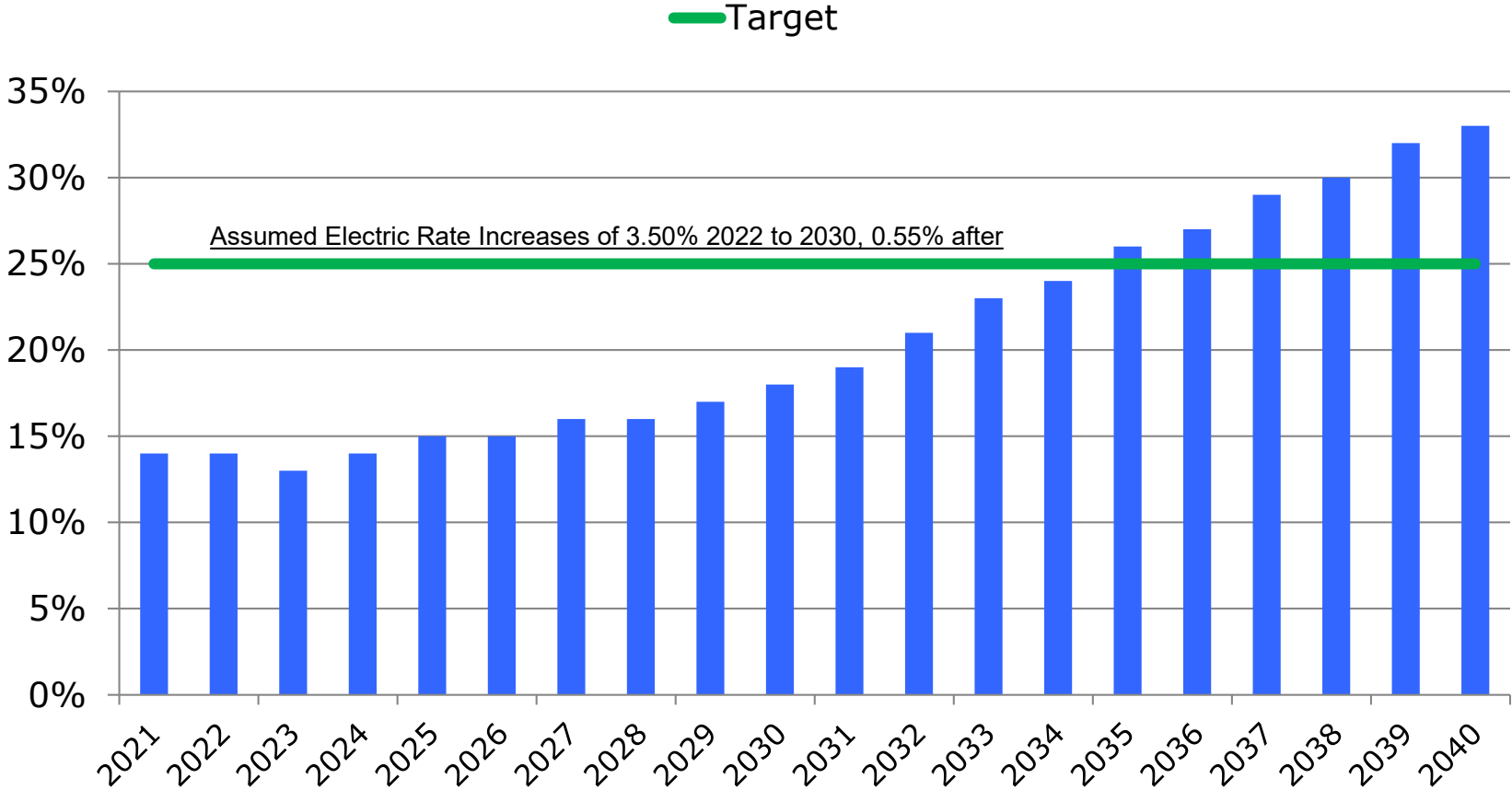
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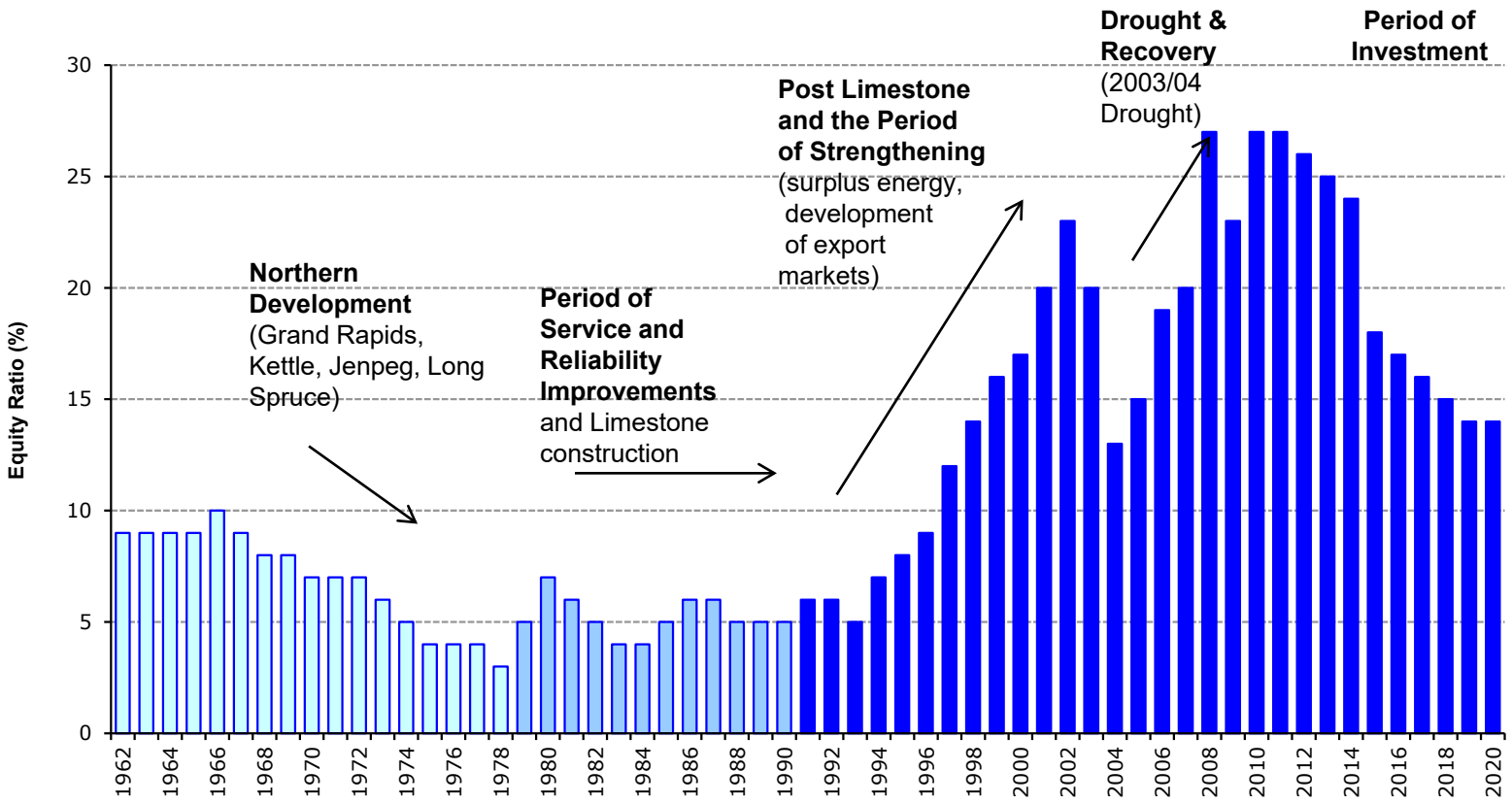
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# Financial Targets

# Equity Ratio



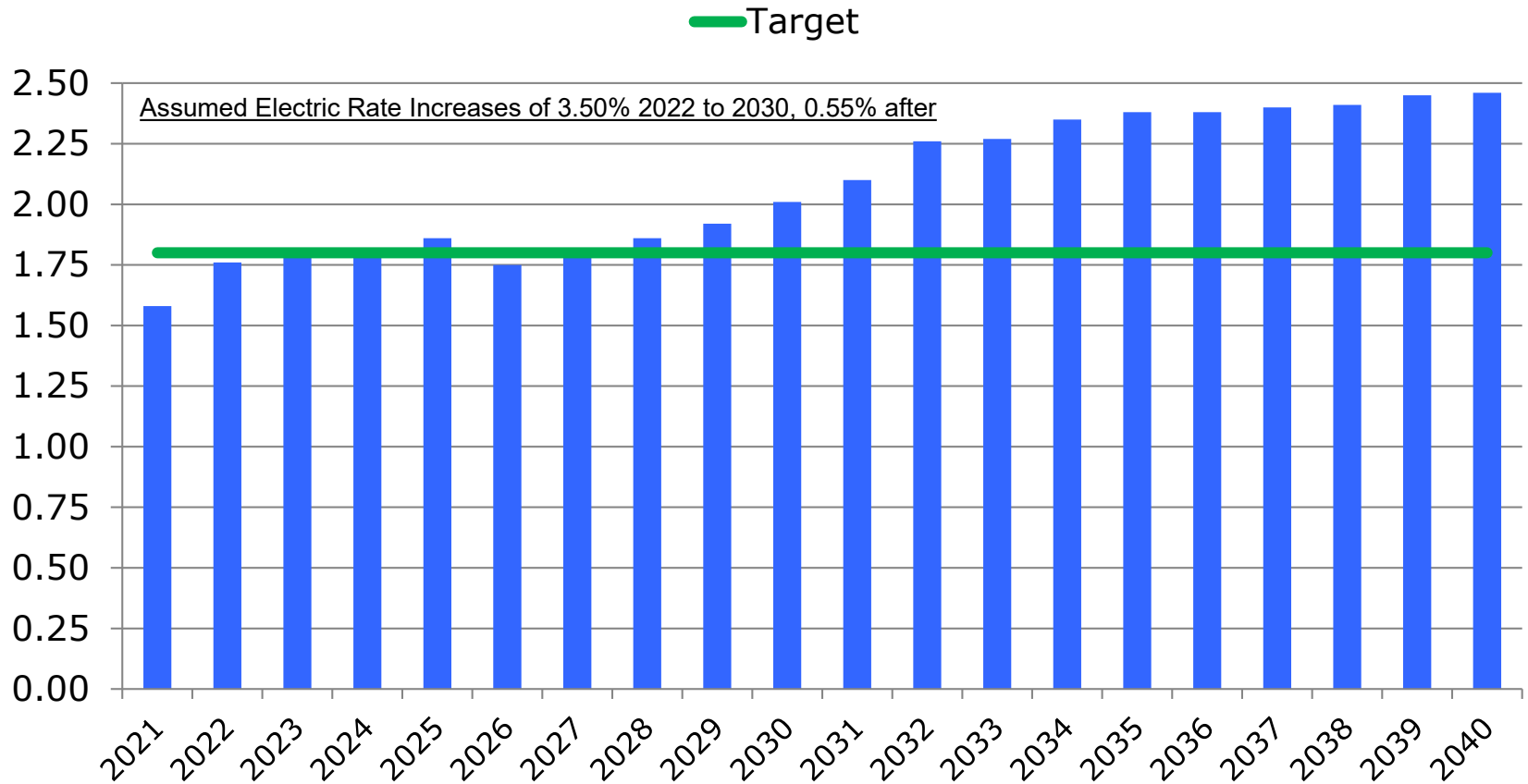
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# PUBLIC UTILITIES RATEPAYER PROTECTION AND REGULATORY REFORM ACT

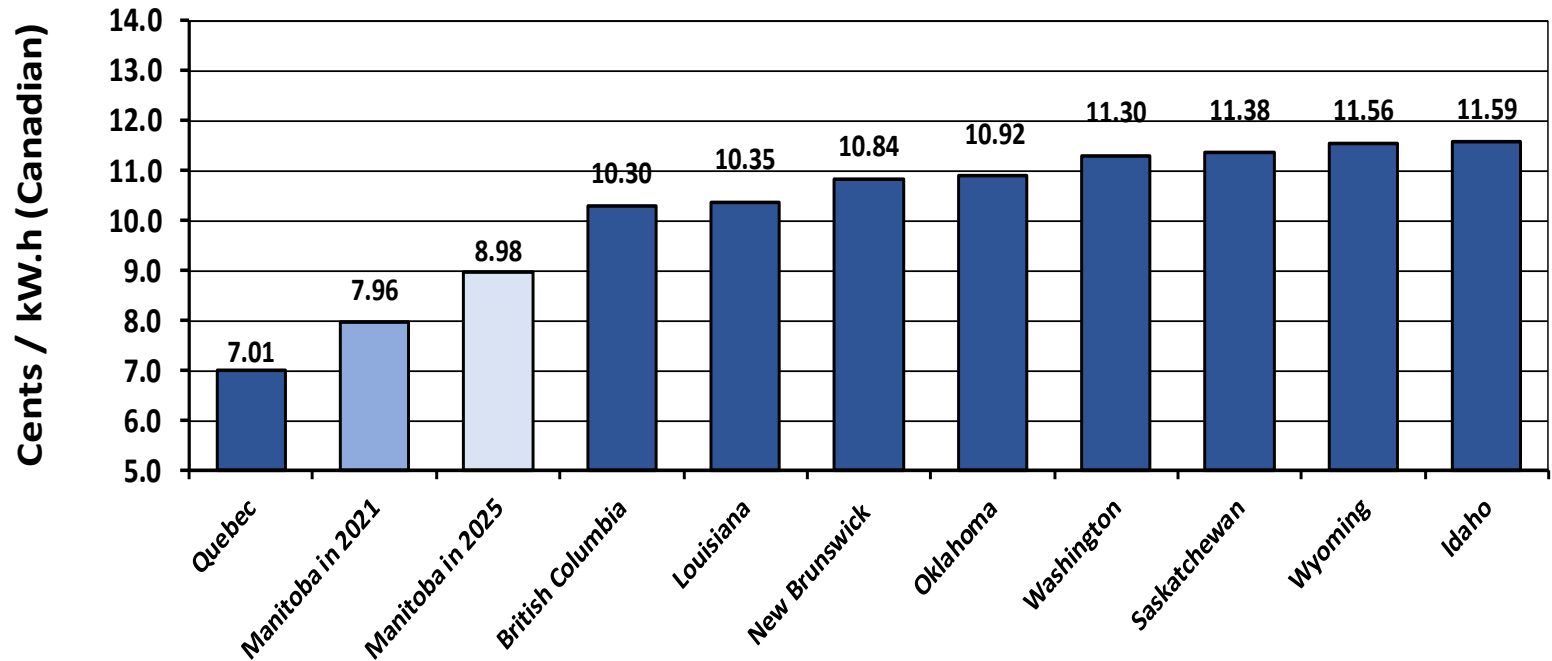
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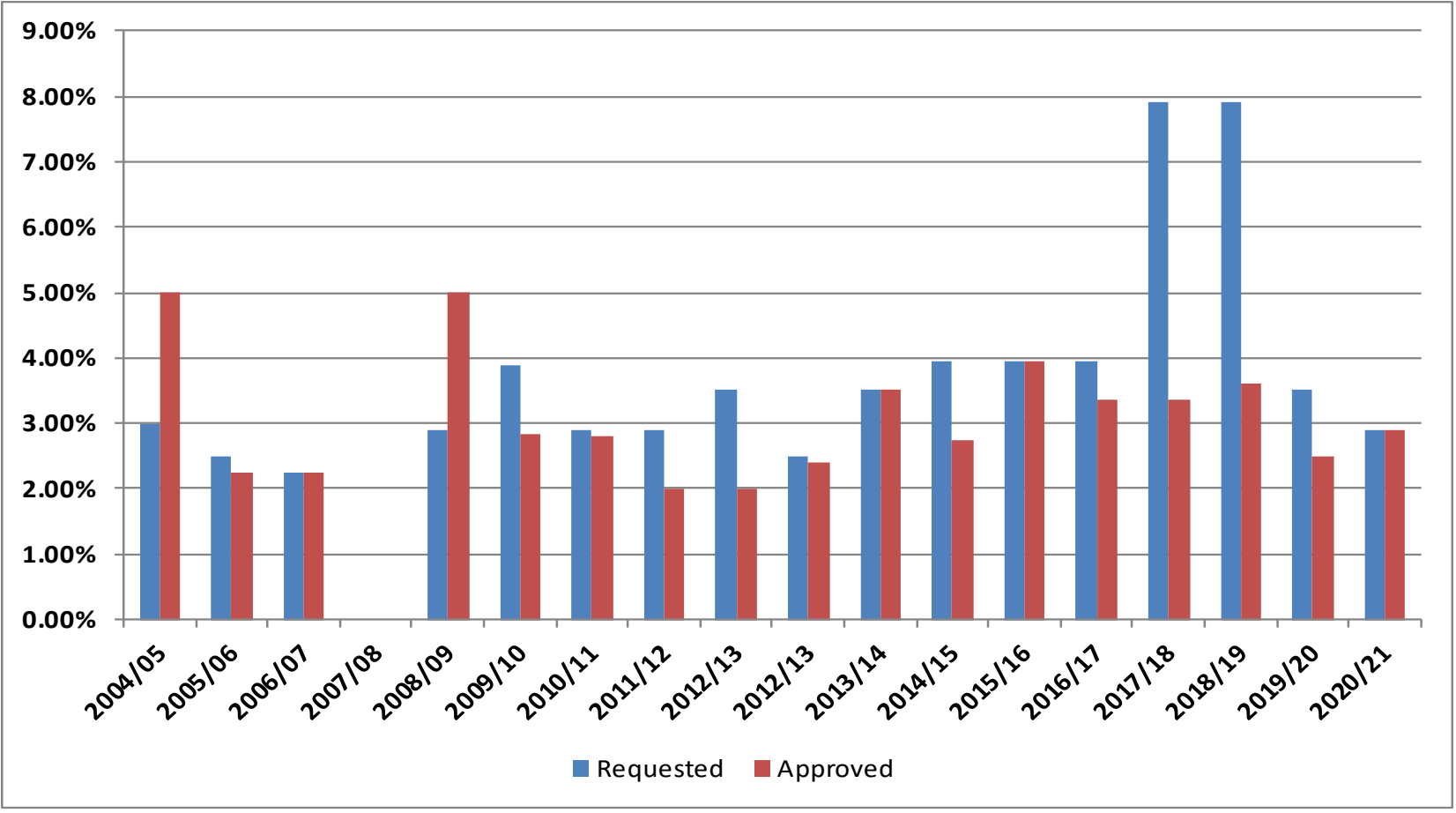
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# Questions?

# Manitoba Hydro Corporate Update

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Presentation to DBRS  
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# Agenda

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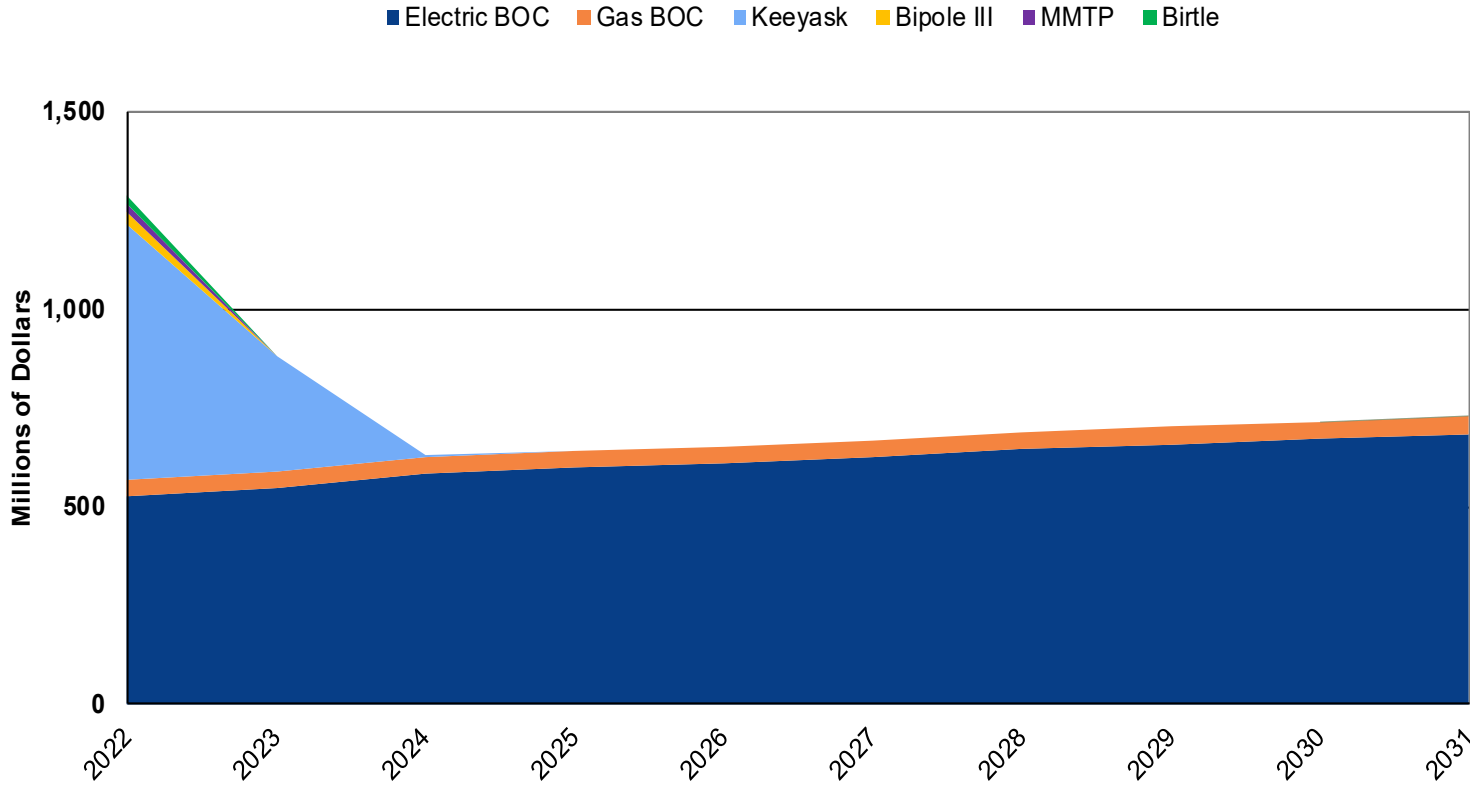
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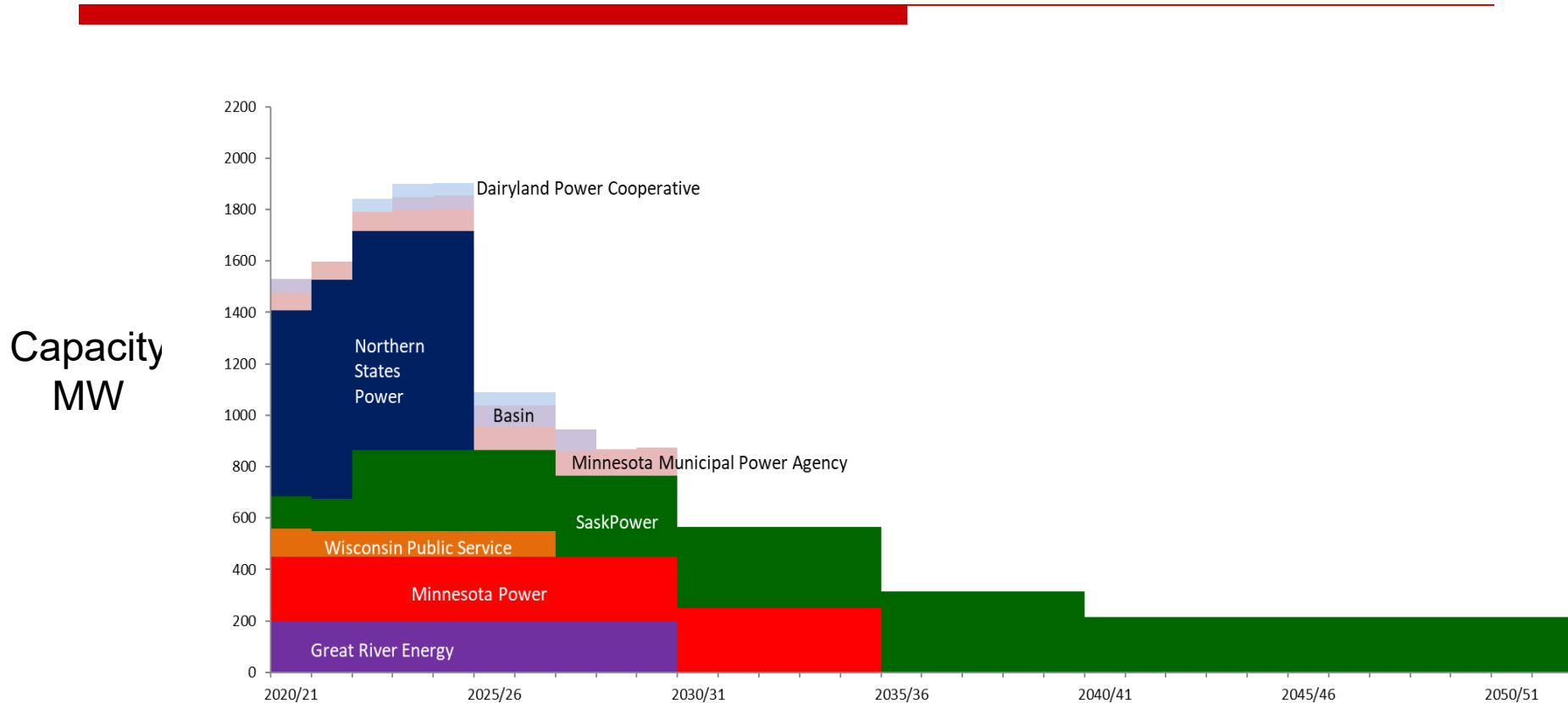
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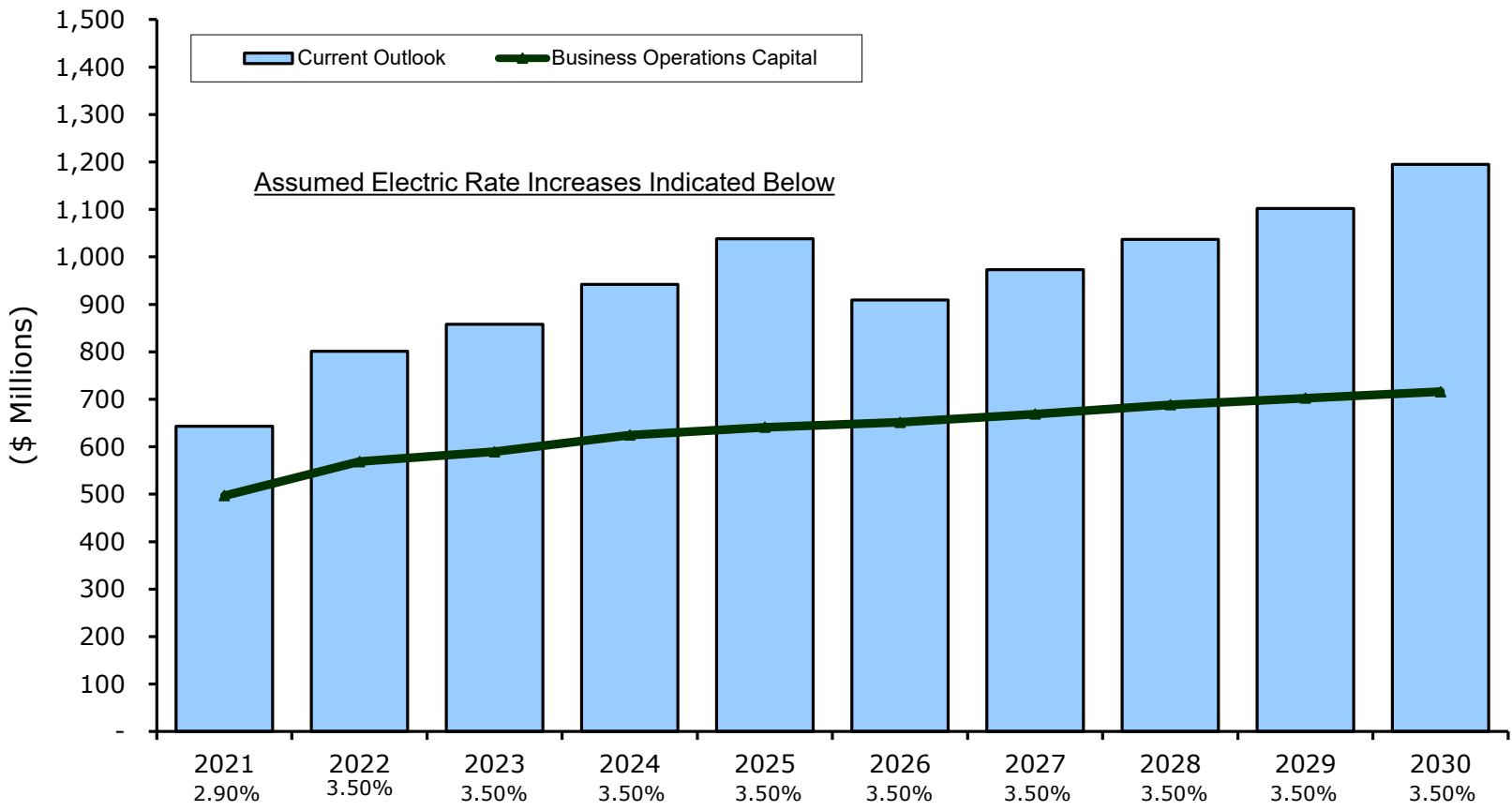
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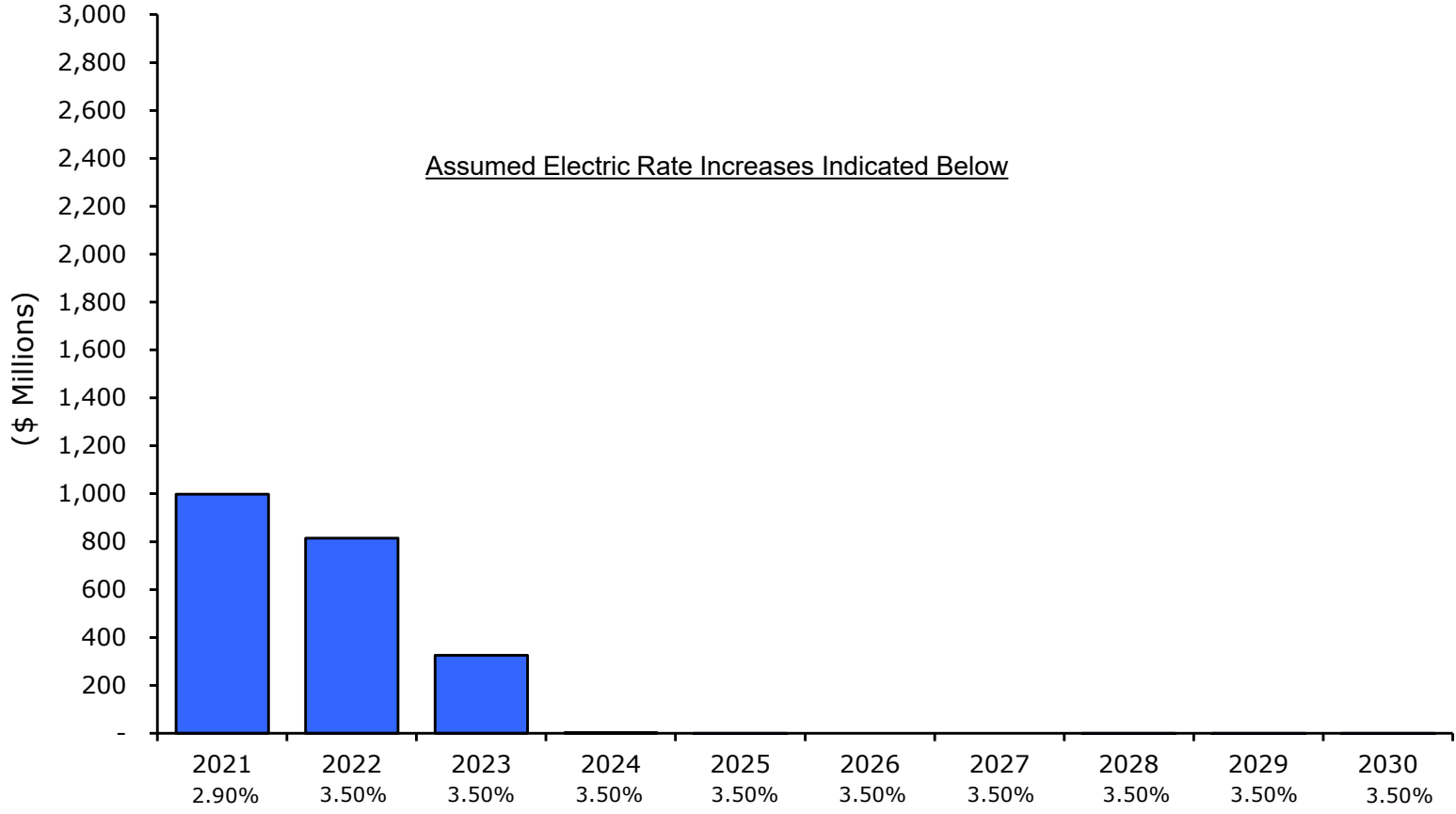
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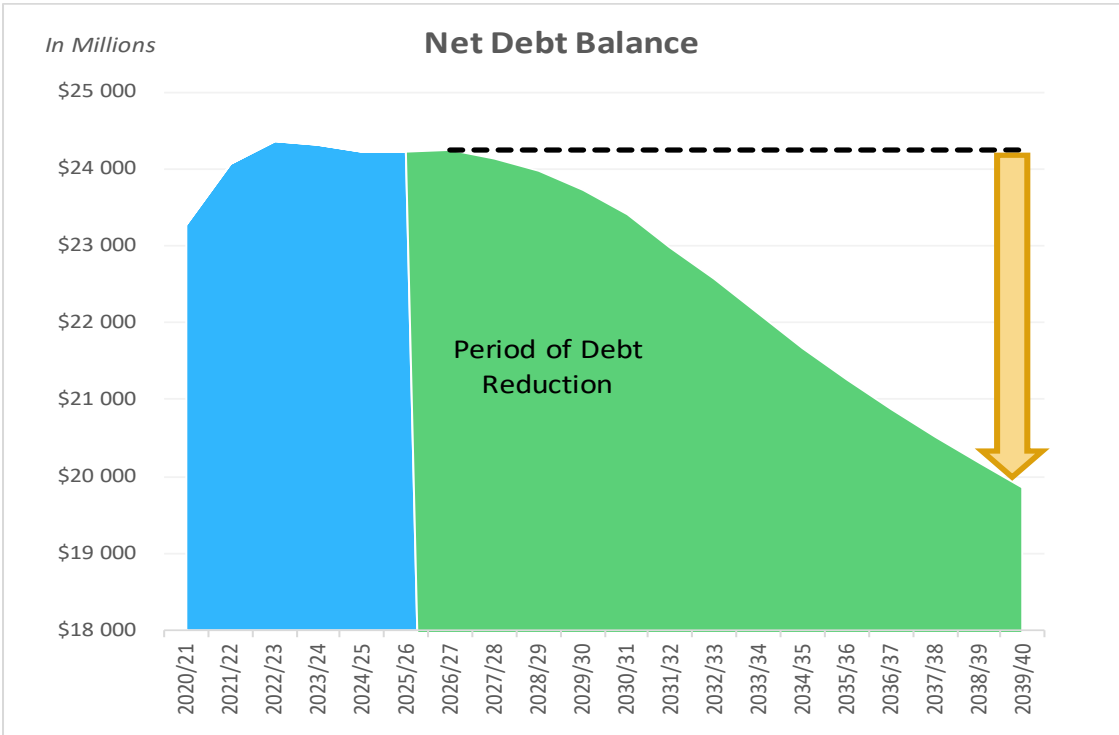
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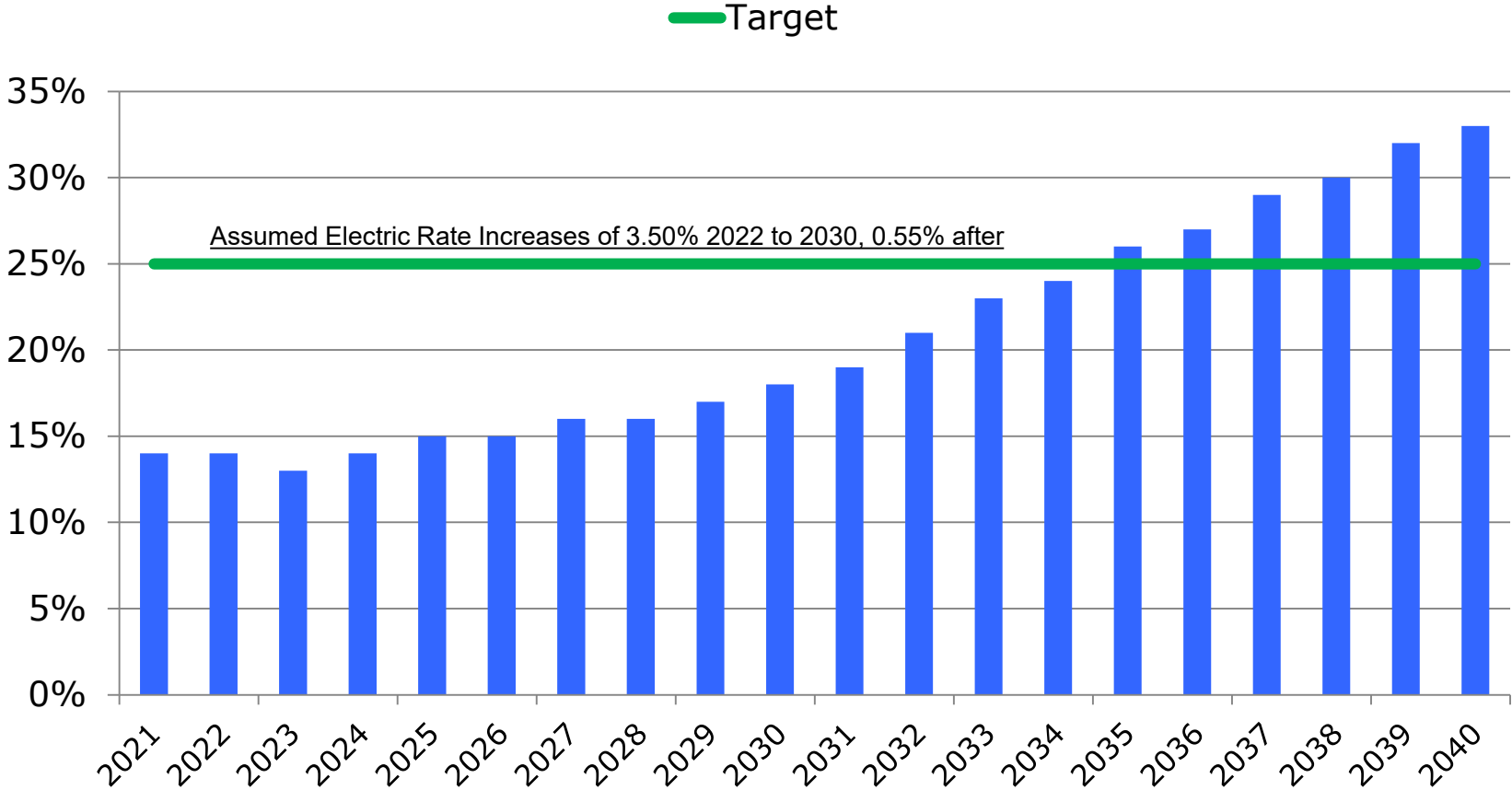


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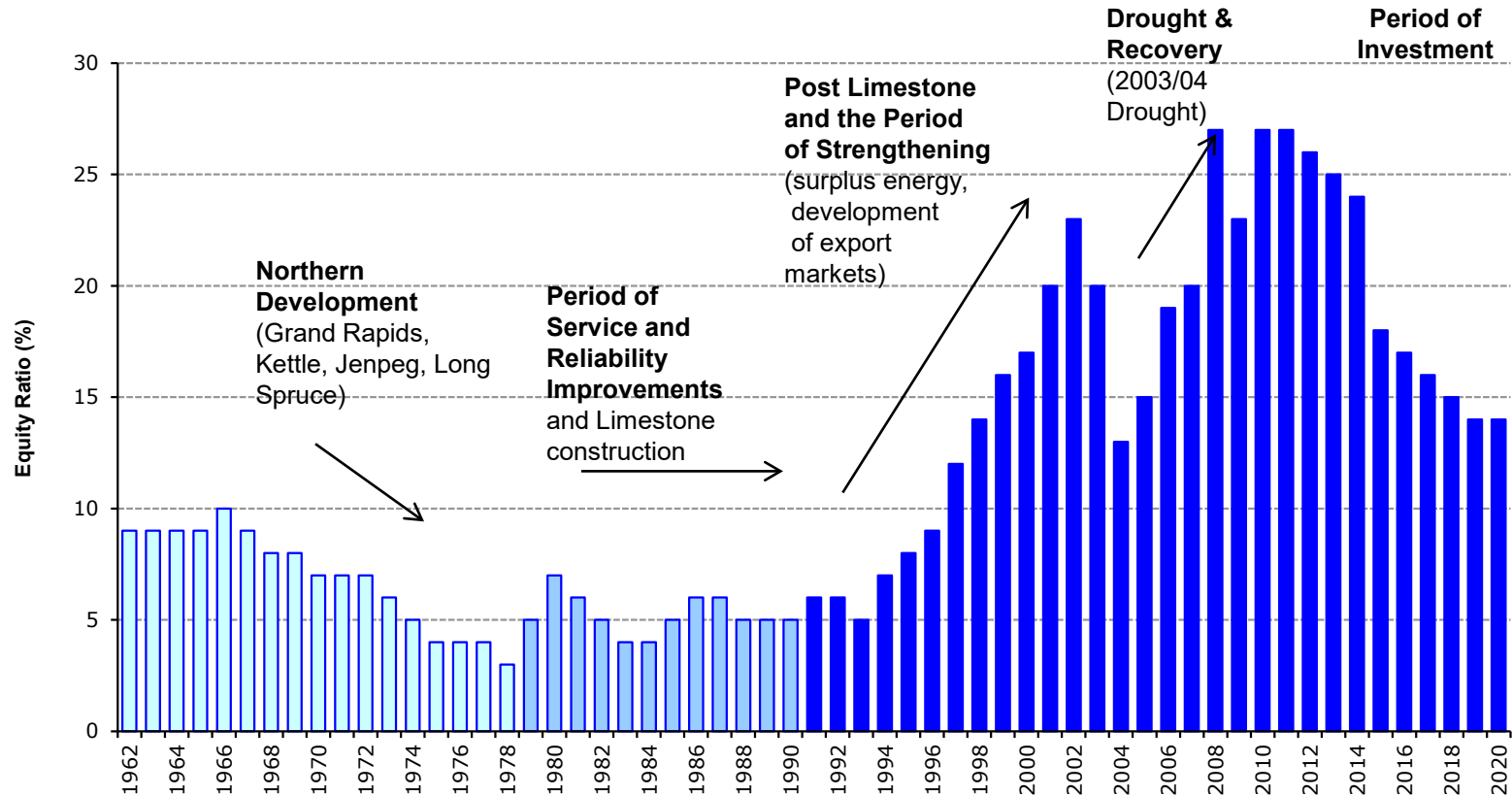
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# Financial Targets

# Equity Ratio

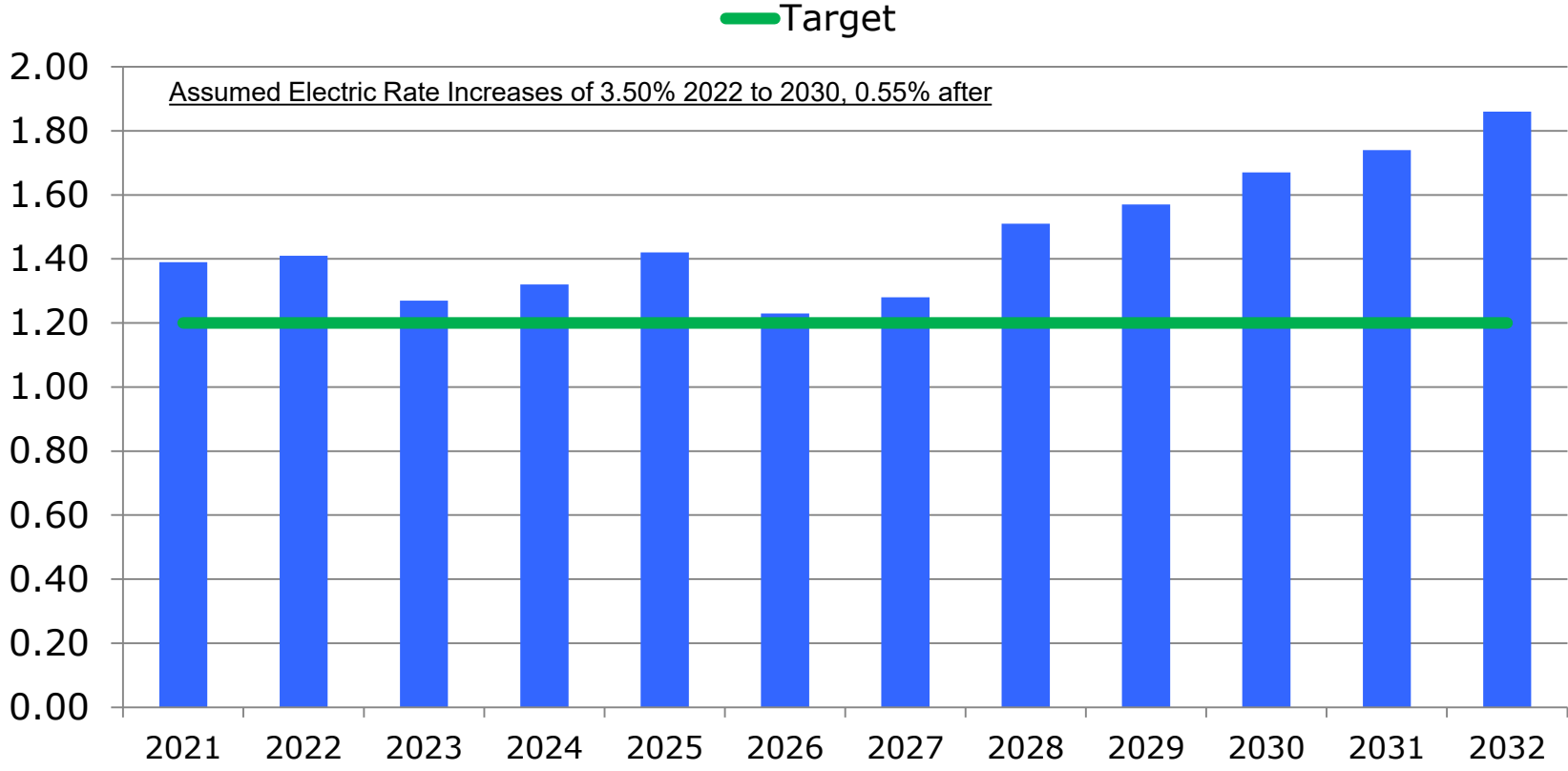


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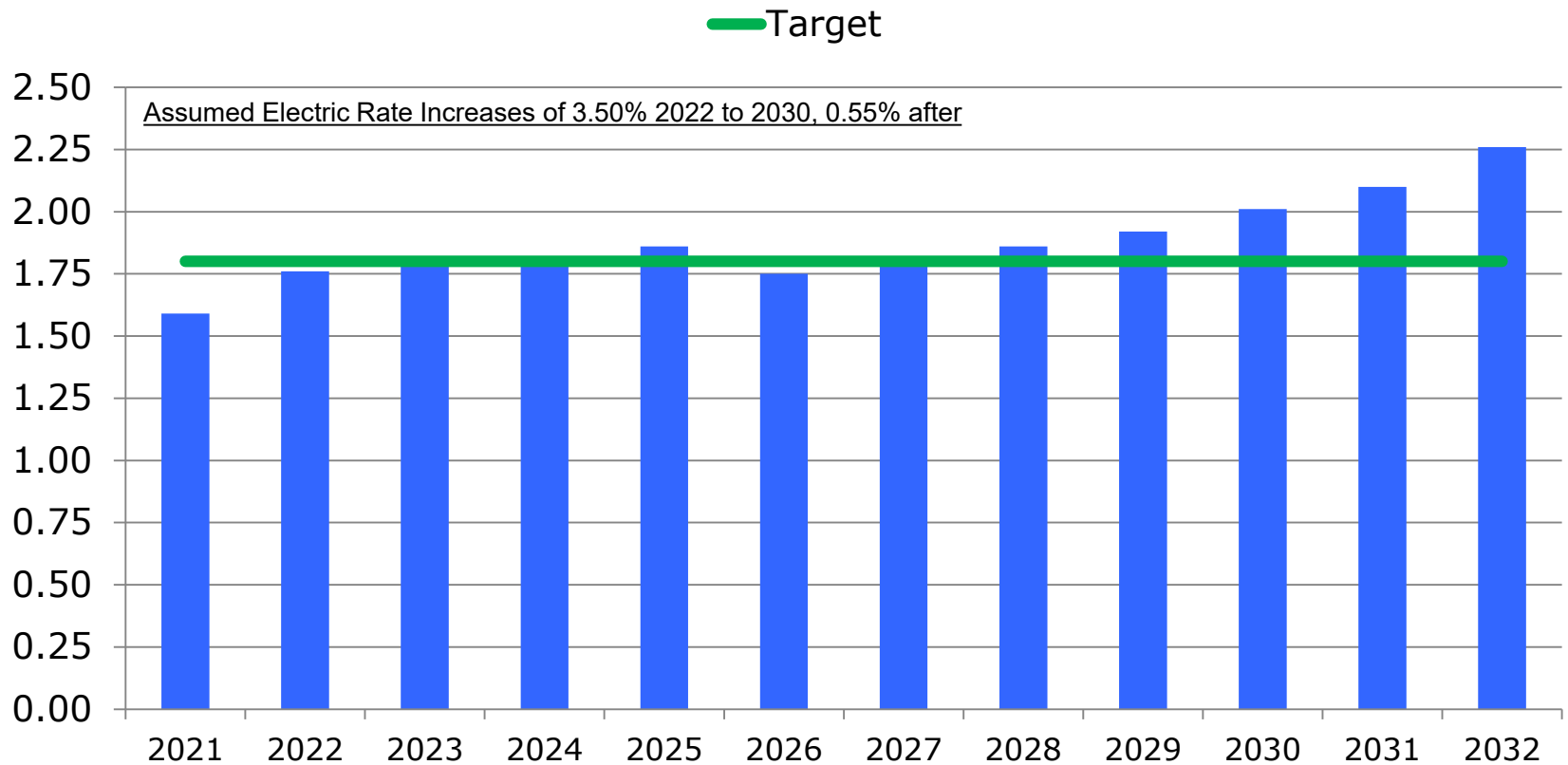




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- In **November 2020**, the Province legislated a 2.9% rate increase effective December 1, 2020.
- On **July 8, 2021** the Manitoba Government announced their intention to include 2.5% rate increases on the first of December in each of 2021, 2022, and 2023 as part of the proposed legislation.

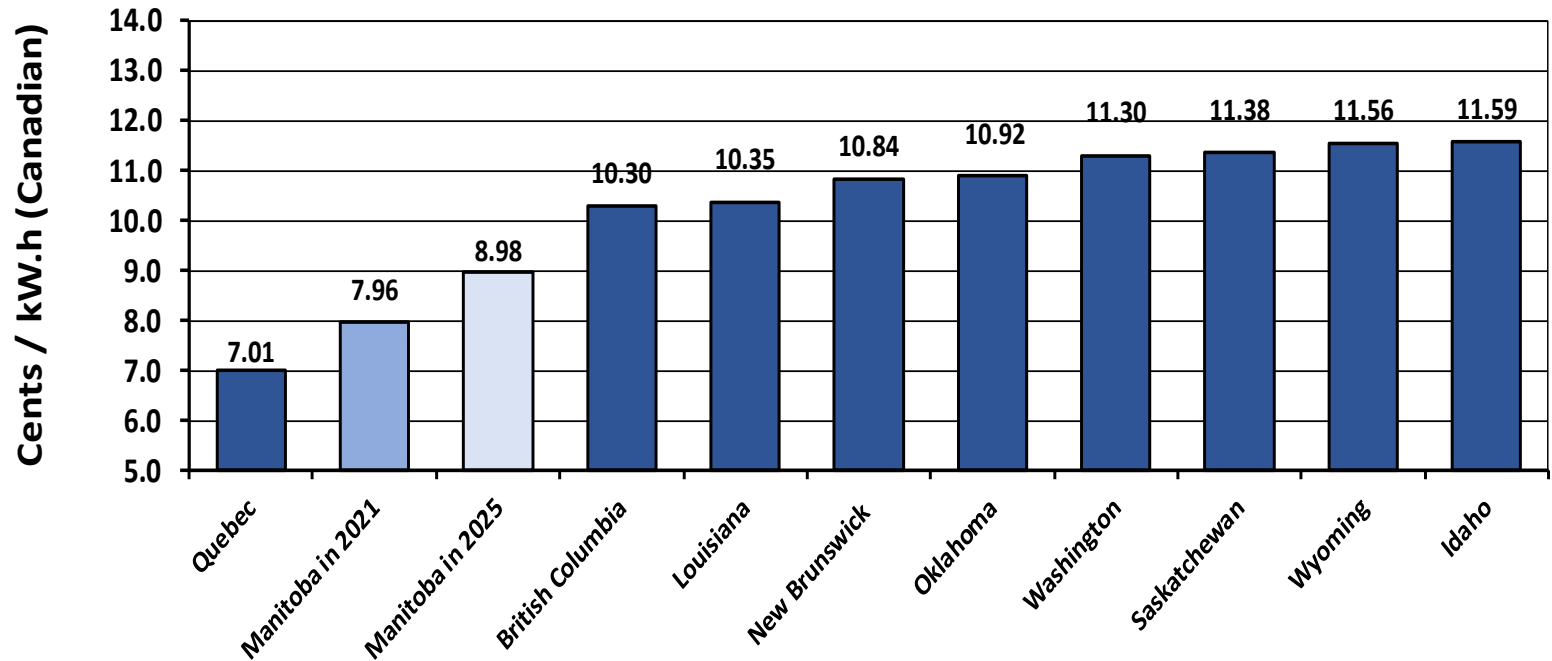
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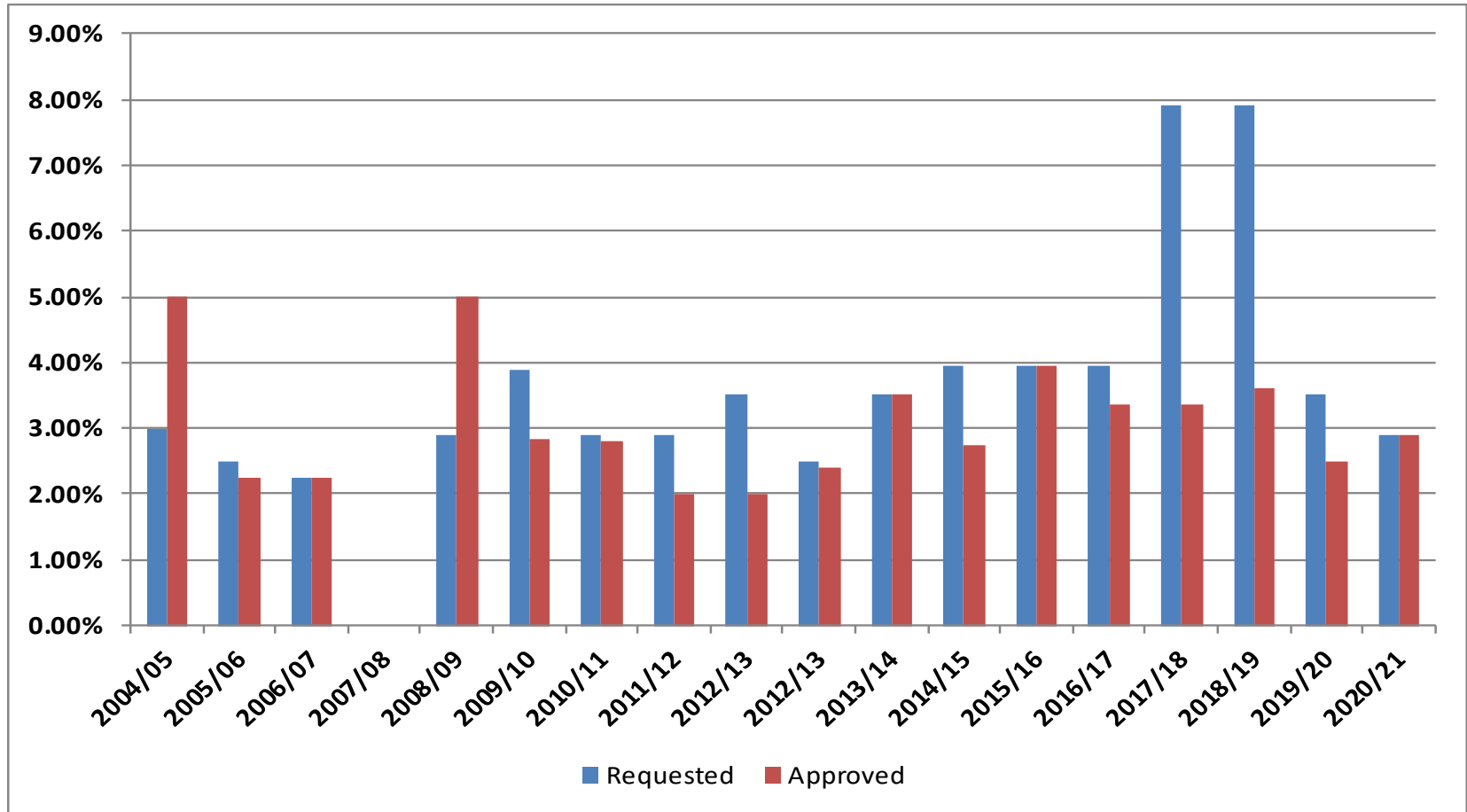
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