

**2021/22 INTERIM RATE APPLICATION****Manitoba Hydro Undertaking #5**

**Please confirm whether the Net Present Value of the proposed 5% rate increase if extended an additional 15 years from what was provided in response to Undertaking 3, would be more than twice as much.**

**Response:**

Not confirmed. Manitoba Hydro has recalculated the net present value of a 5.0% rate increase in the table below, using the following assumptions:

- Weighted average cost of capital of 5.75%
- Annual revenues of \$88 million each year to 2050/51

As can be seen in the table below, the NPV increases by \$397 million by extending the calculation 15 years to 2050/51, which represents a difference of approximately 30%.

In Millions of Dollars

	Nominal WACC	Discount Factor	Annual Rate Increases	Effective Cumulative Rate Increases	Additional Domestic Revenue	Discounted Additional Domestic Revenue
2022/23	5.75%	1.058	0.00%	5.00%	88	83
2023/24	5.75%	1.118	0.00%	5.00%	88	79
2024/25	5.75%	1.183	0.00%	5.00%	88	74
2025/26	5.75%	1.251	0.00%	5.00%	88	70
2026/27	5.75%	1.323	0.00%	5.00%	88	66
2027/28	5.75%	1.399	0.00%	5.00%	88	63
2028/29	5.75%	1.479	0.00%	5.00%	88	59
2029/30	5.75%	1.564	0.00%	5.00%	88	56
2030/31	5.75%	1.654	0.00%	5.00%	88	53
2031/32	5.75%	1.749	0.00%	5.00%	88	50
2032/33	5.75%	1.850	0.00%	5.00%	88	48
2033/34	5.75%	1.956	0.00%	5.00%	88	45
2034/35	5.75%	2.068	0.00%	5.00%	88	42
2035/36	5.75%	2.187	0.00%	5.00%	88	40
2036/37	5.75%	2.313	0.00%	5.00%	88	38
2037/38	5.75%	2.446	0.00%	5.00%	88	36
2038/39	5.75%	2.587	0.00%	5.00%	88	34
2039/40	5.75%	2.736	0.00%	5.00%	88	32
2040/41	5.75%	2.893	0.00%	5.00%	88	30
2041/42	5.75%	3.059	0.00%	5.00%	88	29
2042/43	5.75%	3.235	0.00%	5.00%	88	27
2043/44	5.75%	3.421	0.00%	5.00%	88	26
2044/45	5.75%	3.618	0.00%	5.00%	88	24
2045/46	5.75%	3.826	0.00%	5.00%	88	23
2046/47	5.75%	4.046	0.00%	5.00%	88	22
2047/48	5.75%	4.278	0.00%	5.00%	88	21
2048/49	5.75%	4.524	0.00%	5.00%	88	19
2049/50	5.75%	4.785	0.00%	5.00%	88	18
2050/51	5.75%	5.060	0.00%	5.00%	88	17
<b>NPV</b>						<b>\$1,226</b>

NPV 2022/23 to 2035/36

\$830

Difference

\$397