

March 22, 2024

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: MANITOBA HYDRO REQUEST TO REVIEW & VARY DIRECTIVE 19 OF ORDER 101/23 ON DEPRECIATION MATTERS

On August 24, 2023, the Public Utilities Board of Manitoba (“PUB” or “Board”) issued Order 101/23 with respect to Manitoba Hydro’s 2023/24 & 2024/25 General Rate Application, which provided direction on the depreciation methodology to be applied for rate-setting purposes, resulting in a change in the estimate of depreciation from Equal Life Group (ELG) to Average Life Group (ALG) to be implemented in the current year (2023/24).

As outlined below, Manitoba Hydro is seeking approval of the PUB to establish a regulatory deferral account to record the difference in depreciation expense determined based on the Concentric Energy Advisors 2019 Average Service Life Depreciation Study (“2019 Concentric ASL Study”) in accordance with Directive 19 g) of Order 101/23, and ALG IFRS-compliant depreciation expense calculated using the 2019 Concentric ASL Study with select changes recommended by Manitoba Hydro for 2023/24.

Directive 19, parts g) to k) of Order 101/23 provide:

“g) until Manitoba Hydro’s next depreciation study, Manitoba Hydro is to use the level of componentization in the utility’s 2019 depreciation study prepared by Concentric Energy Advisors and determine depreciation expense for rate-setting purposes using the depreciation accrual rates based on the Average Service Life (ASL) methodology set out in that study;

h) if the Utility determines, through professional accounting advice, that determining depreciation expense in accordance with clause (g) is not compliant with International

Financial Accounting Standards (IFRS), Manitoba Hydro is to write off any difference in depreciation expense and is directed not to establish a regulatory deferral account for the difference;

i) in preparing Manitoba Hydro's next depreciation study, the utility is to re-evaluate the level of componentization reasonably required under an IFRS compliant Average Service Life (ASL) methodology and make adjustments to the existing level of componentization if necessary;

j) in revising the level of componentization in accordance with clause (i), Manitoba Hydro is to avoid a level of componentization intended, or that could reasonably be constructed to be intended, to recreate the effect of using the Equal Life Group (ELG) methodology to determine depreciation expense; and,

k) Manitoba Hydro is to begin determining depreciation expense in accordance with this Directive on September 1, 2023, without a phase-in period or a deferral account in respect of a phase-in."

Upon receipt of Order 101/23, Manitoba Hydro commenced work on transitioning to the ALG method of depreciation for financial reporting purposes for implementation in the 2023/24 fiscal year. In the transition to ALG, Manitoba Hydro must ensure that a reasonable level of componentization is implemented to attain sufficient accuracy in depreciation expense. In Order 101/23, the PUB noted that Manitoba Hydro is to reassess the level of componentization in its next depreciation study and include a reasonable increase in componentization, if such an increase is warranted, based on professional accounting advice.¹ While work commenced on transitioning to the ALG method of depreciation for financial reporting purposes for implementation in 2023/24 shortly after Order 101/23 was issued, Manitoba Hydro did not have sufficient time to issue, tender, conduct a full depreciation study and implement componentization changes prior to March 31, 2024. A full ALG depreciation study will be completed in 2024/25.

In lieu of a full depreciation study by March 31, 2024, Manitoba Hydro completed a comprehensive review of the componentization recommended in the Alliance Consulting Group ("Alliance") IFRS-compliant depreciation study to identify and implement the minimum components required using ALG. In the Alliance depreciation study, a net increase of 413 components was proposed. Based on an analysis conducted by Manitoba Hydro's in-house

¹Order 101/23 page 144 and Directive 19 i)

Certified Depreciation Professional, a minimum net increase of 44 components is required for compliance with IFRS. Based on this review, Manitoba Hydro is implementing componentization changes to the four account groups listed below, in fiscal 2023/24 for financial reporting purposes. The select componentization changes result in an overall increase to depreciation and amortization, compared to the 2019 ASL Concentric study, of approximately \$35 million in 2023/24.

On February 1, 2024, Manitoba Hydro provided the PUB with an update on its activities and efforts to transition from ELG to ALG towards compliance with Directive 19 of Order 101/23. Manitoba Hydro advised that the 2019 ASL depreciation rates calculated by Concentric in accordance with Directive 19 g) are not IFRS compliant for reporting depreciation expense for financial reporting purposes and that select componentization changes to the following groups from the 2019 ASL Concentric study will be implemented for fiscal 2023/24, for compliance with IFRS:

- Hydraulic generation dams, dykes and weirs;
- Transmission line conductor and devices;
- Distribution serialized equipment pole mount; and
- Buildings across all functions.

Please find a copy of Manitoba Hydro's February 1, 2024 correspondence attached as Appendix 1 to this Application.

In Order 101/23, the PUB directed Manitoba Hydro to use the 2019 ASL Concentric study for rate-setting purposes (Directive 19 g) and to write-off and not establish a regulatory deferral for any difference between depreciation expense based on this study and the level of depreciation determined through professional accounting advice, to be compliant with IFRS (Directive 19 h).

Manitoba Hydro notes that writing off the difference in depreciation expense for rate setting purposes, in accordance with Directive 19 h), would align net income with financial reporting, but the write-off would require Manitoba Hydro to debit depreciation expense and credit accumulated depreciation which would increase depreciation expense for rate setting purposes to the amount recorded for financial reporting purposes. Manitoba Hydro's understanding is this result would be contrary to the PUB's intentions in Directive 19 g) of Order 101/23, in which Manitoba Hydro is directed to determine depreciation expense based on the 2019 ASL Depreciation Study. Without the approval to establish a regulatory deferral

to record the difference for financial reporting purposes or the confirmation to write off the difference for rate setting purposes which would result in an increase in depreciation expense, Manitoba Hydro would need to maintain two sets of accounting records in perpetuity. Depreciation expense and net income would be different for financial reporting and rate-setting for 2023/24, resulting in differences in retained earnings that would carry forward into the future; this is an undesirable outcome.

Maintaining two sets of accounting records would be very challenging and onerous due to differences in componentization between financial reporting and rate setting purposes, significantly increasing the risk of errors and discrepancies. Due to the significant number of asset components and significant number of financial assets, maintaining two sets of records with sufficient detail to support the development of future depreciation rates through independent depreciation studies, for financial reporting and rate setting, would be extremely burdensome and resource intensive. Manitoba Hydro has not yet determined whether it would be possible to account for the differences in excel spreadsheets or if modifications to Manitoba Hydro's Enterprise Resource Planning system (SAP) would be required. Both alternatives would result in increased costs and administration and would require an increase in FTEs to establish and maintain two sets of records. Manitoba Hydro does not believe that maintaining two sets of accounting records would provide sufficient value to its customers to justify the cost.

On February 20, 2024, Manitoba Hydro requested direction from the PUB on the treatment of depreciation expense for rate-setting purposes, given the need for the implementation of select componentization changes noted above. Please find Manitoba Hydro's letter of February 20th attached as Appendix 2 to this Application.

On February 29, 2024, the PUB issued a letter in response to Manitoba Hydro's letters of February 1 and 20, 2024, advising that establishment of a regulatory deferral account to record the difference in depreciation expense would require consideration through a Review & Vary Application by Manitoba Hydro. The PUB's letter is provided as Appendix 3 to this Application.

In accordance with the PUB's direction, and pursuant to section 44(3) of *The Public Utilities Board Act* ("PUB Act") and section 36 of the PUB Rules of Practice and Procedure ("PUB Rules"), Manitoba Hydro hereby applies to review and vary Directive 19 h) of Order 101/23 seeking one of the following:

- Approval to establish a new time-limited regulatory deferral account to record the difference between depreciation expense calculated using the 2019 ASL Concentric study and IFRS-compliant depreciation expense calculated using the 2019 depreciation study with select changes as recommended by Manitoba Hydro for 2023/24. Manitoba Hydro will engage an external depreciation consultant to complete a full ALG depreciation study which will be implemented for 2024/25. In 2024/25, the requested time-limited deferral account will be used to record the difference between depreciation expense based on the 2019 ASL Concentric study and depreciation expense based on the new 2024 ALG depreciation study. This temporary deferral account will continue until such time as the PUB is able to fully review the 2024 ALG depreciation study and issue its decision regarding depreciation, including the disposition of the deferral account and the appropriate amortization period. This approach would ensure that for rate setting purposes, accumulated depreciation would reflect use of the rates from the 2019 depreciation study as directed in 19 g), and that equivalent net income and retained earnings are recorded for rate setting and financial reporting purposes until this matter is concluded by a future PUB Order. Approval of this regulatory deferral would provide the audit evidence required for Manitoba Hydro to modify its net income for financial reporting purposes to match rate setting, by deferring the difference through net movement; or
- Confirm that the Board's direction in 19 h) to write off any difference in depreciation expense would increase actual depreciation expense for rate setting purposes, resulting in higher book accumulated depreciation and lower retained earnings for the test years in the next General Rate Application. This confirmation would allow Manitoba Hydro to modify its net income for rate setting purposes to match financial reporting.

Manitoba Hydro notes that the request for a temporary regulatory deferral until the PUB has the opportunity to review Manitoba Hydro's next depreciation study is consistent with Alternative 2 from the Depreciation Issues Document (Exhibit PUB-20), which was the preferred alternative of most of the intervener representatives participating in the depreciation technical conference, and would be the most efficient approach to addressing the difference in depreciation expense until the completion and review of a full IFRS compliant ALG depreciation study. If the proposed regulatory deferral is not approved for financial reporting or confirmation on writing off the difference in depreciation expense for rate-setting purposes provided, Manitoba Hydro will be required to maintain two sets of accounting records in perpetuity as retained earnings and book accumulated depreciation will differ for

financial reporting and rate-setting purposes.

A formal request to transition to IFRS compliant ALG componentization will be included as part of Centra's upcoming General Rate Application. For 2023/24, the utility has determined that one additional component is required for the gas segment, which results in a decrease in depreciation expense of approximately \$60 thousand. Given that this matter will be addressed in the upcoming GRA in calendar year 2024 and that the amount is immaterial, Manitoba Hydro does not intend to create a regulatory deferral account to record the difference for the gas operations.

Manitoba Hydro is not seeking approval of the additional select componentization changes as part of this review and vary Application. This will be reviewed following the completion and filing of Manitoba Hydro's next deprecation study as part of Manitoba Hydro's next General Rate Application. As such, Manitoba Hydro does not believe a detailed examination on the select componentization is warranted at this time.

Section 36(3) of the PUB Rules requires an application for a review to be filed within 30 days of the issuance of the Order, and served on the parties to the proceeding for which the order or decision of the Board was made. Section 3(2) of the PUB Rules also provides that "in any proceeding, the Board may dispense with, vary or supplement any of the provisions of these Rules." The PUB has wide discretion to set aside the requirement for a review application to be filed within 30 days of the issuance of an order and it has exercised such discretion on occasions in the past. Manitoba Hydro requests the PUB set aside this requirement to consider this Application.

Manitoba Hydro is copying interveners of record at the 2023/24 & 2024/25 General Rate Application, as noted in the PUB's February 29th correspondence, and as required under Section 36 (3) of the PUB's Rules.

Manitoba Hydro respectfully requests PUB approval of the proposed regulatory deferral by April 30, 2024, to allow the utility to record this deferral prior to closing its accounting systems for fiscal 2023/24 and looks forward to working with PUB representatives in establishing any required process and related timetable to do so.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3257.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



for: Brent A. Czarnecki
Senior Counsel



360 Portage Avenue (22) · Winnipeg Manitoba Canada · R3C 0G8
Telephone / N° de téléphone: (204) 360-3257 · Fax / N° de télécopieur: (204) 360-6147 · baczarnecki@hydro.mb.ca

February 1, 2024

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: MANITOBA HYDRO STATUS UPDATE ON DEPRECIATION MATTERS

On August 24, 2023, the Public Utilities Board of Manitoba (“PUB” or “Board”) issued Order 101/23 with respect to Manitoba Hydro’s 2023/24 & 2024/25 General Rate Application, which provided direction on the depreciation methodology to be applied for rate-setting purposes in Directive 19, resulting in a change in the estimate of depreciation from Equal Life Group (ELG) to Average Life Group (ALG) to be implemented in the current year (2023/24). By letter of September 8, 2023, Manitoba Hydro advised that it would provide updates to the PUB on the IFRS-compliant ALG depreciation study using a whole life technique, re-evaluating the level of componentization, while avoiding componentization that would re-create the effect of ELG.

Manitoba Hydro is now providing an update on its recent activities to transition from ELG to ALG, as well as advising the Board that select componentization changes to the following groups from the 2019 Average Service Life (ASL) Depreciation Study prepared by Concentric Advisors, ULC (“Concentric”) will be implemented for fiscal 2023/24:

- Hydraulic generation dams, dykes and weirs;
- Transmission line conductor and devices;
- Distribution serialized equipment pole mount; and
- Buildings across all functions.

Manitoba Hydro is also seeking confirmation from the PUB that KPMG's opinion on Manitoba Hydro's 2023/24 audited financial statements will satisfy the requirements of Directive 19 h) related to professional accounting advice regarding the componentization changes.

Directive 19, parts g) to k) state:

“g) until Manitoba Hydro’s next depreciation study, Manitoba Hydro is to use the level of componentization in the utility’s 2019 depreciation study prepared by Concentric Energy Advisors and determine depreciation expense for rate-setting purposes using the depreciation accrual rates based on the Average Service Life (ASL) methodology set out in that study;

h) if the Utility determines, through professional accounting advice, that determining depreciation expense in accordance with clause (g) is not compliant with International Financial Accounting Standards (IFRS), Manitoba Hydro is to write off any difference in depreciation expense and is directed not to establish a regulatory deferral account for the difference;

i) in preparing Manitoba Hydro’s next depreciation study, the utility is to re-evaluate the level of componentization reasonably required under an IFRS compliant Average Service Life (ASL) methodology and make adjustments to the existing level of componentization if necessary;

j) in revising the level of componentization in accordance with clause (i), Manitoba Hydro is to avoid a level of componentization intended, or that could reasonably be constructed to be intended, to recreate the effect of using the Equal Life Group (ELG) methodology to determine depreciation expense; and,

k) Manitoba Hydro is to begin determining depreciation expense in accordance with this Directive on September 1, 2023, without a phase-in period or a deferral account in respect of a phase-in.”

Upon receipt of Order 101/23, and in order to have the same componentization and depreciation expense for financial reporting and rate setting purposes, Manitoba Hydro commenced work on transitioning to the ALG method of depreciation for financial reporting purposes for implementation in the 2023/24 fiscal year without utilizing a phase-in deferral account. Maintaining the same depreciation expense and therefore, equivalent net income and retained earnings, ensures that all users of Manitoba Hydro's financial statements will have the same information and eliminates the need for two sets of accounting records in perpetuity that would otherwise be required if depreciation expense for 2023/24 was different for financial reporting and rate-setting.

Although transitioning to ALG must occur in 2023/24 to avoid two sets of accounting records in perpetuity, Manitoba Hydro does not have sufficient time to issue, tender, conduct a full depreciation study, and implement componentization changes prior to March 31, 2024. Instead, Manitoba Hydro is completing a comprehensive review of the componentization recommended in the Alliance Consulting Group (“Alliance”) IFRS-compliant depreciation study to identify and implement the minimum components required using ALG. Manitoba Hydro will subsequently complete a full depreciation study in 2024/25.

In the transition to ALG, Manitoba Hydro must ensure that a reasonable level of componentization is implemented to attain sufficient accuracy in depreciation expense and to be compliant with IFRS. Manitoba Hydro has reviewed the 2019 ASL depreciation rates calculated by Concentric in accordance with Directive 19, and advises that they are not IFRS compliant for reporting depreciation expense for financial reporting purposes as:

- Manitoba Hydro has evaluated the level of componentization reasonably required under an IFRS-compliant ALG methodology and, it’s management opinion that not all existing 2019 ASL components are compliant under IFRS due to the significant variability in service lives; and
- The Concentric 2019 ASL depreciation rates include a recovery mechanism for the Change in Depreciation Method regulatory deferral which cannot be reported in depreciation expense on the financial statements prepared in accordance with IFRS but instead would have to be reported as amortization expense in net movement. For rate setting purposes, Manitoba Hydro will present the existing deferral account and its associated amortization consistent with the approach acknowledged by the PUB in its letter of September 29, 2023.

In Directive 19 h), the Board explicitly denied deferral of any future differences in depreciation between financial reporting and rate setting. As such, to avoid two sets of accounting records in perpetuity, Manitoba Hydro will utilize the level of componentization in the utility's 2019 depreciation study with select changes to its componentization to be implemented in the current year (2023/24) for compliance with IFRS. This will ensure the same depreciation expense for financial reporting and rate setting purposes after transitioning from ELG to ALG. This transition will also apply to Centra Gas as Manitoba Hydro requires its subsidiary companies to apply the same accounting policies with respect to depreciation to avoid the need for consolidation adjustments. A formal request to transition to ALG will be included as part of the upcoming Gas General Rate Application.

Manitoba Hydro's internal Certified Depreciation Professional, Ms. Michelle Hooper, recommended select componentization changes to the 2019 ASL Depreciation Study accounts based on application of materiality thresholds and scenario analysis to determine the minimum components required for transitioning from ELG to ALG. This process resulted in Manitoba Hydro implementing componentization changes in fiscal 2023/24 to the four accounts listed above. Please see Appendix 1 for an update on Manitoba Hydro's work to comply with the requirements of Directive 19 of Order 101/23 and Appendix 2 for detailed information on the work completed to date and the work remaining, including the process used to determine the minimum number of components.

The table below compares the change in depreciation expense between ELG and IFRS ALG when implementing select changes to the Concentric 2019 CGAAP ASL componentization to be compliant with IFRS. The comparison excludes interim gains and losses as the Board approved the continued deferral of interim gains and losses rendering the difference in the calculation between the two methods inconsequential. There is a decrease in depreciation and amortization with the transition from ELG to IFRS ALG of \$26 million which demonstrates that Manitoba Hydro is not recreating the effects of ELG in its new approach, in accordance with Directive 19 j).

| Manitoba Hydro Consolidated Electric Operations | | | |
|---|--------|-------------------|-----------------|
| Impact of Transition from ELG to IFRS ALG | | | |
| 2023/24 Depreciation & Amortization, Regulatory Presentation | | | |
| Fall 2023 Preliminary Forecast | | | |
| (millions) | | | |
| | AFFS * | Minimum Component | Difference |
| | ELG | IFRS-ALG ** | IFRS-ALG vs ELG |
| Depreciation & Amortization | \$ 635 | \$ 609 | \$ (26) |
| *Amended Financial Forecast Scenario included in the Electric 2023/24 and 2024/25 General Rate Application adjusted to apply rate setting presentation (\$6 million recovery of Change in Depreciation Method Regulatory Deferral). | | | |
| ** Minimum component depreciation expense has been estimated by extrapolating the impacts determined for assets in service as at March 31, 2019. This estimate will be updated once work has been completed to determine current balances for accounts impacted by IFRS-ALG componentization. | | | |

Manitoba Hydro recognizes that the PUB is interested in the impact to depreciation expense for rate setting purposes excluding gains and losses between 2019 CGAAP ASL, which was used in Manitoba Hydro's October 31, 2023 compliance filing and IFRS ALG which includes select changes to the 2019 CGAAP ASL componentization to be compliant under IFRS. Manitoba

Hydro evaluated and selected the level of componentization reasonably required to transition to an IFRS ALG method as noted in Directive 19 i). Componentization will be reviewed as part of each future depreciation study and a full depreciation study will be completed in fiscal 2024/25 as there was insufficient time to complete prior to transitioning to IFRS ALG. The table below compares the change between 2019 CGAAP ASL and IFRS ALG. As demonstrated in the table, for rate setting purposes, there will be an overall increase to depreciation and amortization of approximately \$35 million.

| Manitoba Hydro Consolidated Electric Operations | | | |
|--|-----------------------------------|------------------------------------|--|
| Impact of 2019 CGAAP ASL to IFRS ALG | | | |
| 2023/24 Depreciation & Amortization for Rate Setting Purposes | | | |
| Fall 2023 Preliminary Forecast | | | |
| (millions) | | | |
| | Compliance Filing CGAAP-ASL | Minumum Component IFRS-ALG * | Difference IFRS-ALG vs CGAAP-ASL |
| Depreciation & Amortization | \$ 574 | \$ 609 | \$ 35 |

* Minimum component depreciation expense has been estimated by extrapolating the impacts determined for assets in service as at March 31, 2019. This estimate will be updated once work has been completed to determine current balances for accounts impacted by IFRS-ALG componentization.

External Professional Accounting Advice

The Board also directed Manitoba Hydro to obtain professional accounting advice to ensure the increase in componentization was warranted. To comply with this directive, Manitoba Hydro engaged with its external auditor, KPMG, to provide options for external accounting advice related to the increase in componentization.

KPMG identified six potential options for Manitoba Hydro to consider. It should be noted that none of the six options identified can explicitly confirm that the number of components implemented are warranted as all options will require interpretation of the findings after an option has been selected. The six options vary in cost, effort and time required to complete, and would potentially require further consultation with KPMG.

Below is a summary of the six options discussed with KPMG and includes Manitoba Hydro's recommendation.

- 1) Audit report on the consolidated financial statements, which will cover the **note disclosure** related to the change in estimate, as required under IFRS.

This option is required as part of the 2023/24 audit. The audit opinion prepared under Canadian Auditing Standards (CAS) will state whether the financial statements as a whole are presented fairly in accordance with IFRS. The audit report will not specifically attest to whether the increase in componentization is warranted. Below is an example of the opinion KPMG provided to Manitoba Hydro on its 2022/23 audited financial statements:

"In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)."

As part of an audit under CAS, auditor responsibilities also include but aren't limited to:

"Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management."

"Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation."

This option would require the Board to interpret that depreciation expense is reasonable and as such the component changes implemented are warranted even though no direct audit opinion is provided.

- 2) Audit report on the consolidated financial statements, which will cover **expanded note disclosure** related to the change in estimate, including the minimum disclosure required under the IFRS standard (option 1), as well as additional financial information relevant to componentization. It will be in Management's judgment to determine what additional note disclosures to include such as the increase in number of components and impact to depreciation expense, while still complying with IFRS.

Manitoba Hydro recommends this option as it provides transparency to the users of its financial statements, specifically the Board, on the componentization changes and

impact to depreciation expense. The expanded note disclosure will require additional audit work, which should serve to provide additional assurance to the Board that the componentization is warranted, even though there is no direct opinion provided on the specific disclosures. Similar to option 1, the opinion of the auditors will be expressed on the financial statements taken as a whole. The incremental work associated with the expanded disclosure would be completed as part of the 2023/24 audit.

Below is an example of the opinion KPMG provided to Manitoba Hydro on its 2022/23 audited financial statements:

"In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2023".

As part of an audit under CAS, auditor responsibilities also include but aren't limited to:

"Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation."

- 3) Issue an **addendum to KPMG's Audit Findings Report** prepared for use by the Audit and Finance Committee of the Board of Directors specific to the audit procedures on the change in estimate.

The audit findings report is factual information on the procedures performed during the audit to comply with Canadian Auditing Standards. The purpose of the report is to assist the users (Management, Audit and Finance Committee and the Board of Directors), in the review of the results of the audit. The audit work performed by the auditor would be the same as work performed in option 1 or 2 and would not change the opinion provided on the financial statements as a whole.

It is important to note that even though KPMG may not object to the report being distributed to the PUB on a confidential basis, the “standard” wording around the purpose and use of the audit findings could not be changed. Below is an example of the audit findings report wording for the year ended March 31, 2023:

“The purpose of this report is to assist you, as a member of the Audit and Finance Committee, in your review of the results of our audit of the consolidated financial statements as at and for the period ended March 31, 2023. This report builds on the Audit Plan we presented to the Audit and Finance Committee. This report is intended solely for the information and use of Management, the Audit and Finance Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.”

Manitoba Hydro does not recommend this option as this report would only be available to the PUB, not to intervenors or the public, and may only be able to be shared verbally and not in writing. This option will not provide any additional assurance than options 1 or 2 as the report provided would be limited to information on the procedures performed as part of the audit and would not provide any type of opinion on depreciation or the change in estimate. Given the limitations surrounding the release of this information, and the additional cost and effort to obtain this addendum, Manitoba Hydro does not recommend this option.

4) Canadian Audit Standards CAS 805 Special Considerations – **Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement**

This option includes auditing property, plant and equipment and depreciation expense at a significantly lower level of materiality compared to the financial statements as a whole, which would increase the level of audit work. This report would contain an opinion on depreciation expense; without opining on the level of componentization, to provide assurance that depreciation expense is in compliance with the financial reporting framework disclosed in the notes to financial statements. This option is expected to be the most expensive due to the lower level of materiality and increased level of audit work. Below is an example of the draft conclusion from this type of engagement:

"We have audited the schedule of depreciation of _____ (the Entity) for the year ended X and notes to the schedule, including a summary of material accounting policy information (Hereinafter referred to as the "schedule"). In our opinion, the accompanying schedule of depreciation for the year ended X of the Entity is prepared, in all material respects, in accordance with the financial reporting framework described in Note 1 to the schedule."

Manitoba Hydro does not recommend this option as it would not provide the Board with any additional assurance than what could be provided through option 2. Although completing such an audit specifically addresses depreciation expense on its own, this level of auditing would not provide additional assurance than that already received as part of an overall audit.

5) CPA Handbook Section 4400, **Agreed Upon Procedures Report** (AUP Report)

This option includes the practitioner performing procedures that have been agreed upon by the practitioner and the engaging party. For this option, Manitoba Hydro and the PUB would define a set of procedures to be performed by the auditor. An AUP Report would only be factual and would not provide a direct opinion on whether the increase in componentization is reasonable and warranted. See Appendix 3 for an example from the CPA Handbook Section 4400 of an AUP Report.

Manitoba Hydro does not recommend this option as it does not provide any more assurance than options 1 or 2. Additionally, it would be challenging to collaboratively determine procedures to be performed that would assist the Board in concluding whether the number of components implemented by Manitoba Hydro is reasonable and warranted. Furthermore, there is limited time (less than three months) to implement a change to ALG in order to avoid two sets of accounting records.

6) CPA Handbook Section 4460, **Report on Supplementary Matters** (Supplementary Matters Report)

This option uses the audit work performed in option 1. This report is based on judgement and would state the amount of depreciation recorded for the year which is already reflected in the Financial Statements and included in the Annual Report. Below is an example of the conclusions from this type of engagement:

“We do not express an opinion or review conclusion on the supplement matter. In response to the other reporting responsibility, we report that the amount of depreciation recorded for _____ is \$_____”

Further details are presented in Appendix 4, CPA Handbook Section 4460.

Manitoba Hydro does not recommend this option as it does not provide any more assurance than option 1 or 2 as the report would only state the amount of depreciation and would not provide an opinion on whether the increase in componentization is reasonable and warranted.

For the reasons described above, Manitoba Hydro recommends proceeding with option 2 as it provides transparency to the users of its financial statements, including a more fulsome note disclosure related to the change in estimate on depreciation, as well as the increase in componentization and the impact on depreciation expense. Manitoba Hydro requests confirmation from the PUB at its earliest convenience that this option will satisfy the requirements of Directive 19 h) and PUB findings on pages 144 and 145 of Order 101/23.

If desirable and of assistance to the PUB, representatives of Manitoba Hydro are willing to meet with the financial advisor to the PUB to provide any clarification that is required on this matter to ensure common understanding and a pragmatic approach going forward for both the PUB and Manitoba Hydro.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3257.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



Brent A. Czarnecki
Senior Counsel

Appendix 1 – Update from Manitoba Hydro regarding Order 101/23 Directive 19

| Directive 19 ... the Board directs that depreciation expense be determined using the following methodology: ... | |
|---|--|
| Directive | Update |
| <i>a) Manitoba Hydro is to continue to use the Average Service Life (ASL) methodology, also known as the Average Life Group (ALG) methodology;</i> | Manitoba Hydro will transition to ALG for calculating depreciation expense for financial reporting for fiscal 2023/24 so that the same depreciation methodology is used for rate setting purposes. |
| <i>b) Manitoba Hydro is to continue to use the whole life technique;</i> | Manitoba Hydro will continue to use the whole life technique. |
| <i>c) interim gains and losses are to be deferred into the Loss on Retirement or Disposal of Assets Deferral Account and amortized over the respective weighted average remaining life of the Manitoba Hydro, KHLP and WPLP asset components contributing to the deferral balance;</i> | Manitoba Hydro will continue to defer interim gains and losses and will amortize these accounts over the respective weighted average remaining life of the MH, KHLP and WPLP asset components contributing to the deferral balance. |
| <i>d) the portion of the existing balance in the Loss on Retirement or Disposal of Assets Deferral Account relating to the deferral of interim gains or losses is to be treated in the same manner as set out in clause (c);</i> | Manitoba Hydro will amortize the existing balance in the Loss on Retirement or Disposal of Assets Deferral Account over the respective weighted average remaining life of the MH, KHLP and WPLP asset components contributing to the deferral balance. |
| <i>e) future terminal losses are not to be deferred without the prior approval of the Board;</i> | Future terminal losses (discontinued operations) will not be deferred unless prior approval is received from the Board. |
| <i>f) the portion of the existing balance in the Loss on Retirement or Disposal of Assets Deferral Account relating to terminal losses of approximately \$43 million for the decommissioning of the Selkirk Generating Station is not to be amortized</i> | Manitoba Hydro wrote off ~\$43 million of terminal losses related to Selkirk Generating Station and Brandon Unit 5 in fiscal 2023/24. |
| <i>g) until Manitoba Hydro's next depreciation study, Manitoba Hydro is to use the level of componentization in the utility's 2019 depreciation study prepared by Concentric Energy Advisors and determine depreciation expense for rate-setting purposes using the depreciation accrual rates based on the Average Service Life (ASL) methodology set out in that study;</i> | Manitoba Hydro will utilize the level of componentization in the utility's 2019 depreciation study prepared by Concentric except for changes to the following asset groups which Manitoba Hydro deems to be necessary in order to comply with the requirements of IFRS: <ul style="list-style-type: none"> - Hydraulic generation dams, dykes and weirs - Transmission line conductor and devices - Distribution serialized equipment pole mount - Buildings across all functions Updated depreciation rates will be calculated by Alliance and used for these select accounts and a full depreciation study will be completed in 2024/25. |

Appendix 1 – Update from Manitoba Hydro regarding Order 101/23 Directive 19

| Directive | Update |
|---|--|
| <p><i>h) if the Utility determines, through professional accounting advice, that determining depreciation expense in accordance with clause (g) is not compliant with International Financial Accounting Standards (IFRS), Manitoba Hydro is to write off any difference in depreciation expense and is directed not to establish a regulatory deferral account for the difference;</i></p> | <p>Manitoba Hydro's internal professional accountants advise that depreciation expense calculated for financial reporting purposes using the depreciation accrual rates based on the ASL methodology set out in the 2019 depreciation study compiled by Concentric are not IFRS compliant as:</p> <ul style="list-style-type: none"> • Manitoba Hydro has evaluated the level of componentization reasonably required under an IFRS-compliant ALG methodology and it is management's opinion that not all existing 2019 ASL components are compliant under IFRS due to the significant variability in service lives. • The Concentric 2019 ASL depreciation rates include a recovery mechanism for the Change in Depreciation Method regulatory deferral which cannot be reported in depreciation expense on the audited financial statements but instead would have to be reported as amortization expense in net movement under IFRS. For rate setting purposes, Manitoba Hydro will present the existing deferral account and its associated amortization consistent with the approach acknowledged by the PUB in its letter of September 29, 2023. <p>Since the PUB has directed Manitoba Hydro not to defer any further differences in depreciation between financial reporting and rate setting, Manitoba Hydro must implement IFRS ALG in 2023/24 to maintain the same depreciation expense and therefore, equivalent net income and retained earnings to eliminate the need for two sets of accounting records in perpetuity, that would otherwise be required if depreciation expense for 2023/24 was different for financial reporting and rate-setting.</p> |

Appendix 1 – Update from Manitoba Hydro regarding Order 101/23 Directive 19

| Directive | Update |
|--|--|
| <p><i>i) in preparing Manitoba Hydro’s next depreciation study, the utility is to reevaluate the level of componentization reasonably required under an IFRS compliant Average Service Life (ASL) methodology and make adjustments to the existing level of componentization if necessary;</i></p> | <p>Manitoba Hydro's internal Certified Depreciation Professional reevaluated the level of componentization reasonably required under an IFRS-compliant ASL methodology and recommended select accounts be updated from the 2019 level of componentization. Manitoba Hydro's management has accepted these recommendations as they significantly impact depreciation expense.</p> <p>During Manitoba Hydro's regular depreciation study in 2024/25 the company will determine if any other additional componentization is required.</p> |
| <p><i>j) in revising the level of componentization in accordance with clause (i), Manitoba Hydro is to avoid a level of componentization intended, or that could reasonably be constructed to be intended, to recreate the effect of using the Equal Life Group (ELG) methodology to determine depreciation expense;</i></p> | <p>Manitoba Hydro applied a systematic and unbiased approach when evaluating the appropriate level of componentization and did not re-create the effect of using ELG method. Depreciation expense (excluding the effects of gains and losses under the ALG procedure) is expected to decrease ~\$26 million when Manitoba Hydro transitions from ELG to IFRS-compliant ALG.</p> |
| <p><i>k) Manitoba Hydro is to begin determining depreciation expense in accordance with this Directive on September 1, 2023, without a phase-in period or a deferral account in respect of a phase-in</i></p> | <p>The change in estimate must be applied consistently from the beginning of the year in these circumstances under IFRS. Therefore, effective April 1, 2023 Manitoba Hydro will implement IFRS-compliant ALG depreciation rates without a phase-in.</p> |

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

The following discussion provides detailed information on Manitoba Hydro’s work completed to date and work remaining to transition from ELG to IFRS-compliant ALG, including the process used to determine the minimum number of components.

Manitoba Hydro has completed the following processes to transition from ELG to ALG for financial reporting purposes to ensure it satisfies Order 101/23 Directive 19:

- 1) Developed a management tool to establish materiality thresholds for use in assessing the ALG componentization impacts for compliance with IFRS.
- 2) Isolated the impacts of the Alliance recommended sub-componentization from other changes made by Alliance, such as service life.
- 3) Applied materiality thresholds to the isolated impacts of the Alliance recommended sub-componentization to identify in management’s opinion, which components are significant and should be considered when transitioning from ELG to ALG depreciation procedure under IFRS. Judgment was applied in determining the thresholds.
- 4) For asset groups which Alliance recommended multiple new components, Manitoba Hydro completed scenario analysis to determine the minimum number of required components.
- 5) Engaged Alliance to:
 - a. Review Manitoba Hydro's approach in determining componentization impacts and Manitoba Hydro's proposed minimum componentization.
 - b. Calculate updated ALG, whole life depreciation rates for affected accounts based on assets in service as at March 31, 2019:
 - i. IFRS compliant depreciation rates calculated using IFRS book accumulated depreciation.
 - ii. Regulatory depreciation rates calculated using Regulatory accumulated depreciation.
- 6) Engaged with KPMG to provide potential options for external professional accounting advice on whether the increase in componentization is warranted as directed in PUB findings on page 144 related to Directive 19 i) and j).
- 7) Provided documentation to KPMG to commence their interim audit procedures related to the expected change in estimate for depreciation.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

Manitoba Hydro has commenced and must complete the following additional work in order to implement ALG for financial reporting purposes for fiscal 2023/24 to ensure it satisfies Board Order 101/23 Directive 19. Manitoba Hydro will provide further updates as work progresses:

- 1) Finalize the componentization changes based on the outcome of the engagement with Alliance.
- 2) Determine current plant account balances by new sub-components which requires analysis of all asset transactions (e.g. additions, retirements, reclassifications) for fiscal years 2019/20 through to implementation date (fiscal 2023/24) in order to prepare for implementation of new components and updated depreciation rates.
- 3) Obtain formal approval for audit purposes from Manitoba Hydro’s senior management for the revised components and updated depreciation rates.
- 4) Develop and maintain temporary processes such as accruals and offline spreadsheet accounting to bridge between existing components and new subcomponents from the effective implementation date of April 1, 2023 until system modifications and data conversion has been completed.
- 5) Develop and implement changes to SAP and all other plant asset related IT systems including, C55, RUCES, CSI and RMS to incorporate new subcomponents.
- 6) Convert all affected active and future capital project data and plant assets to reflect new subcomponents effective March 31, 2023 using temporary accruals where needed.
- 7) Determine if SAP has the capability of calculating depreciation based on two sets of rates (depreciation expense and recovery of regulatory deferral) or if this process will have to be calculated manually in spreadsheets.
- 8) Update financial planning model to create a regulatory presentation view for rate setting purposes which will differ from the financial reporting presentation.
- 9) Update Asset Accounting Handbook for changes to componentization.
- 10) Develop a communication strategy for changes in componentization and deliver company-wide training to impacted employees focusing on planning, estimating and execution of capital projects.
- 11) Prepare Financial Statement Notes for fiscal 2023/24 to reflect change from ELG to ALG for the determination of depreciation expense including financial statement impact and changes to components and service lives.
- 12) Tender a contract and complete a full depreciation study to calculate updated depreciation rates based on assets in service as at March 31, 2024 for implementation effective April 1, 2024.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

13) Complete requests from Manitoba Hydro’s auditor for documentation to support additional audit work related to the change in estimate for depreciation.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

Isolated Impacts and Recommendation for Additional Sub-Components

Manitoba Hydro's internal Certified Depreciation Professional developed a model to isolate the impacts of Alliance’s recommended sub-componentization from other changes such as service life. A summary of the isolated impacts is provided in the table below. Account level impacts are provided at the end of this appendix. Alliance has been engaged to review Manitoba Hydro's approach and the calculations used in determining componentization impacts to depreciation expense and Manitoba Hydro's proposed minimum componentization.

| Manitoba Hydro Electric Operations Depreciation Expense Impact Analysis Summarized Quantification of ALG Depreciation Study Differences For Plant in Service as at March 31, 2019 (thousands) | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Reclassify Component Changes * | Impact of Other Changes ** | Alliance IFRS- Compliant ASL Depreciation Study Results |
|---|--|--|--|---|--------------------------------------|----------------------------------|--|
| | | | | | | | |
| Buildings (across all functions) | \$ 43,551 | \$ (165) | \$ 5,874 | \$ 13,383 | \$ (12,125) | \$ 60 | \$ 50,578 |
| Distribution Serialized Equipment - Pole Mount | 5,400 | (87) | 989 | 2,794 | - | (120) | 8,976 |
| Dams, Dykes & Weirs | 7,100 | (20) | 680 | 2,355 | 12,125 | (447) | 21,792 |
| Transmission Line Conductor & Devices | 9,451 | (23) | 901 | 1,925 | - | 145 | 12,400 |
| Other - accounts with immaterial componentization impact | 365,602 | (5,320) | (2,649) | 8,000 | - | (983) | 364,650 |
| Total Electric Operations | \$ 431,104 | \$ (5,615) | \$ 5,795 | \$ 28,457 | \$ - | \$ (1,344) | \$ 458,397 |

* Hydraulic GS powerhouse substructures reclassified from Buildings to Dams, Dykes & Weirs

** Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

Minimum number of Additional Components

In the transition to ALG, Manitoba Hydro must ensure that a reasonable level of componentization is implemented in order to attain sufficient accuracy in depreciation expense. This audit requirement is consistent with direction provided by the PUB in Order 101/23 Directive 19 i):

"in preparing Manitoba Hydro’s next depreciation study, the utility is to reevaluate the level of componentization reasonably required under an IFRS compliant Average Service Life (ASL) methodology and make adjustments to the existing level of componentization if necessary;"

Although Manitoba Hydro does not have sufficient time to complete a full depreciation study by March 31, 2024, Manitoba Hydro is implementing select changes to its existing componentization for 2023/24 in order to facilitate immediate transition to an IFRS-compliant ALG depreciation methodology. Manitoba Hydro will conduct a full depreciation study in 2024/25.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

The following table provides a comparison between existing, Alliance recommended, and Manitoba Hydro proposed components which demonstrates that Manitoba Hydro has minimized the number of additional components required to transition from ELG to ALG.

IFRS-Compliant Average Life Group Depreciation - Componentization Recommendations - original presentation version

| ALG Depreciation Methodology Number of Components | Existing ELG & CGAAP | Alliance Proposed IFRS-ALG | Alliance Proposed Net Increase | Minimum Component IFRS-ALG | Minimum Component Net Increase |
|--|---|---|---|---|---|
| Hydraulic Generation * | 218 | 531 | 313 | 255 | 37 |
| Thermal Generation | 21 | 30 | 9 | 20 | -1 |
| Diesel Generation | 5 | 10 | 5 | 6 | 1 |
| Transmission Lines | 7 | 9 | 2 | 8 | 1 |
| Substations | 20 | 40 | 20 | 21 | 1 |
| Distribution Lines | 18 | 21 | 3 | 19 | 1 |
| Distribution Meters | 4 | 4 | 0 | 4 | 0 |
| Communication | 10 | 23 | 13 | 11 | 1 |
| Motor Vehicles | 7 | 7 | 0 | 7 | 0 |
| Buildings | 5 | 7 | 2 | 5 | 0 |
| General Equipment | 4 | 6 | 2 | 4 | 0 |
| Easements | 1 | 1 | 0 | 1 | 0 |
| Computer Software & Development | 5 | 9 | 4 | 5 | 0 |
| Manitoba Hydro | 325 | 698 | 373 | 366 | 41 |
| Wuskwatim Power Limited Partnership | 22 | 40 | 18 | 23 | 1 |
| Keeyask Hydropower Limited Partnership | 24 | 43 | 19 | 25 | 1 |
| Total - Electric Operations | 371 | 781 | 410 | 414 | 43 |
| Centra Gas | 24 | 27 | 3 | 25 | 1 |
| Minell Pipelines | 6 | 6 | 0 | 6 | 0 |
| Total - Consolidated | 401 | 814 | 413 | 445 | 44 |
| * Hydraulic Generation - max per GS | 14 | 42 | 28 | 18 | 4 |

Not all components are currently in use at every GS. Component use is site specific based on nature of existing assets.

To comply with Order 101/23 Directive 19 i) Manitoba Hydro first isolated componentization impacts for each of Alliance’s recommendations, and then applied materiality thresholds to determine which recommendations resulted in a significant enough impact (in management’s judgment) to depreciation expense to require implementation. Manitoba Hydro also completed additional scenario analysis for asset groups which met the criteria for implementation and for which Alliance had recommended the addition of more than 1 new component. For Electric operations, Manitoba Hydro completed scenario analysis for buildings and for hydraulic dams, dykes and weirs in order to determine the minimum components required to obtain sufficient coverage (> 80%) for the isolated impact of sub-componentization. The remaining componentization changes identified for implementation did not require further scenario analysis as each account had only one additional component recommended by Alliance.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

Buildings (across all functions): Alliance recommended six sub-components applicable across all building functions (five components per individual building). Alliance did not recommend any changes to the existing leasehold improvement account within the Administrative Buildings function. Manitoba Hydro agrees that further componentization is required as the isolated impact of componentization is material but has determined that sufficient accuracy in depreciation expense (90% coverage) can be achieved with the use of five components (three components per individual building). This recommendation balances the precision in the depreciation estimate with the administrative effort required to implement and maintain assets on an ongoing basis. It is necessary to apply the same componentization across all building functions to provide consistency for employees in the application of asset components and ensure accuracy of capital cost allocation. Although the overall number of building components does not change significantly for some of the affected functions, the allocation of costs within each function will be updated to reflect the revised asset components (long, medium, short).

The following table summarizes the impacts to depreciation expense of the changes recommended by Alliance for buildings, isolating the impacts of componentization:

| Manitoba Hydro Electric Operations Depreciation Expense Impact Analysis Quantification of ALG Depreciation Study Differences For Plant in Service as at March 31, 2019 (thousands) | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Reclassify Component Changes * | Impact of Other Changes ** | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|---|---|--------------------------------------|----------------------------------|--|
| Buildings: | | | | | | | |
| Hydraulic Generation - Powerhouse & Support Buildings | \$ 14,905 | \$ (48) | \$ 347 | \$ 3,359 | \$ (8,088) | \$ 36 | \$ 10,511 |
| Thermal Generation - Powerhouse & Support Buildings | 286 | (0) | 130 | 59 | (0) | (17) | 458 |
| Diesel Generation | 247 | (12) | (67) | 44 | (0) | (0) | 212 |
| Substations | 12,548 | (21) | 3,369 | 4,577 | 0 | 4 | 20,477 |
| Communication | 739 | (3) | (8) | 330 | - | 12 | 1,070 |
| Administrative Buildings | 9,613 | (66) | 1,520 | 3,498 | (0) | 3 | 14,569 |
| WPLP Hydraulic - Powerhouse & Support Buildings | 5,212 | (14) | 584 | 1,515 | (4,037) | 23 | 3,283 |
| Total Buildings | \$ 43,551 | \$ (165) | \$ 5,874 | \$ 13,383 | \$ (12,125) | \$ 60 | \$ 50,578 |

* Hydraulic powerhouse substructures reclassified from Buildings to Dams, Dykes & Weirs

** Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

The following table provides component counts for affected buildings accounts across all functions and demonstrates that Manitoba Hydro’s proposed minimum component changes result is significantly less incremental components than proposed by Alliance:

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

| Manitoba Hydro Electric Operations ALG Depreciation Methodology Number of Components | Existing ELG & CGAAP | Alliance Proposed IFRS-ALG | Alliance Proposed Net Increase | Minimum Component IFRS-ALG | Minimum Component Net Increase |
|---|----------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| <u>Buildings - across all functions</u> | | | | | |
| Hydraulic Generation ** | 54 | 91 | 37 | 68 | 14 |
| Thermal Generation ** | 8 | 9 | 1 | 7 | -1 |
| Diesel Generation | 2 | 5 | 3 | 3 | 1 |
| Substations | 2 | 5 | 3 | 3 | 1 |
| Communication | 3 | 6 | 3 | 4 | 1 |
| Administrative Buildings | 4 | 6 | 2 | 4 | 0 |
| WPLP | 3 | 6 | 3 | 4 | 1 |
| KHLP | 4 | 6 | 2 | 4 | 0 |
| Total * | 80 | 134 | 54 | 97 | 17 |
| Hydraulic & Thermal Generation - max per GS ** | 4 | 6 | 2 | 4 | 0 |
| * Building componentization has been modified across all functions. Significant effort will be required for asset conversion to implement IFRS-compliant minimum componentization, even where there is no/little increase in count of components. | | | | | |
| ** Not all components are currently in use at every GS. Component use is site specific based on nature of existing assets. | | | | | |

The following table provides the scenario analysis completed by Manitoba Hydro on buildings, which demonstrates that Manitoba Hydro has minimized the number of additional components required to achieve sufficient coverage (> 80%) for the isolated impact of sub-componentization. Alternative Scenario 3 has been selected for implementation as it achieves 90% coverage with minimum componentization.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

| Manitoba Hydro Electric Operations Componentization Scenario Analysis Buildings - Across All Functions For Assets in Service as at March 31, 2019 (in thousands) | | | | |
|--|---|------------------------------|---------------------|-------------------------|
| Account | Account Name | Service Life / Iowa Curve | Plant in Service | Depreciation Expense |
| Current Componentization - 2019 Depreciation Study (2 components per building) | | | | |
| Service life & Iowa curve adjusted to equal to weighted average of Alliance proposed components to isolate componentization impact | | | | |
| 000B + 1181BWPLP | Hydraulic Powerhouse | 113 R4 | 1,606,389 | 14,608 |
| 1200B + 5000C | Thermal Powerhouse + System Control Centre | 52 R3 | 39,189 | 599 |
| 8000D | 360 Portage - Civil | 60 R3 | 202,646 | 3,631 |
| 8000E | 360 Portage - Electro/Mechanical | 37 R2.5 | 77,776 | 2,155 |
| 000V | Townsite Buildings | 46 R3 | 115,702 | 2,687 |
| 1300B | Diesel Buildings | 32 R2 | 9,576 | 156 |
| ****B+****X+1181XWPLP | Buildings - All other | 45 R3 | 948,953 | 20,085 |
| 000C+1200C | Powerhouse Renovations - Hydraulic & Thermal | 31 R3 | 13,313 | 423 |
| 1300C | Diesel Building Renovations | 34 R2 | 524 | 12 |
| ****C+****W+1181WWPLP | Building Renovations - All except Powerhouse | 32 R2.5 | 174,997 | 5,012 |
| | | w.avg 80 R3.5 | 3,189,063 | 49,367 |
| Impact of Alliance proposed changes to service life, Iowa curve & other factors | | | | 5,973 |
| Alliance Proposed Componentization (5 components per building) | | | | |
| Hydraulic Powerhouse Substructures transferred to Dams, Dykes & Weirs | | | | |
| 000A-01 + 1181A-01WPLP | Concrete Dams, Dykes and Substructures | 125 R4 | 1,329,627 | 11,098 |
| 000A-02 | Embankment Dams and Dykes | 125 R4 | 5,581 | 78 |
| 000A-05 | Concrete Dams, Dykes and Substructures Refurbishment | 75 R4 | 62,691 | 918 |
| 000A-09 | Concrete Dams Dykes and Substructures Additions for Sustainment | 30 SQ | 2,009 | 31 |
| ****B-01 + 1181B-01WPLP | Powerhouse Superstructures, System Control Centre & 360 Portage - Very Long (eg: civil structure) | 100 R4 | 83,857 | 879 |
| ****B-02 + 1181B-02WPLP | Other Buildings - Very Long (eg: civil structure) | 75 R4 * | 387,428 | 5,273 |
| ****B-03 + 1181B-03WPLP | All Buildings- Medium-Long (eg: permanent fixtures & durable finishes) | 55 R3 * | 324,582 | 6,101 |
| ****B-04 + 1181B-04WPLP | All Buildings - Medium (eg: plumbing, heating & electrical service/wiring, windows & doors, site improvements & other building equipment) | 35 R2 | 529,759 | 15,660 |
| ****B-05 + 1181B-05WPLP | All Buildings- Medium-Short (eg: cooling & exhaust systems, roofing, lighting & asphalt) | 25 R3 | 333,418 | 13,668 |
| ****B-06 + 1181B-06WPLP | All Buildings - Short (eg: electronic systems & non-durable finishes) <i>* Diesel Buildings - life capped at 35 R2</i> | 15 R2 | 130,113 | 9,042 |
| | | w.avg. 80 R3.5 | 3,189,063 | 62,749 |
| Isolated impact of Alliance proposed componentization | | | | 13,383 |
| Alternative Scenario 1 componentization (3 components per building) | | | | |
| Hydraulic Powerhouse Substructures transferred to Dams, Dykes & Weirs | | | | |
| 000A-01+02+03+04 + WPLP | Dams, Dykes & Substructures | 125 R4 | 1,335,208 | 11,412 |
| 000A-05+06+07+08 | Dams, Dykes & Substructures Refurbishment | 62 R4 | 62,691 | 1,088 |
| 000A-09+10+11+12 | Dams, Dykes & Substructures Additions for Sustainment | 20 SQ | 2,009 | 5 |
| ****B-01 + WPLP | Powerhouse Superstructures, System Control Centre & 360 Portage - Very Long (eg: civil structure) | 100 R4 | 83,857 | 878 |
| ****B-02 + WPLP | Other buildings - Long (eg: civil structure) | 75 R4 * | 387,428 | 5,266 |
| ****B-03+04 + WPLP | All Buildings - Medium-Long + Medium (eg: plumbing, heating & electrical service/wiring, windows & doors, site improvements, permanent fixtures, durable finishes & other building equipment) | 43 R2.5 * | 854,341 | 20,515 |
| ****B-05+06 + WPLP | All Buildings- Medium-Short + Short (eg: electronic, cooling & exhaust Systems, roofing, lighting, asphalt & non-durable finishes) <i>* Diesel Buildings - life capped at 35 R2</i> | 22 R3 | 463,530 | 21,557 |
| | | w.avg. 80 R3.5 | 3,189,063 | 60,721 |
| Impact of Alternative Scenario 1 componentization | | | | 11,354 |
| Percent Coverage of Alliance componentization impact | | | | 85% |
| Impact not covered by Alternative Scenario 1 componentization | | | | 2,028 |
| Alternative Scenario 1 componentization is not recommended. | | | | |
| Alternative Scenario 1 does not provide sufficient coverage of Alliance identified componentization impact as the impact not covered exceeds the materiality threshold. | | | | |

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

| Manitoba Hydro Electric Operations | | | | |
|--|---|-----------------------|------------------|---------------|
| Componentization Scenario Analysis | | | | |
| Buildings - Across All Functions | | | | |
| For Assets in Service as at March 31, 2019 | | | | |
| <i>(in thousands)</i> | | | | |
| Alternative Scenario 2 componentization (2 components per building) | | | | |
| Hydraulic Powerhouse Substructures transferred to Dams, Dykes & Weirs | | | | |
| 000A-01+02+03 & WPLP | Dams, Dykes & Substructures | 125 R4 | 1,335,208 | 11,168 |
| 000A-05+06+07 | Dams, Dykes & Substructures Refurbishment | 62 R4 | 62,691 | 1,070 |
| 000A-09+10+11+12 | Dams, Dykes & Substructures Additions for Sustainment | 20 SQ | 2,009 | 11 |
| ****B-01+03(PH) + WPLP | Powerhouse Superstructures, System Control Centre & 360 Portage - Very Long + Medium-Long (eg: civil structure, permanent fixtures & durable finishes) | 75 R3.5 | 257,260 | 3,606 |
| ****B-02+03(Other) + WPLP | Other Buildings - Long + Medium-Long (eg: civil structure, permanent fixtures & durable finishes) | 66 R3.5 * | 538,607 | 8,293 |
| ****B-04+05+06 + WPLP | All Buildings - Medium + Medium-Short + Short (eg: electrical, mechanical & electronic systems, roofing, windows & doors, site improvements & non-durable finishes) | 29 R2.5 | 993,289 | 34,845 |
| | <i>* Diesel Buildings - life capped at 35 R2</i> | | | |
| | | w.avg. 80 R3.5 | 3,189,063 | 58,993 |
| Impact of Alternative Scenario 2 componentization | | | | 9,626 |
| Percent Coverage of Alliance componentization impact | | | | 72% |
| Impact not covered by Alternative Scenario 2 componentization | | | | 3,756 |
| Alternative Scenario 2 componentization is not recommended. | | | | |
| Alternative Scenario 2 does not provide sufficient coverage (< 80%) of Alliance identified componentization impact. | | | | |
| <hr/> | | | | |
| Alternative Scenario 3 componentization (3 components per building) | | | | |
| 000A-01+02 + WPLP | Dams, Dykes & Substructures | 125 R4 | 1,335,208 | 11,149 |
| 000A-05+09 | Concrete Dams & Substructures - Modifications | 72 R4 | 64,699 | 957 |
| ****B-01+03(PH) + WPLP | Powerhouse Superstructures, System Control Centre & 360 Portage - Very Long + Medium-Long (eg: civil structure, permanent fixtures & durable finishes) | 75 R3.5 | 257,260 | 3,608 |
| ****B-02+03(Other) + WPLP | Other Buildings - Long + Medium-Long (eg: civil structure, permanent fixtures & durable finishes) | 66 R3.5 * | 538,607 | 8,319 |
| ****B-04+05 + WPLP | All Buildings - Medium + Medium-Short (eg: electrical & mechanical systems, roofing, windows & doors, site improvements) | 31 R2.5 | 863,177 | 28,593 |
| ****B-06 + WPLP | All Buildings - Short (eg: electronic systems & non-durable finishes) | 15 R2 | 130,113 | 8,786 |
| | <i>* Diesel Buildings - life capped at 35 R2</i> | | | |
| | | w.avg. 80 R3.5 | 3,189,063 | 61,413 |
| Impact of Alternative Scenario 3 componentization | | | | 12,046 |
| Percent Coverage of Alliance componentization impact | | | | 90% |
| Impact not covered by Alternative Scenario 3 componentization | | | | 1,336 |
| Alternative Scenario 3 componentization is the recommended minimum component scenario. | | | | |
| Alternative Scenario 3 provides adequate coverage (> 80%) of the Alliance identified componentization difference with impact not covered below the materiality threshold, requires less components than Alternative Scenario 2, and would be comparatively easier to implement as there is no judgement required to determine cost allocation as componentization is based on the type of structure. | | | | |

Distribution Serialized Equipment Pole Mount: Alliance recommended 2 sub-components to split pole mount reclosers from all other serialized pole mount equipment as the service life is significantly different than other equipment in this group (11 years compared to 50 years) and is approximately 19% of the investment in the account. Manitoba Hydro agrees with this recommendation as the isolated impact of componentization is material.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

The following table summarizes the impacts to depreciation expense of the changes recommended by Alliance for distribution serialized equipment - pole mount, isolating the impacts of componentization:

| Manitoba Hydro Electric Operations Depreciation Expense Impact Analysis Quantification of ALG Depreciation Study Differences For Plant in Service as at March 31, 2019 (thousands) | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Impact of Other Changes * | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|---|---|---------------------------------|--|
| Distribution Serialized Equipment - Pole Mount | \$ 5,400 | \$ (87) | \$ 989 | \$ 2,794 | \$ (120) | \$ 8,976 |

* Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

The following table provides component counts for distribution serialized equipment - pole mount. Manitoba Hydro accepts the recommendation proposed by Alliance:

| Manitoba Hydro Electric Operations ALG Depreciation Methodology Number of Components | Existing ELG & CGAAP | Alliance Proposed IFRS-ALG | Alliance Proposed Net Increase | Minimum Component IFRS-ALG | Minimum Component Net Increase |
|--|----------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Distribution - Serialized Equipment - Pole Mounted | | | | | |
| Manitoba Hydro | 1 | 2 | 1 | 2 | 1 |
| KHLP | 1 | 2 | 1 | 2 | 1 |
| Total | 2 | 4 | 2 | 4 | 2 |

Scenario analysis was not required for distribution serialized equipment - pole mount as there was only one additional component recommended.

Hydraulic Dams, Dykes and Weirs: Alliance recommended splitting the existing accounts up to 12 sub-components for each hydraulic generating station, where the number of accounts relevant to each generation station is dependent on the nature of the assets. Manitoba Hydro agrees that further componentization is required as the isolated impact of componentization is material but has determined that sufficient accuracy in depreciation expense (87% coverage) can be achieved with a reduced level of componentization to four components. This recommendation balances the precision in the depreciation estimate with the administration required to implement and maintain the plant assets on an ongoing basis.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

The following table summarizes the impacts to depreciation expense of the changes recommended by Alliance for hydraulic generation dams, dykes and weirs, isolating the impacts of componentization:

| Manitoba Hydro Electric Operations Depreciation Expense Impact Analysis Quantification of ALG Depreciation Study Differences For Plant in Service as at March 31, 2019 (thousands) | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Reclassify Component Changes * | Impact of Other Changes ** | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|---|---|--------------------------------------|----------------------------------|--|
| Account Group | | | | | | | |
| Dams, Dykes & Weirs | | | | | | | |
| Hydraulic | \$ 5,880 | \$ (17) | \$ 680 | \$ 2,355 | \$ 8,088 | \$ (7) | \$ 16,979 |
| WPLP Hydraulic | 1,220 | (3) | (1) | (0) | 4,037 | (440) | 4,814 |
| Total Dams, Dykes & Weirs | \$ 7,100 | \$ (20) | \$ 680 | \$ 2,355 | \$ 12,125 | \$ (447) | \$ 21,792 |

* Hydraulic powerhouse substructures reclassified from Buildings to Dams, Dykes & Weirs

** Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

The following table provides component counts for hydraulic generation dams, dykes and weirs and demonstrates that Manitoba Hydro’s proposed minimum component changes result is significantly less incremental components than proposed by Alliance:

| Manitoba Hydro Electric Operations ALG Depreciation Methodology Number of Components | Existing ELG & CGAAP | Alliance Proposed IFRS-ALG | Alliance Proposed Net Increase | Minimum Component IFRS-ALG | Minimum Component Net Increase |
|--|----------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Hydraulic Generation - Dams, Dykes & Weirs | | | | | |
| Manitoba Hydro | 18 | 71 | 53 | 41 | 23 |
| KHLP | 1 | 2 | 1 | 1 | 0 |
| WPLP | 1 | 2 | 1 | 1 | 0 |
| Total | 20 | 75 | 55 | 43 | 23 |
| Hydraulic Generation - per GS * | 1 | 12 | 11 | 4 | 3 |

* Not all components are currently in use at every GS. Component use is site specific based on nature of existing assets.

The following table provides the scenario analysis completed by Manitoba Hydro on hydraulic dams, dykes and weirs, which demonstrates that Manitoba Hydro has minimized the number of additional components required to achieve sufficient coverage (> 80%) for the isolated impact of sub-componentization. Alternative Scenario 3 has been selected for implementation as it achieves 87% coverage with minimum componentization.

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

| Manitoba Hydro Electric Operations | | | | |
|--|--|--------------------------------------|--|---------------------------------|
| Componentization Scenario Analysis | | | | |
| Hydraulic Generation - Dams, Dykes & Weirs | | | | |
| For Assets in Service as at March 31, 2019 | | | | |
| <i>(in thousands)</i> | | | | |
| Account | Account Name | Service Life / Iowa Curve | Plant in Service March 31, 2019 | Depreciation Expense |
| Current componentization (1 component per GS) | | | | |
| Service life & Iowa curve adjusted to equal to weighted average of Alliance proposed components to isolate componentization impact | | | | |
| 000A + 1181AWPLP | Dams Dykes & Weirs | 112 R4 | 826,000 | 7,409 |
| Alliance proposed componentization (12 components max per GS) | | | | |
| 000A-01 + 1181A-01WPLP | Concrete Dams, Dykes and Substructures | 125 R4 | 205,415 | 1,611 |
| 000A-02 + 1181A-02WPLP | Embankment Dams and Dykes | 125 R4 | 505,188 | 4,197 |
| 000A-03 | Timber Dams and Dykes | 40 R4 | 250 | 24 |
| 000A-04 | Weirs | 50 R4 | 28,742 | 594 |
| 000A-05 | Concrete Dams, Dykes and Substructures Refurbishment | 75 R4 | 28,350 | 434 |
| 000A-06 | Embankment Dams and Dykes Refurbishments | 40 R4 | 15,838 | 486 |
| 000A-07 | Timber Dams and Dykes Refurbishments | no assets | - | - |
| 000A-08 | Weirs Refurbishment | 25 R4 | 1,242 | 53 |
| 000A-09 | Concrete Dams Dykes and Substructures Adds for Sustainment | 30 SQ | 1,874 | 57 |
| 000A-10 | Embankment Dams and Dykes Additions for Sustainment | 20 SQ | 39,100 | 2,307 |
| 000A-11 | Timber Dams and Dykes Additions for Sustainment | no assets | - | - |
| 000A-12 | Weirs Additions for Sustainment | no assets | - | - |
| | | w.avg. 112 R4 | 826,000 | 9,764 |
| Isolated impact of Alliance proposed componentization | | | | 2,355 |
| Alternative Scenario 1 componentization (3 components max per GS) | | | | |
| Alternative Scenario 1 groups initial construction vs refurbishment vs additions for sustainment | | | | |
| 000A-01+02+03+04 +WPLP | Dams, Dykes, Weirs & Substructures - Initial Construction | 122 R4 | 739,595 | 6,089 |
| 000A-05+06+07+08 | Dams, Dykes, Weirs & Substructures Refurbishment | 61 R4 | 45,430 | 823 |
| 000A-09+10+11+12 | Dams, Dykes & Substructures Additions for Sustainment | 20 SQ | 40,975 | 2,389 |
| | | | 826,000 | 9,301 |
| Impact of Alternative Scenario 1 componentization | | | | 1,892 |
| Percent Coverage of Alliance componentization impact | | | | 45% |
| Impact not covered by Alternative Scenario 1 componentization | | | | 463 |
| Alternative Scenario 1 componentization is not recommended. | | | | |
| Alternative Scenario 1 does not provide adequate coverage (<80%) of Alliance identified componentization impact. | | | | |
| Alternative Scenario 2 Componentization (5 components max per GS) | | | | |
| Alternative Scenario 2 groups initial construction vs refurbishment vs additions for sustainment, with segregation of weirs | | | | |
| 000A-01+02+03 & WPLP | Dams, Dykes & Substructures | 125 R4 | 710,853 | 5,790 |
| 000A-04 | Weirs | 50 R4 | 28,742 | 593 |
| 000A-05+06+07 | Dams, Dykes & Substructures Refurbishment | 62 R4 | 44,188 | 784 |
| 000A-08 | Weirs Refurbishment | 25 R4 | 1,242 | 53 |
| 000A-09+10+11+12 | Dams, Dykes & Substructures Additions for Sustainment | 20 SQ | 40,975 | 2,370 |
| | | | 826,000 | 9,590 |
| Impact of Alternative Scenario 2 componentization | | | | 2,181 |
| Percent Coverage of Alliance componentization impact | | | | 93% |
| Impact not covered by Alternative Scenario 2 componentization | | | | 174 |
| Alternative Scenario 2 componentization is not recommended. | | | | |
| Alternative Scenario 2 provides adequate coverage (> 80%) of the Alliance identified componentization difference, but it requires more components than Alternate Scenario 3, and would be more challenging than Scenario 3 to implement as judgement is required to determine whether modifications should be classified as 'refurbishments' versus 'additions for sustainment', which increases the likelihood of inaccurate capital cost allocation. | | | | |

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

| Manitoba Hydro Electric Operations Componentization Scenario Analysis Hydraulic Generation - Dams, Dykes & Weirs For Assets in Service as at March 31, 2019 (in thousands) | | | | |
|--|--|--------|------------------|-----------------|
| Alternative Scenario 3 Componentization (4 components) | | | | |
| <i>Alternative Scenario 3 segregates initial construction, isolating weirs, and groups subsequent modifications based on structure type</i> | | | | |
| 000A-01+02+03 & WPLP | Dams, Dykes & Substructures - Initial Construction | 125 R4 | 710,853 | 5,783 |
| 000A-04 | Weirs - Initial Construction | 50 R4 | 28,742 | 594 |
| 000A-05+09 | Concrete Dams & Substructures - Modifications | 72 R4 | 30,224 | 474 |
| 000A-06+07+08+10+11+12 | Embankment Dams, Dykes & Weirs - Modifications | 26 S5 | 56,181 | 2,608 |
| | | | w.avg. 112 R4 \$ | 826,000 \$ |
| Impact of Alternative Scenario 3 componentization | | | | \$ 2,049 |
| Percent Coverage of Alliance componentization impact | | | | 87% |
| Impact not covered by Alternative Scenario 3 componentization | | | | \$ 306 |
| Alternative Scenario 3 componentization is the recommended minimum component scenario. | | | | |
| Alternative Scenario 3 provides adequate coverage (> 80%) of the Alliance identified componentization difference, requires less components than Alternative Scenario 2, and would be comparatively easier to implement as there is no judgement required to determine cost allocation as componentization is based on the type of structure. | | | | |

Transmission Line Conductor and Devices: Alliance recommended two sub-components to split spacer dampers from all other transmission line conductor costs as the service life of spacer dampers is significantly different than other equipment in this group (20 years compared to 85 years) and is approximately 9% of the investment in the account. Manitoba Hydro agrees with this recommendation as the isolated impact of componentization is material.

The following table summarizes the impacts to depreciation expense of the changes recommended by Alliance for transmission line conductor and devices, isolating the impacts of componentization:

| Manitoba Hydro Electric Operations Depreciation Expense Impact Analysis Quantification of ALG Depreciation Study Differences For Plant in Service as at March 31, 2019 (thousands) | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Impact of Other Changes * | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|---|---|---------------------------------|--|
| Transmission Line Conductor & Devices | \$ 9,451 | \$ (23) | \$ 901 | \$ 1,925 | \$ 145 | \$ 12,400 |

* Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

The following table provides component counts for transmission line conductor and devices. Manitoba Hydro accepts the recommendation proposed by Alliance:

| Manitoba Hydro Electric Operations ALG Depreciation Methodology Number of Components | Existing ELG & CGAAP | Alliance Proposed IFRS-ALG | Alliance Proposed Net Increase | Minimum Component IFRS-ALG | Minimum Component Net Increase |
|--|----------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Transmission Lines - Overhead Conductor & Devices | | | | | |
| Manitoba Hydro | 1 | 2 | 1 | 2 | 1 |

Scenario analysis was not required for transmission line conductor and devices as there was only one additional component recommended.

Gas Meters: Alliance recommended two sub-components to split mechanical meters from electronic meters as the service life is significantly different between these two types of meters (25 years mechanical meters versus 14 years for electronic meters) and there is a significant investment in each type of meter. Management agrees with this recommendation as the isolated impact of componentization is material. Centra Gas will request approval for these new accounts in the upcoming gas general rate application.

The following table summarizes the impacts to depreciation expense of the changes recommended by Alliance for gas meters, isolating the impacts of componentization:

| Centra Gas Depreciation Expense Impact Analysis Quantification of Depreciation Study Differences For Plant in Service as at March 31, 2019 (thousands) | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Impact of Other Changes * | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|---|---|---------------------------------|--|
| Meters | \$2,609,559 | \$ (182,653) | \$ (376,427) | \$ 205,090 | \$ 257 | \$ 2,255,827 |

* Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

The following table provides component counts for gas meters. Manitoba Hydro accepts the recommendation proposed by Alliance:

| Centra Gas ALG Depreciation Methodology Number of Components | Existing ELG & CGAAP | Alliance Proposed IFRS-ALG | Alliance Proposed Net Increase | Minimum Component IFRS-ALG | Minimum Component Net Increase |
|--|----------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| Meters | | | | | |
| Centra Gas | 1 | 2 | 1 | 2 | 1 |

Appendix 2 – Manitoba Hydro’s transition from ELG to IFRS-Compliant ALG

Scenario analysis was not required for gas meters as there was only one additional component recommended.

Alliance has been engaged to review and provide confirmation that the analysis conducted by Manitoba Hydro to determine the minimum level of componentization necessary is reasonable, and to provide updated ALG, whole life depreciation rates for the impacted accounts.

Attachment 1 to this appendix summarizes the impacts to depreciation expense of the changes recommended by Alliance for all accounts, isolating the impacts of componentization.

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

(Ref: Para. A40)

Illustrative Engagement Letter for an Agreed-Upon Procedures Engagement

The following is an example of an engagement letter for an agreed-upon procedures engagement that illustrates the relevant requirements and guidance contained in this CSRS. This letter is not authoritative and is intended only to be a guide that may be used in conjunction with the considerations outlined in this CSRS. It will need to be adapted according to the requirements and circumstances of individual agreed-upon procedures engagements. It is drafted to refer to an agreed-upon procedures engagement for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement as described in this CSRS. It may be appropriate to seek legal advice that any proposed letter is suitable.

To [Engaging Party]

You have requested that we perform an agreed-upon procedures engagement on the procurement of [xyz] products. This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services that we will provide. Our engagement will be conducted in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-Upon Procedures Engagements*. In performing the agreed-upon procedures engagement, we will comply with [describe the relevant ethical requirements], which does not require us to be independent.

An agreed-upon procedures engagement performed under CSRS 4400 involves our performing the procedures agreed with you and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. You acknowledge that the procedures are appropriate for the purpose of the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that [Responsible Party] is responsible for the subject matter on which the agreed-upon procedures are performed. Further, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

The procedures that we will perform are solely for the purpose of assisting you in determining whether your procurement of [xyz] products is compliant with your procurement policies. 1(15) Accordingly, our report will be addressed to you and our report may not be suitable for another purpose.

We have agreed to perform the following procedures and report to you the findings resulting from our work:

- Obtain from management of [Responsible Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products ("listing") and identify all contracts valued at over \$25,000.

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

- For each identified contract valued at over \$25,000 on the listing, compare the contract to the records of bidding and determine whether each contract was subject to bidding by at least 3 contractors from [Responsible Party]'s "Pre-qualified Contractors List."
- For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Responsible Party] to the contractor and determine whether the amount ultimately paid is the same as the agreed amount in the contract.

The procedures are to be performed between [Date] and [Date].

Our Agreed-Upon Procedures Report

As part of our engagement, we will issue our report, which will describe the agreed-upon procedures and the findings of the procedures performed [insert appropriate reference to the expected form and content of the agreed-upon procedures report].

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement, including the specific procedures which we have agreed will be performed and that they are appropriate for the purpose of the engagement.

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Firm's name]

Acknowledged and agreed on behalf of [Engaging party's name] by:

[Signature]

[Name and Title]

[Date]

Appendix 2

(Ref: Para. A51)

Illustrations of Agreed-Upon Procedures Reports

Illustration 1

For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The engaging party is the addressee and the only intended user. The engaging party is not the responsible party. For example, the regulator is the engaging party and intended user, and the entity overseen by the regulator is the responsible party.

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

- No exceptions were found.
- The practitioner did not engage a practitioner's expert to perform any of the agreed-upon procedures.
- There is no restriction on the use or distribution of the report.
- There are no independence requirements with which the practitioner is required to comply.
- A quantitative threshold of \$100 for reporting exceptions in Procedure 3 has been agreed with the engaging party.

AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressee]

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting [Engaging Party] in determining whether its procurement of [xyz] products is compliant with its procurement policies and may not be suitable for another purpose.

Responsibilities of the Engaging Party and the Responsible Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Responsible Party], as identified by [Engaging Party], is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical requirements in [describe the relevant ethical requirements].

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party], on the procurement of [xyz] products.

| | Procedures | Findings |
|---|---|--|
| 1 | Obtain from management of [Responsible Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products ("listing") and identify all contracts valued at over \$25,000. | We obtained from management a listing of [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1]. Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000. |
| 2 | For each identified contract valued at over \$25,000 on the listing, compare the contract to the records of bidding and determine whether the contract was subject to bidding by at least 3 contractors from [Responsible Party]'s "Pre-qualified Contractors List." | We inspected the records of bidding related to the 37 contracts valued at over \$25,000. We found that all 37 contracts were subject to bidding by contractors from the [Responsible Party]'s "Pre-qualified Contractors List." |
| 3 | For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Responsible Party] to the contractor and determine whether the amount ultimately paid is within \$100 of the agreed amount in the contract. | We obtained the signed contracts for the 37 contracts valued at over \$25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Responsible Party] to the contractor. We found that the amounts ultimately paid were within \$100 of the agreed amounts in all of the 37 contracts with no exceptions noted. |

[Practitioner's signature]

[Date of practitioner's report]

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

[Practitioner's address]

Illustration 2

For purposes of this illustrative agreed-upon procedures report, the following circumstances are assumed:

- The engaging party is the responsible party. The intended user, who is different from the engaging party, is an addressee in addition to the engaging party. For example, the regulator is the intended user and the entity overseen by the regulator is the engaging party and responsible party.
- Exceptions were found.
- The practitioner engaged a practitioner's expert to perform an agreed-upon procedure and a reference to that expert is included in the agreed-upon procedures report.
- There is a restriction on the use and distribution of the report.
- The practitioner is the auditor of the financial statements of the engaging party (who is the responsible party). The practitioner has agreed with the engaging party that the practitioner's compliance with the independence requirements applicable to audits of financial statements is appropriate for the purpose of the agreed-upon procedures engagement. The practitioner has agreed to include, in the terms of engagement, compliance with the independence requirements applicable to audits of financial statements for the purpose of the agreed-upon procedures engagement.
- The practitioner included a reference to the date when the agreed-upon procedures were agreed in the terms of the engagement.

AGREED-UPON PROCEDURES REPORT ON PROCUREMENT OF [XYZ] PRODUCTS

To [Addressees]

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting [Intended User] in determining whether the [Engaging Party]'s procurement of [xyz] products is compliant with [Intended User]'s procurement policies and may not be suitable for another purpose. This report is intended solely for [Engaging Party] and [Intended Users], and should not be used by, or distributed to, any other parties.

Responsibilities of the Engaging Party

[Engaging Party] has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

[Engaging Party (also the Responsible Party)] is responsible for the subject matter on which the

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

agreed-upon procedures are performed.

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with [Engaging Party], and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical requirements in [describe the relevant ethical requirements] and the independence requirements in accordance with [describe the relevant independence requirements]. 2(16)

Our firm applies Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with [Engaging Party] in the terms of engagement dated [DATE], on the procurement of [xyz] products.

| | Procedures | Findings |
|---|---|--|
| 1 | Obtain from management of [Engaging Party] a listing of all contracts signed between [January 1, 20X1] and [December 31, 20X1] for [xyz] products ("listing") and identify all contracts valued at over \$25,000. | We obtained from management a listing of for [xyz] products which were signed between [January 1, 20X1] and [December 31, 20X1]. Of the 125 contracts on the listing, we identified 37 contracts valued at over \$25,000. |
| 2 | For each identified contract valued at over \$25,000 on the listing, compare the contract to the records of bidding and determine whether the contract was | We inspected the records of bidding related to the 37 contracts valued at over \$25,000. Of the records of bidding related to the 37 contracts, 5 were in a [foreign language]. We engaged a translator to assist with the review. |

Appendix 3 – CPA Standards on Related Services CSRS 4400 agreed-upon procedures engagement

CPA Canada Standards and Guidance Collection

subject to bidding by at least 3 contractors from [Engaging Party]'s "Pre-qualified Contractors List." For records of bidding that were submitted in [foreign language], translate the records of bidding with the assistance of a translator engaged by the practitioner before performing the comparison.

- 3 For each identified contract valued at over \$25,000 on the listing, compare the amount payable per the signed contract to the amount ultimately paid by [Engaging Party] to the supplier and determine whether the amount ultimately paid is the same as the agreed amount in the contract.

in the translation of these 5 records of bids. We found that 36 of the 37 contracts were bidding by at least 3 contractors from [Engaging Party]'s "Pre-qualified Contractors List."

We found 1 contract valued at \$65,000 that was subject to bidding. Management has represented that the reason that this contract was not subject to bidding was due to an emergency to meet a deadline.

The engagement of the translator to assist with the translation of the records of bidding does not constitute our responsibility for performing the procedures. We are reporting the findings.

We obtained the signed contracts for the 37 contracts valued at over \$25,000 on the listing and compared the amounts payable in the contracts to the amounts ultimately paid by [Engaging Party] to the supplier. We found that the amounts payable in the contracts differed from the amounts ultimately paid by [Engaging Party] for 26 of the 37 contract cases, management has represented to us that the difference in the amounts were to accommodate an increase of 1% in the sales tax rate of [jurisdiction] that became effective in September 20X1.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

[Former 4400.Appendix C2 retained in Archived Pronouncements.]

Appendix 4 – Canada Standards on Related Services CSRS 4460 reports on supplementary matters arising from an audit or a review engagement

CPA Canada Standards and Guidance Collection

Illustrations of Practitioners' Reports

Illustration 1:

Circumstances include the following:

- **The practitioner has completed an audit on the financial statements of the entity.**
- **The other reporting responsibility does not contain items that required significant interpretation.**

Report on Supplementary Matters Arising from an Audit Engagement

To ABC Regulator:

In accordance with [describe the law, regulation or agreement from which the other reporting responsibility arose], we have been engaged to [describe the other reporting responsibility, including, where applicable, the date or period to which it relates] (the "other reporting responsibility"). This other reporting responsibility relates to our audit of the financial statements of XYZ Company Limited for the year ended December 31, 20X1 on which we issued our report dated March 31, 20X2. We [or management, where applicable] prepared the supplementary matter.

This report has been prepared in accordance with Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*. Our responsibility is to report on the supplementary matter. This standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility. The procedures were selected based on our professional judgment to enable us to form a basis for this report. The procedures vary in nature from, and are less in extent than for, those required when providing an audit opinion or a review conclusion. Users are cautioned that the procedures performed may not be suitable for their purposes.

Accordingly, we do not express an audit opinion or a review conclusion on the supplementary matter.

In response to the other reporting responsibility, [include description of how the other reporting responsibility has been met].

This report is intended solely for use by ABC Regulator and should not be used by other parties.

[Practitioner's signature]

[Date of the practitioner's report]

[Practitioner's address]

Appendix 4 – Canada Standards on Related Services CSRS 4460 reports on supplementary matters arising from an audit or a review engagement

CPA Canada Standards and Guidance Collection

Illustration 2:

Circumstances include the following:

- **The practitioner has not yet completed the review engagement on the financial statements of the entity.**
- **The other reporting responsibility includes items that required significant interpretation and the practitioner has chosen to include the interpretations in the body of the report.**

Report on Supplementary Matters Arising from a Review Engagement

To ABC Regulator:

In accordance with [describe the law, regulation or agreement from which the other reporting responsibility arose], we have been engaged to [describe the other reporting responsibility, including, where applicable, the date or period to which it relates] (the "other reporting responsibility"). This other reporting responsibility relates to our review of the financial statements of XYZ Company Limited for the year ended December 31, 20X1 which we have not yet completed. We [or management, where applicable] prepared the supplementary matter.

This report has been prepared in accordance with Canadian Standard on Related Services (CSRS) 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*. Our responsibility is to report on the supplementary matter. This standard requires us to comply with ethical requirements and to plan and perform procedures to address the other reporting responsibility. The procedures were selected based on our professional judgment to enable us to form a basis for this report. The procedures vary in nature from, and are less in extent than for, those required when providing an audit opinion or a review conclusion. Users are cautioned that the procedures performed may not be suitable for their purposes.

Accordingly, we do not express an audit opinion or a review conclusion on the supplementary matter.

The other reporting responsibility contains certain items that are subject to significant interpretation for which we have not received an interpretation from ABC Regulator. These items, and our interpretations of them, are as follows: [list items and interpretations].

Our interpretations may differ from other interpretations.

In response to the other reporting responsibility, [include description of how the other reporting responsibility has been met].

Appendix 4 – Canada Standards on Related Services CSRS 4460 reports on supplementary matters arising from an audit or a review engagement

CPA Canada Standards and Guidance Collection

This report is intended solely for use by ABC Regulator and should not be used by other parties.

[Practitioner's signature]

[Date of the practitioner's report]

[Practitioner's address]

**Manitoba Hydro Consolidated Electric Operations
Depreciation Expense Impact Analysis
Quantification of ALG Depreciation Study Differences
For Plant in Service as at March 31, 2019**

**Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 1 of 7**

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Depreciation Study Results |
|-----------------------------------|---|--|--|--|---|--|---------------------------------|--|
| MANITOBA HYDRO | | | | | | | | |
| HYDRAULIC GENERATION | | | | | | | | |
| 000A | Dams, Dykes and Weirs | 5,879,759 | (17,489) | 680,055 | 2,355,466 | (8,961,085) | 63,295 | - |
| 000A-01 | Concrete Dams, Dykes and Substructures | - | - | - | - | 8,116,164 | (53,254) | 8,062,910 |
| 000A-02 | Embankment Dams and Dykes | - | - | - | - | 4,028,734 | 926 | 4,029,660 |
| 000A-03 | Timber Dams and Dykes | - | - | - | - | 23,975 | (1,601) | 22,374 |
| 000A-04 | Weirs | - | - | - | - | 593,554 | 12,071 | 605,625 |
| 000A-05 | Concrete Dams, Dykes and Substructures Refurbishment | - | - | - | - | 1,351,946 | (9,066) | 1,342,880 |
| 000A-06 | Embankment Dams and Dykes Refurbishments | - | - | - | - | 486,366 | (3,628) | 482,738 |
| 000A-07 | Timber Dams and Dykes Refurbishments | - | - | - | - | - | - | - |
| 000A-08 | Weirs Refurbishment | - | - | - | - | 53,460 | 2,434 | 55,894 |
| 000A-09 | Concrete Dams Dykes and Substructures Additions for Sustainment | - | - | - | - | 87,711 | (506) | 87,205 |
| 000A-10 | Embankment Dams and Dykes Additions for Sustainment | - | - | - | - | 2,307,251 | (17,934) | 2,289,318 |
| 000A-11 | Timber Dams and Dykes Additions for Sustainment | - | - | - | - | - | - | - |
| 000A-12 | Weirs Additions for Sustainment | - | - | - | - | - | - | - |
| 000B | Powerhouse | 8,594,885 | (25,889) | 917,783 | 1,674,653 | (11,253,787) | 92,356 | - |
| 000B-01 | Superstructures & Support Bldg - Very Long | - | - | - | - | 98,677 | (649) | 98,028 |
| 000B-02 | Superstructures & Support Bldg - Long | - | - | - | - | 627,067 | (143) | 626,925 |
| 000B-03 | Superstructures & Support Bldg - Medium-Long | - | - | - | - | 1,591,147 | (3,451) | 1,587,696 |
| 000B-04 | Superstructures & Support Bldg - Medium | - | - | - | - | 3,232,333 | (11,914) | 3,220,419 |
| 000B-05 | Superstructures & Support Bldg - Medium-Short | - | - | - | - | 3,204,454 | (11,050) | 3,193,403 |
| 000B-06 | Superstructures & Support Bldg - Short | - | - | - | - | 1,792,878 | (8,811) | 1,784,067 |
| 000C | Powerhouse Renovations | 327,947 | - | 101,930 | 45,667 | (420,990) | (54,554) | - |
| 000D | Spillway | 7,766,940 | (95,069) | 1,055,226 | 391,293 | (8,871,143) | (247,246) | - |
| 000D-01 | Spillway Substructure | - | - | - | - | 4,878,181 | 960 | 4,879,141 |
| 000D-02 | Spillway Refurbishment | - | - | - | - | 747,656 | (5,974) | 741,682 |
| 000D-03 | Spillway Additions for Sustainment | - | - | - | - | 238,418 | (68) | 238,350 |
| 000D-04 | Spillway Superstructure Original construction | - | - | - | - | 2,758,936 | (522) | 2,758,414 |
| 000D-05 | Spillway Superstructure Subsequent modifications | - | - | - | - | 247,953 | (460) | 247,493 |
| 000E | Water Control Systems | 4,850,149 | (52,701) | (130,317) | 572,989 | (4,364,495) | (875,626) | - |
| 000E-01 | Water Control Support | - | - | - | - | 2,864,622 | 365 | 2,864,987 |
| 000E-02 | Water Control Support Additions for Sustainment | - | - | - | - | 1,499,873 | (15,713) | 1,484,160 |
| 000F | Roads and Site Improvements | 3,221,338 | (49,338) | 4,649 | 8 | (3,277,889) | 101,233 | - |
| 000F-01 | Roads, Grounds and Physical Site Security | - | - | - | - | 3,277,889 | (1,304) | 3,276,585 |
| 000G | Turbines and Generators | 19,835,612 | (230,919) | 353,366 | 1,192,214 | (20,510,049) | (640,224) | - |
| 000G-01 | Turbine and Generator Structural and Embedments | - | - | - | - | 2,417,679 | (1,854) | 2,415,825 |
| 000G-02 | Turbine Runner - Fixed Blade | - | - | - | - | 3,975,597 | 57,614 | 4,033,211 |
| 000G-03 | Turbine Runner - Variable Blade | - | - | - | - | 1,651,810 | 1,105 | 1,652,915 |
| 000G-04 | Turbine Regulation | - | - | - | - | 2,208,182 | (94) | 2,208,088 |
| 000G-05 | Turbine Stationary Parts | - | - | - | - | 1,858,198 | 2,875 | 1,861,073 |
| 000G-06 | Generator Frames and Core | - | - | - | - | 3,001,794 | 1,849 | 3,003,643 |
| 000G-07 | Generator Rotor | - | - | - | - | 1,573,557 | 1,734 | 1,575,291 |
| 000G-08 | Generator Windings | - | - | - | - | 3,823,232 | 3,775 | 3,827,008 |
| 000H | Governors and Excitation System | 1,249,958 | (8,520) | 734,784 | 412,772 | (2,390,584) | 1,591 | - |
| 000L | License Renewal | 1,593,255 | - | - | - | (1,586,005) | (7,250) | - |
| 000L-01 | GS Licensing - No Subcomponents | - | - | - | - | 1,586,005 | (1,310) | 1,584,695 |
| 000P | A/C Electrical Power Systems | 6,022,161 | (63,191) | 115,547 | (4,298) | (6,220,363) | 150,144 | - |
| 000P-01 | Generating Station Electrical Systems - High Voltage | - | - | - | - | 4,693,336 | 17,715 | 4,711,050 |
| 000P-02 | Generating Station Electrical Systems - Low Voltage | - | - | - | - | 1,564,446 | 76 | 1,564,522 |
| 000Q | Instrumentation, Control and D/C Systems | 5,532,790 | (80,293) | (1,465,712) | 1,666,695 | (7,019,349) | 1,365,869 | - |
| 000Q-01 | Mechanical Instrumentation, Control and Protection | - | - | - | - | 196,830 | (443) | 196,387 |
| 000Q-02 | Analog Instrumentation, Control and Protection | - | - | - | - | 1,201,086 | 309 | 1,201,395 |
| 000Q-03 | Digital Instrumentation, Control and Protection | - | - | - | - | 5,578,791 | 548 | 5,579,339 |
| 000Q-04 | Backup Power Systems | - | - | - | - | 410,161 | (1,363) | 408,798 |
| 000Q-05 | Cyber and Intelligence Security | - | - | - | - | 1,882,209 | 728 | 1,882,937 |
| 000R | Auxiliary Station Processes | 2,972,342 | (77,754) | (349,433) | 557 | (3,660,418) | 1,114,707 | - |
| 000R-01 | Mechanical Auxiliary Systems | - | - | - | - | 3,408,184 | 4,352 | 3,412,536 |
| 000R-02 | Pressure systems | - | - | - | - | 306,724 | 329 | 307,053 |
| 000R-03 | Tools and test equipment | - | - | - | - | 48,948 | 2,837 | 51,785 |
| 000X | Support Buildings | 758,503 | (7,136) | 497,212 | 513,212 | (1,712,539) | (49,253) | - |
| 000W | Support Building Renovations | 792,147 | - | (357,492) | 5,568 | (444,697) | 4,474 | - |
| 099V | Townsite Buildings | 2,414,123 | (15,445) | 233,204 | 1,030,214 | (3,716,936) | 54,840 | - |
| 099W | Townsite Building Renovations | 2,017,711 | - | (1,045,949) | 89,968 | (1,085,682) | 23,953 | - |
| 099Y | Townsite Other Infrastructure | 1,704,304 | (8,850) | 340,205 | 10,802 | (1,984,006) | (62,455) | - |
| 000Y-01 | Municipal Services | - | - | - | - | 1,984,006 | (27) | 1,983,978 |
| 000Z | Community Development Costs | 12,913,507 | - | - | - | (12,984,659) | 71,153 | - |
| 000Z-01 | Community Development Costs | - | - | - | - | 12,984,659 | (149,104) | 12,835,555 |
| Total Hydraulic Generation | | 88,447,429 | (732,595) | 1,685,059 | 9,957,777 | - | 919,368 | 100,277,037 |

Manitoba Hydro Consolidated Electric Operations
Depreciation Expense Impact Analysis
Quantification of ALG Depreciation Study Differences
For Plant in Service as at March 31, 2019

Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 2 of 7

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Depreciation Study Results |
|---------------------------------|--|--|--|--|---|--|---------------------------------|--|
| THERMAL GENERATION | | | | | | | | |
| BRANDON 6 AND 7 | | | | | | | | |
| 1210B | Powerhouse | 216,392 | (393) | 132,697 | 56,887 | (387,440) | (18,144) | - |
| 1210B-02 | Superstructures & Support Bldg - Long | - | - | - | - | 85,214 | (36) | 85,178 |
| 1210B-03 | Superstructures & Support Bldg - Medium-Long | - | - | - | - | 116,187 | (29) | 116,158 |
| 1210B-04 | Superstructures & Support Bldg - Medium | - | - | - | - | 97,186 | 43 | 97,229 |
| 1210B-05 | Superstructures & Support Bldg - Medium-Short | - | - | - | - | 63,300 | (90) | 63,211 |
| 1210B-06 | Superstructures & Support Bldg - Short | - | - | - | - | 95,547 | 852 | 96,400 |
| 1210C | Powerhouse Renovations | 39,030 | - | 8,934 | (16,229) | (31,735) | 0 | - |
| 1210F | Roads and Site Improvements | 15,113 | 49 | 4,488 | 2,379 | (43,204) | 21,175 | - |
| 1210F-01 | Roads, Grounds and Physical Site Security | - | - | - | - | 43,204 | (12) | 43,192 |
| 1210G | Thermal Turbines and Generators | 174,083 | (1,916) | (100,166) | (8,973) | (487,994) | 424,966 | - |
| 1210G-06 | Generator Frames and Core | - | - | - | - | 169,578 | (6) | 169,572 |
| 1210G-07 | Generator Rotor | - | - | - | - | 215,966 | (7) | 215,959 |
| 1210G-08 | Generator Windings | - | - | - | - | 102,451 | (3) | 102,447 |
| 1210K | Combustion Turbine | 3,132,646 | (227,435) | (58,175) | 6,545 | (771,398) | (2,082,182) | - |
| 1210K-01 | Combustion Turbine | - | - | - | - | 771,398 | 18 | 771,416 |
| 1210P | A/C Electrical Power Systems | 118,233 | (1,081) | 11,456 | 11,098 | (284,048) | 144,341 | - |
| 1210P-01 | Generating Station Electrical Systems - High Voltage | - | - | - | - | 192,906 | (12) | 192,894 |
| 1210P-02 | Generating Station Electrical Systems - Low Voltage | - | - | - | - | 91,141 | (2) | 91,139 |
| 1210Q | Instrumentation, Control and D/C Systems | 85,950 | (3,020) | (3,323) | 23,766 | (89,007) | (14,366) | - |
| 1210Q-02 | Analog Instrumentation, Control and Protection | - | - | - | - | 430 | (4) | 426 |
| 1210Q-03 | Digital Instrumentation, Control and Protection | - | - | - | - | 62,344 | 16 | 62,360 |
| 1210Q-04 | Backup Power Systems | - | - | - | - | 333 | 0 | 333 |
| 1210Q-05 | Cyber and Intelligence Security | - | - | - | - | 25,901 | 60 | 25,960 |
| 1210R | Auxiliary Station Processes | 207,964 | (7,627) | (72,547) | 17,789 | (352,627) | 207,048 | - |
| 1210R-01 | Mechanical Auxiliary Systems | - | - | - | - | 301,893 | (57) | 301,836 |
| 1210R-02 | Pressure systems | - | - | - | - | 5,495 | (0) | 5,495 |
| 1210R-03 | Tools and test equipment | - | - | - | - | 45,239 | (324) | 44,915 |
| 1210W | Support Building Renovations | 28,054 | - | (12,219) | (973) | (14,862) | 0 | - |
| 1210X | Support Buildings | 2,739 | - | 390 | 19,592 | (23,398) | 677 | - |
| Total Brandon 6 and 7 | | 4,020,205 | (241,424) | (88,465) | 111,881 | 0 | (1,316,078) | 2,486,120 |
| DIESEL GENERATION | | | | | | | | |
| 1300B | Buildings | 211,981 | (12,268) | (44,236) | 49,157 | (204,666) | 32 | - |
| 1300B-02 | Diesel Generation Buildings - Long | - | - | - | - | 38,081 | (31) | 38,050 |
| 1300B-03 | Diesel Generation Buildings - Medium-Long | - | - | - | - | 26,263 | (19) | 26,244 |
| 1300B-04 | Diesel Generation Buildings - Medium | - | - | - | - | 58,823 | (26) | 58,797 |
| 1300B-05 | Diesel Generation Buildings - Medium-Short | - | - | - | - | 32,917 | (40) | 32,876 |
| 1300B-06 | Diesel Generation Buildings - Short | - | - | - | - | 55,693 | 149 | 55,843 |
| 1300C | Building Renovations | 34,928 | - | (22,377) | (5,008) | (7,111) | (432) | - |
| 1300N | Engines and Generators | 283,071 | (26,888) | - | - | - | 11 | 256,194 |
| 1300Q | Accessory Station Equipment | 373,273 | (19,224) | (52,978) | (2,705) | (298,558) | 192 | - |
| 1300Q-01 | Diesel Accessory Station Equipment - Electrical & Mechanical | - | - | - | - | 108,943 | (26) | 108,917 |
| 1300Q-02 | Diesel Accessory Station Equipment - Fire & Control Systems | - | - | - | - | 164,962 | (2) | 164,959 |
| 1300Q-03 | Diesel Accessory Station Equipment - Heat Recovery Systems | - | - | - | - | 24,654 | 5 | 24,659 |
| 1300T | Fuel Storage and Handling | 323,212 | (11,103) | - | - | - | 3 | 312,112 |
| Total Diesel Generation | | 1,226,465 | (69,482) | (119,592) | 41,444 | 0 | (183) | 1,078,652 |
| TRANSMISSION LINES | | | | | | | | |
| 2000F | Roads, Trails and Bridges | 221,760 | (2,753) | - | - | - | 1 | 219,008 |
| 2000G | Metal Towers and Concrete Poles | 19,521,030 | (29,804) | - | - | - | 100 | 19,491,326 |
| 2000J | Poles and Fixtures | 2,338,341 | (35,596) | 116,801 | 18,507 | (2,438,075) | 22 | - |
| 2000J-01 | Transmission Lines - Wood Poles and Fixtures | - | - | - | - | 1,597,963 | (11) | 1,597,952 |
| 2000J-02 | Transmission Lines - Wood Crossarms and Spar Arms | - | - | - | - | 840,113 | (2) | 840,110 |
| 2000K | Ground Line Treatment | 251,602 | - | - | - | - | 1 | 251,603 |
| 2000L | Overhead Conductor and Devices | 9,451,399 | (23,201) | 901,494 | 1,924,939 | (12,254,650) | 20 | - |
| 2000L-01 | Transmission Lines - Overhead Conductor and Devices | - | - | - | - | 8,768,269 | 44,857 | 8,813,126 |
| 2000L-02 | Transmission Lines - Spacer Dampers | - | - | - | - | 3,486,381 | 100,190 | 3,586,571 |
| 2000M | Underground Cable and Devices | 372,933 | (1,454) | - | - | - | (1,029) | 370,450 |
| 2000Z | Transmission Development Fund | 1,208,638 | - | - | - | - | 5,730 | 1,214,368 |
| Total Transmission Lines | | 33,365,703 | (92,808) | 1,018,295 | 1,943,446 | 0 | 149,878 | 36,384,514 |
| SUBSTATIONS | | | | | | | | |
| 3000B | Buildings | 10,935,361 | (21,221) | 3,944,260 | 4,379,178 | (19,237,627) | 50 | - |

**Manitoba Hydro Consolidated Electric Operations
Depreciation Expense Impact Analysis
Quantification of ALG Depreciation Study Differences
For Plant in Service as at March 31, 2019**

**Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 3 of 7**

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--------------------------|--|--|--|--|---|--|---------------------------------|--|
| 3000B-02 | Substation Buildings - Long | - | - | - | - | 3,643,129 | (157) | 3,642,972 |
| 3000B-03 | Substation Buildings - Medium-Long | - | - | - | - | 1,505,830 | (86) | 1,505,744 |
| 3000B-04 | Substation Buildings - Medium | - | - | - | - | 6,229,357 | (505) | 6,228,852 |
| 3000B-05 | Substation Buildings - Medium-Short | - | - | - | - | 5,694,084 | (1,020) | 5,693,065 |
| 3000B-06 | Substation Buildings - Short | - | - | - | - | 3,406,376 | (337) | 3,406,039 |
| 3000C | Building Renovations | 1,612,580 | - | (575,429) | 197,932 | (1,241,149) | 6,066 | - |
| 3000F | Roads, Steel Structures and Civil Site Work | 24,824,461 | (66,691) | 512,916 | 418,067 | (25,688,885) | 132 | - |
| 3000F-01 | Roads, Steel Structures and Civil Site Work | - | - | - | - | 23,794,504 | (29) | 23,794,474 |
| 3000F-02 | Ground Grid | - | - | - | - | 1,894,382 | 35 | 1,894,417 |
| 3000J | Poles and Fixtures | 186,745 | (5,171) | - | - | - | 0 | 181,574 |
| 3100R | AC Power Transformers | 10,709,359 | (262,989) | (243,628) | 527,551 | (11,374,867) | 644,574 | - |
| 3100R-01 | AC Power & Grounding Transformers | - | - | - | - | 8,854,595 | (155) | 8,854,440 |
| 3100R-02 | AC Bushings | - | - | - | - | 2,520,272 | (60) | 2,520,212 |
| 3100S | AC Other Transformers | 4,226,046 | (78,321) | 902,604 | (31,783) | (5,203,777) | 185,231 | - |
| 3100S-01 | AC Other Transformers, Reactors & Regulators | - | - | - | - | 4,246,528 | (80) | 4,246,449 |
| 3100S-02 | AC Capacitor Banks | - | - | - | - | 957,249 | 97 | 957,346 |
| 3100T | AC Interrupting Equipment | 6,637,502 | (84,835) | 2,246,092 | (53,177) | (9,104,647) | 359,065 | - |
| 3100T-01 | AC Breakers - Air, SF6 & Vacuum | - | - | - | - | 6,282,816 | (153) | 6,282,663 |
| 3100T-02 | AC Breakers - Oil | - | - | - | - | 334,889 | (45) | 334,844 |
| 3100T-03 | AC Switchgear, Circuit Switchers, & Reclosers | - | - | - | - | 2,486,943 | (39) | 2,486,903 |
| 3100U | AC Other Station Equipment | 12,108,890 | (191,675) | (661,615) | 218,525 | (10,216,077) | (1,258,049) | - |
| 3100U-01 | AC Bus, Cable, Hardware & Other Equipment | - | - | - | - | 6,057,796 | (76) | 6,057,720 |
| 3100U-02 | AC Disconnects, Insulators & Power Fuses | - | - | - | - | 2,734,362 | (85) | 2,734,277 |
| 3100U-03 | AC Arresters | - | - | - | - | 1,423,919 | 0 | 1,423,920 |
| 3100V | AC Electronic Equipment and Batteries | 14,259,681 | (525,508) | (191,449) | (76,470) | (13,467,964) | 1,710 | - |
| 3100V-01 | AC Protection & Control - Electromechanical & Solid State | - | - | - | - | 1,084,595 | 13 | 1,084,607 |
| 3100V-02 | AC Protection & Control - Digital & Computer | - | - | - | - | 10,697,437 | (1,228) | 10,696,209 |
| 3100V-03 | AC Battery Banks & Chargers | - | - | - | - | 1,685,933 | (261) | 1,685,672 |
| 3200M | HVDC Synchronous Condensers and Unit Transformers | 5,407,079 | (17,579) | 158,990 | 624,382 | (6,274,707) | 101,835 | - |
| 3200M-01 | HVDC Synchronous Condensers | - | - | - | - | 3,194,403 | (76) | 3,194,327 |
| 3200M-02 | HVDC Synchronous Condensers - Portion Subject to Overhaul | - | - | - | - | 3,874,127 | (244) | 3,873,883 |
| 3200M-03 | HVDC Synch Excitation and Unit Transformers | - | - | - | - | 1,591,941 | (41) | 1,591,900 |
| 3200N | HVDC Synchronous Condenser Overhauls | 2,600,014 | - | (241,510) | 27,128 | (2,385,765) | 132 | - |
| 3200P | HVDC Converter Equipment | 27,696,273 | (133,635) | (2,045,367) | 164,212 | (27,435,224) | 1,753,742 | - |
| 3200P-01 | HVDC Converter Transformers | - | - | - | - | 16,394,048 | (914) | 16,393,134 |
| 3200P-02 | HVDC Converter Equipment - Other | - | - | - | - | 11,041,176 | (325) | 11,040,850 |
| 3200S | HVDC Serialized Equipment | 5,298,820 | 109,035 | 229,271 | (1,801) | (4,137,876) | (1,497,449) | - |
| 3200S-01 | HVDC AC Filters & Measuring Devices | - | - | - | - | 2,460,968 | (305) | 2,460,662 |
| 3200S-02 | HVDC DC Filters | - | - | - | - | 885,131 | 1,240 | 886,371 |
| 3200S-03 | HVDC Wall & Transformer Bushings | - | - | - | - | 791,777 | (270) | 791,507 |
| 3200U | HVDC Accessory Station Equipment | 4,751,770 | (84,972) | (891,163) | (33,653) | (3,536,484) | (205,498) | - |
| 3200U-01 | HVDC Bus, Cable, Hardware & Other Equipment | - | - | - | - | 2,346,073 | (124) | 2,345,949 |
| 3200U-02 | HVDC Disconnects & Arresters | - | - | - | - | 1,190,412 | (25) | 1,190,386 |
| 3200V | HVDC Electronic Equipment and Batteries | 5,950,208 | 36,998 | (359,606) | (215,997) | (5,704,224) | 292,621 | - |
| 3200V-01 | HVDC Protection & Control - Electromechanical & Solid State | - | - | - | - | 475,657 | (365) | 475,292 |
| 3200V-02 | HVDC Protection & Control - Digital & Computer | - | - | - | - | 4,508,399 | (448) | 4,507,951 |
| 3200V-03 | HVDC Battery Banks & Chargers | - | - | - | - | 720,169 | (70) | 720,099 |
| 3300M | Brandon Synchronous Condensers and Unit Transformers | 923 | 53 | 5,494 | 4,554 | (21,466) | 10,442 | - |
| 3300M-01 | Brandon Synchronous Condenser | - | - | - | - | 948 | (1) | 947 |
| 3300M-02 | Brandon Synchronous Condenser - Portion Subject to Overhaul | - | - | - | - | 4,915 | 27 | 4,942 |
| 3300M-03 | Brandon Synch - Unit Transformer | - | - | - | - | 5,051 | (1) | 5,050 |
| 3300N | Brandon Synchronous Condenser Overhauls | 18,097 | 389 | (8,689) | (20,178) | 10,553 | (171) | - |
| 3300S | Brandon Synch - Serialized Equipment | 2,642 | 25 | - | - | - | (2,667) | - |
| 3300U | Brandon Synch - Accessory Station Equipment | 8,406 | 71 | 3 | 4,896 | (4,910) | (8,466) | - |
| 3300U-01 | Brandon Synch - Bus, Cable, Hardware & Other Equipment | - | - | - | - | 4,910 | (8) | 4,901 |
| 3300V | Brandon Synch - Electronic Equipment and Batteries | 101,442 | 1,654 | (36,605) | 91 | (47,560) | (19,022) | - |
| 3300V-01 | Brandon Synch - Protection & Control - Electromechanical & Solid State | - | - | - | - | 21,191 | (32) | 21,159 |
| 3300V-02 | Brandon Synch - Protection & Control - Digital & Computer | - | - | - | - | 26,368 | 32 | 26,401 |
| Total Substations | | 137,336,302 | (1,324,371) | 2,744,568 | 6,133,454 | (0) | 358,158 | 145,248,110 |
| DISTRIBUTION | | | | | | | | |
| 4001A | Group 1 - Concrete Ductline - MH Constr | 348,978 | (10,558) | - | - | - | 2 | 338,422 |
| 4002A | Group 2 - Concrete Ductline - WH Acq | 880,553 | - | - | - | - | 13 | 880,566 |
| 4000A | Concrete Ductline | 1,229,531 | (10,558) | - | - | - | 15 | 1,218,988 |
| 4001B | Group 1 - Concrete Manholes - MH Constr | 342,840 | - | - | - | - | 2 | 342,841 |

**Manitoba Hydro Consolidated Electric Operations
Depreciation Expense Impact Analysis
Quantification of ALG Depreciation Study Differences
For Plant in Service as at March 31, 2019**

**Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 4 of 7**

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Depreciation Study Results |
|---------------------------|---|--|--|--|---|--|---------------------------------|--|
| 4002B | Group 2 - Concrete Manholes - WH Acq | 367,553 | - | - | - | - | 1 | 367,555 |
| 4000B | Concrete Manholes | 710,393 | - | - | - | - | 3 | 710,396 |
| 4000D | Concrete Manhole Refurbishment | 331,019 | (3,798) | - | - | - | 1 | 327,222 |
| 4000G | Metal Towers | 197,749 | (3,030) | - | - | - | (0) | 194,719 |
| 4000J | Poles and Fixtures | 11,173,813 | (306,544) | - | - | - | 304 | 10,867,574 |
| 4000K | Ground Line Treatment | 2,886,774 | - | - | - | - | 99 | 2,886,874 |
| 4000L | Overhead Conductors and Devices | 12,641,978 | (352,384) | 109,735 | 333,790 | (12,733,092) | (27) | - |
| 4000L-01 | Overhead Conductor and Devices - Conductor | - | - | - | - | 10,016,900 | (128) | 10,016,772 |
| 4000L-02 | Overhead Conductor and Devices - Insulators | - | - | - | - | 2,338,663 | 353 | 2,339,016 |
| 4000L-03 | Overhead Conductor and Devices - Ground Rod Replacement Program | - | - | - | - | 377,530 | 0 | 377,530 |
| 4000M | Underground Cable and Devices - 66 KV | 879,703 | (20,599) | 53,877 | 27,295 | (940,278) | 3 | - |
| 4000N | Underground Cable and Devices - Primary | 10,984,507 | (132,293) | (996,575) | 103,038 | (9,958,712) | 34 | - |
| 4000N-01 | Underground Cable and Devices - PILC, HPPT & LPOF | - | - | - | - | 125,932 | (1) | 125,931 |
| 4000N-02 | Underground Cable and Devices - XLPE, RINJ & RIPVCJ | - | - | - | - | 8,607,115 | (204) | 8,606,911 |
| 4000N-03 | Underground Cable and Devices - TRXLPE | - | - | - | - | 8,492,818 | (73) | 8,492,744 |
| 4000P | Underground Cable and Devices - Secondary | 5,019,985 | (71,875) | 1,380,125 | (1,327) | (6,326,875) | (33) | - |
| 4000Q | Serialized Equipment - Pole Mount | 5,399,782 | (86,846) | 988,646 | 2,794,446 | (8,976,620) | (119,408) | - |
| 4000Q-01 | Serialized Equipment - Pole Mount - Transformers & Other | - | - | - | - | 4,534,010 | (385) | 4,533,626 |
| 4000Q-02 | Serialized Equipment - Pole Mount - Reclosers | - | - | - | - | 4,442,609 | 171 | 4,442,780 |
| 4000S | Serialized Equipment - Pad Mount | 5,193,744 | (101,195) | - | - | - | 28 | 5,092,577 |
| 4000T | Underground Cable Injection | 375,817 | (3,956) | - | - | - | 0 | 371,861 |
| 4000V | Electronic Equipment | 434,138 | - | - | - | - | 8,856 | 442,995 |
| 4000W | Services | 1,006,630 | (74,100) | - | - | - | (373) | 932,157 |
| 4000X | Street Lighting | 3,929,814 | (51,439) | - | 0 | - | (130) | 3,878,246 |
| Total Distribution | | 62,395,377 | (1,218,617) | 1,535,809 | 3,257,242 | 0 | (110,895) | 65,858,917 |
| METERS | | | | | | | | |
| 4900V | Meters - Electronic | 1,604,774 | (104,123) | - | - | - | (4) | 1,500,647 |
| 4900Y | Meters - Analog | 383,757 | (32,033) | - | - | - | 86 | 351,810 |
| 4900W | Metering Exchanges | 3,114,942 | - | - | - | - | 28,131 | 3,143,074 |
| 4900Z | Metering Transformers | 228,851 | (5,420) | - | - | - | (0) | 223,431 |
| Total Meters | | 5,332,325 | (141,576) | - | - | - | 28,213 | 5,218,962 |
| COMMUNICATION | | | | | | | | |
| 5000B | Buildings | 135,920 | (1,415) | 79,762 | 79,693 | (305,854) | 11,894 | - |
| 5000B-01 | Communication Buildings - Very Long | - | - | - | - | 48,658 | (4) | 48,654 |
| 5000B-02 | Communication Buildings - Long | - | - | - | - | 50,649 | (3) | 50,646 |
| 5000B-03 | Communication Buildings - Medium-Long | - | - | - | - | 84,081 | (11) | 84,070 |
| 5000B-04 | Communication Buildings - Medium | - | - | - | - | 275,041 | (39) | 275,002 |
| 5000B-05 | Communication Buildings - Medium-Short | - | - | - | - | 307,819 | (77) | 307,742 |
| 5000B-06 | Communication Buildings - Short | - | - | - | - | 303,977 | (333) | 303,645 |
| 5000C | Building Renovations | 421,890 | - | (176,324) | (1,763) | (244,127) | 323 | - |
| 5000D | Building - System Control Centre | 181,090 | (1,326) | 88,627 | 251,856 | (520,246) | (0) | - |
| 5000G | Communication Towers | 250,051 | (4,546) | (4,928) | 16,583 | (255,800) | (1,361) | - |
| 5000G-01 | Communication Towers - Structure | - | - | - | - | 203,084 | (3) | 203,081 |
| 5000G-02 | Communication Towers - Lighting | - | - | - | - | 32,452 | (1) | 32,451 |
| 5000G-03 | Communication Towers - Cathodic Protection | - | - | - | - | 20,264 | (1) | 20,263 |
| 5000H | Fibre Optic and Metallic Cable | 5,187,093 | (111,267) | - | - | - | (38,249) | 5,037,577 |
| 5000J | Carrier Equipment | 7,056,512 | (333,372) | (726,429) | 173,854 | (6,172,358) | 1,793 | - |
| 5000J-01 | Communication - Battery Banks, Chargers & UPS | - | - | - | - | 1,320,538 | (104) | 1,320,433 |
| 5000J-02 | Communication - Backup Diesel Generators | - | - | - | - | 178,303 | (44) | 178,258 |
| 5000J-03 | Communication - MW, Optical, Span Line & HVI Carrier Equipment | - | - | - | - | 3,789,445 | (1,272) | 3,788,173 |
| 5000J-04 | Communication - Powerline Carrier Electronic Equipment | - | - | - | - | 212,209 | (50) | 212,159 |
| 5000J-05 | Communication - VHF Network Equipment | - | - | - | - | 671,864 | (52) | 671,811 |
| 5000K | Operational Technology Computer Equipment | 2,050,842 | - | (594,661) | 41,304 | (1,208,631) | (288,854) | - |
| 5000K-01 | Communication - Operational Technology Electronic Displays | - | - | - | - | 433,117 | (6) | 433,111 |
| 5000K-02 | Communication - Operational Technology Servers & Storage | - | - | - | - | 775,514 | (4) | 775,511 |
| 5000M | Mobile Radio, Telephone and Video Conferencing | 1,637,425 | - | (497,723) | 19,446 | (1,133,734) | (25,414) | - |
| 5000M-01 | Communication - VHF Mobile & Handheld Radios | - | - | - | - | 833,362 | 0 | 833,362 |
| 5000M-02 | Communication - Telephones & Video Conferencing | - | - | - | - | 300,372 | (0) | 300,372 |
| 5000N | Operational Data Network | 3,017,482 | - | - | - | - | 37,304 | 3,054,786 |
| 5000R | Power System Control | 469,268 | (25,814) | (189,036) | (3,267) | (249,833) | (1,318) | - |
| 5000R-01 | Communication - Power System Control - Analog/Mechanical | - | - | - | - | - | - | - |
| 5000R-02 | Communication - Power System Control - Digital | - | - | - | - | 11,807 | (55) | 11,752 |

Manitoba Hydro Consolidated Electric Operations
Depreciation Expense Impact Analysis
Quantification of ALG Depreciation Study Differences
For Plant in Service as at March 31, 2019

Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 5 of 7

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|--|--|---|--|---------------------------------|--|
| 5000R-03 | Communication - Station Control & Monitoring - Analog/Mechanical | - | - | - | - | 13,199 | (77) | 13,122 |
| 5000R-04 | Communication - Station Control & Monitoring - Digital | - | - | - | - | 224,827 | (16) | 224,811 |
| Total Communication | | 20,407,573 | (477,740) | (2,020,711) | 577,706 | (0) | (306,033) | 18,180,794 |
| MOTOR VEHICLES | | | | | | | | |
| 6000E | Passenger Vehicles | 98,943 | (7,549) | - | - | - | 3,794 | 95,187 |
| 6000F | Light Trucks | 6,069,516 | (222,238) | - | - | - | (2,494) | 5,844,783 |
| 6000G | Heavy Trucks | 5,239,272 | (132,393) | - | - | - | (104) | 5,106,775 |
| 6000H | Construction Equipment | 1,118,114 | (40,299) | - | - | - | (107) | 1,077,708 |
| 6000I | Large Soft-Track Equipment | 693,673 | (43,847) | - | - | - | (1,955) | 647,871 |
| 6000J | Trailers | 741,418 | (26,337) | - | - | - | (5) | 715,076 |
| 6000K | Miscellaneous Vehicles | 592,626 | (88,505) | - | - | - | (18,210) | 485,911 |
| Total Motor Vehicles | | 14,553,562 | (561,168) | - | - | - | (19,082) | 13,973,312 |
| BUILDINGS | | | | | | | | |
| 8000B | Buildings - General | 1,880,028 | (22,754) | 1,160,882 | 1,268,697 | (4,287,106) | 252 | - |
| 8000B-01 | Admin Building - Very Long | - | - | - | - | 628,678 | 1 | 628,679 |
| 8000B-02 | Admin Building - Long | - | - | - | - | 690,689 | (62) | 690,627 |
| 8000B-03 | Admin Building - Medium Long | - | - | - | - | 1,993,756 | (89) | 1,993,667 |
| 8000B-04 | Admin Building - Medium | - | - | - | - | 4,736,373 | (383) | 4,735,990 |
| 8000B-05 | Admin Building - Medium Short | - | - | - | - | 3,685,159 | (834) | 3,684,326 |
| 8000B-06 | Admin Building - Short | - | - | - | - | 2,837,212 | (1,959) | 2,835,254 |
| 8000C | Building Renovations | 3,978,585 | - | (1,708,743) | 184,758 | (2,454,561) | (39) | - |
| 8000D | Building - 360 Portage - Civil | 2,026,456 | (6,787) | 1,609,472 | 1,212,039 | (4,842,707) | 1,527 | - |
| 8000E | Building - 360 Portage - Electro/Mechanical | 1,728,356 | (36,531) | 458,067 | 832,871 | (2,987,494) | 4,730 | - |
| 8000F | Leasehold Improvements - Sony Place | 5,771 | - | - | - | - | 77 | 5,848 |
| Total Buildings | | 9,619,196 | (66,071) | 1,519,679 | 3,498,365 | (0) | 3,222 | 14,574,390 |
| GENERAL EQUIPMENT | | | | | | | | |
| 9000H | Tools, Shop / Garage | 6,795,020 | - | 2,441,488 | 330,656 | (9,566,917) | (247) | - |
| 9000H-01 | Tools, Shop & Garage Equipment - Electronic | - | - | - | - | 6,436,949 | 0 | 6,436,949 |
| 9000H-02 | Tools, Shop & Garage Equipment - Non-Electronic | - | - | - | - | 3,129,969 | 0 | 3,129,969 |
| 9000K | Computer Equipment | 8,378,225 | - | (2,597,930) | 832,552 | (6,935,339) | 322,492 | - |
| 9000K-01 | Computer Equipment - PC's & Peripherals | - | - | - | - | 4,528,000 | 0 | 4,528,000 |
| 9000K-02 | Computer Equipment - Servers & Storage | - | - | - | - | 2,407,339 | (0) | 2,407,339 |
| 9000L | Office Furniture & Equipment | 1,428,022 | - | - | - | - | (47,221) | 1,380,801 |
| 9000M | Hot Water Tanks | 179 | - | - | - | - | 2 | 181 |
| Total General Equipment | | 16,601,447 | - | (156,442) | 1,163,208 | - | 275,026 | 17,883,238 |
| EASEMENTS | | | | | | | | |
| A100A | Easements | 2,090,675 | - | - | - | - | (287) | 2,090,388 |
| Total Easements | | 2,090,675 | - | - | - | - | (287) | 2,090,388 |
| COMPUTER SOFTWARE AND DEVELOPMENT | | | | | | | | |
| A200G | Computer Development - Major Systems | 9,498,071 | (125,426) | (4,158,624) | (443,717) | (3,709,678) | (1,060,626) | - |
| A200G-01 | Major Computer Systems - SAP | - | - | - | - | 2,841,789 | (5,249) | 2,836,541 |
| A200G-02 | Major Computer Systems - Banner | - | - | - | - | 369,020 | (2,867) | 366,153 |
| A200G-03 | Major Computer Systems - eGIS | - | - | - | - | 449,070 | 19,698 | 468,768 |
| A200G-04 | Major Computer Systems - MWM | - | - | - | - | 49,799 | (1,147) | 48,652 |
| A200H | Computer Development - Small Systems | 5,861,496 | - | 3,527,612 | 504,021 | (9,893,162) | 33 | - |
| A200H-01 | Computer Systems and Software - Long (9 - 12 Years) | - | - | - | - | 1,023,637 | (0) | 1,023,637 |
| A200H-02 | Computer Systems and Software - Medium (6-8 Years) | - | - | - | - | 6,455,192 | (0) | 6,455,192 |
| A200J | Computer Software - General | 1,415,975 | - | (216,120) | - | (1,221,540) | 21,685 | - |
| A200J-01 | Computer Systems and Software - Short (3-5 Years) | - | - | - | - | 3,635,872 | 0 | 3,635,872 |
| A200K | Computer Software - Communication/Operational | 968,969 | - | - | - | - | (117,927) | 851,042 |
| A200L | Operational System Major Software - Ems/Scada | 1,440,640 | (355,292) | - | (0) | - | (603,763) | 481,585 |
| Total Computer Software & Development | | 19,185,151 | (480,718) | (847,131) | 60,303 | 0 | (1,750,164) | 16,167,441 |
| Total Manitoba Hydro | | 414,581,410 | (5,406,570) | 5,271,068 | 26,744,826 | (0) | (1,768,857) | 439,421,877 |
| WUSKWATIM POWER LIMITED PARTNERSHIP | | | | | | | | |
| WPLP Hydraulic Generation | | | | | | | | |
| 1181AWPLP | Concrete Dams, Dykes and Substructures | 1,220,030 | (2,689) | (539) | (410) | (803,218) | (413,174) | - |
| 1181A-01WPLP | Concrete Dams, Dykes and Substructures | - | - | - | - | 4,593,216 | (25,400) | 4,567,815 |
| 1181A-02WPLP | Embankment Dams and Dykes | - | - | - | - | 247,144 | (1,315) | 245,829 |
| 1181BWPLP | Powerhouse | 4,673,192 | (10,381) | 336,766 | 1,216,346 | (6,244,762) | 28,840 | - |
| 1181B-01WPLP | Superstructures & Support Bldg - Very Long | - | - | - | - | 103,384 | (90) | 103,294 |
| 1181B-02WPLP | Superstructures & Support Bldg - Long | - | - | - | - | 138,642 | (1) | 138,642 |

**Manitoba Hydro Consolidated Electric Operations
Depreciation Expense Impact Analysis
Quantification of ALG Depreciation Study Differences
For Plant in Service as at March 31, 2019**

**Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 6 of 7**

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Lives | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Depreciation Study Results |
|--|--|--|--|---|---|--|---------------------------------|--|
| 1181B-03WPLP | Superstructures & Support Bldg - Medium-Long | - | - | - | - | 783,771 | (764) | 783,007 |
| 1181B-04WPLP | Superstructures & Support Bldg - Medium | - | - | - | - | 1,030,838 | (1,287) | 1,029,551 |
| 1181B-05WPLP | Superstructures & Support Bldg - Medium-Short | - | - | - | - | 679,863 | (1,219) | 678,644 |
| 1181B-06WPLP | Superstructures & Support Bldg - Short | - | - | - | - | 550,714 | (1,182) | 549,533 |
| 1181CWPLP | Powerhouse Renovations | - | - | - | - | - | - | - |
| 1181DWPLP | Spillway | 987,797 | (11,955) | 77,443 | 13,263 | (1,316,150) | 249,603 | - |
| 1181D-01WPLP | Spillway Substructure | - | - | - | - | 938,414 | (151) | 938,262 |
| 1181D-04WPLP | Spillway Superstructure Original construction | - | - | - | - | 377,737 | (0) | 377,737 |
| 1181EWPLP | Water Control Systems | 1,383,968 | (7,838) | (126,377) | 899 | (887,074) | (363,578) | - |
| 1181E-01WPLP | Water Control Support | - | - | - | - | 887,074 | (193) | 886,881 |
| 1181FWPLP | Roads and Site Improvements | 1,614,716 | (30,642) | (186) | (149) | (1,743,310) | 159,572 | - |
| 1181F-01WPLP | Roads, Grounds and Physical Site Security | - | - | - | - | 1,743,310 | (171) | 1,743,139 |
| 1181GWPLP | Turbines and Generators | 2,329,995 | (15,768) | 77,710 | 83,760 | (2,346,136) | (129,561) | - |
| 1181G-01WPLP | Turbine and Generator Structural and Embedments | - | - | - | - | 130,932 | (717) | 130,215 |
| 1181G-02WPLP | Turbine Runner - Fixed Blade | - | - | - | - | 496,222 | 180 | 496,402 |
| 1181G-04WPLP | Turbine Regulation | - | - | - | - | 198,045 | 88 | 198,134 |
| 1181G-05WPLP | Turbine Stationary Parts | - | - | - | - | 224,369 | 84 | 224,453 |
| 1181G-06WPLP | Generator Frames and Core | - | - | - | - | 515,221 | 257 | 515,477 |
| 1181G-07WPLP | Generator Rotor | - | - | - | - | 494,941 | 183 | 495,124 |
| 1181G-08WPLP | Generator Windings | - | - | - | - | 286,406 | 136 | 286,542 |
| 1181HWPLP | Governors and Excitation System | 103,191 | (780) | 16,511 | 11,223 | (130,145) | 0 | - |
| 1181PWPLP | A/C Electrical Power Systems | 813,562 | (5,178) | 39,085 | 26,682 | (1,069,335) | 195,184 | - |
| 1181P-01WPLP | Generating Station Electrical Systems - High Voltage | - | - | - | - | 765,382 | (9) | 765,374 |
| 1181P-02WPLP | Generating Station Electrical Systems - Low Voltage | - | - | - | - | 325,171 | (2) | 325,169 |
| 1181QWPLP | Instrumentation, Control and D/C Systems | 1,539,064 | (59,322) | 80,123 | 47,431 | (1,504,182) | (103,113) | - |
| 1181Q-01WPLP | Mechanical Instrumentation, Control and Protection | - | - | - | - | 3,833 | (0) | 3,833 |
| 1181Q-02WPLP | Analog Instrumentation, Control and Protection | - | - | - | - | 53,119 | 9 | 53,127 |
| 1181Q-03WPLP | Digital Instrumentation, Control and Protection | - | - | - | - | 791,628 | (52) | 791,576 |
| 1181Q-04WPLP | Backup Power Systems | - | - | - | - | 537,793 | (22) | 537,771 |
| 1181Q-05WPLP | Cyber and Intelligence Security | - | - | - | - | 200,349 | 88 | 200,437 |
| 1181RWPLP | Auxiliary Station Processes | 1,190,080 | (52,857) | (217,761) | 13,110 | (1,766,509) | 833,938 | - |
| 1181R-01WPLP | Mechanical Auxiliary Systems | - | - | - | - | 1,523,289 | 42 | 1,523,331 |
| 1181R-02WPLP | Pressure systems | - | - | - | - | 269,607 | 4 | 269,611 |
| 1181WWPLP | Support Building Renovations | 3,208 | - | (1,020) | 14 | (2,202) | (0) | - |
| 1181XWPLP | Support Buildings | 535,975 | (3,178) | 247,884 | 298,228 | (1,077,392) | (1,516) | - |
| 1181YWPLP | Operational Employment Fund | 4,167 | - | - | - | - | 0 | 4,167 |
| 1181ZWPLP | Community Development Costs | 7,534 | - | - | - | - | 0 | 7,534 |
| WPLP Total Hydraulic Generation | | 16,406,477 | (200,589) | 529,638 | 1,710,396 | 0 | 424,692 | 18,870,613 |
| WPLP Substations | | | | | | | | |
| 3181RWPLP | Power Transformers | 88,427 | (5,661) | (5,963) | 2,177 | (78,971) | (8) | - |
| 3181R-01WPLP | AC Power & Grounding Transformers | - | - | - | - | 71,278 | (0) | 71,278 |
| 3181R-02WPLP | AC Bushings | - | - | - | - | 7,693 | (0) | 7,693 |
| WPLP Total Substations | | 88,427 | (5,661) | (5,963) | 2,177 | (0) | (9) | 78,971 |
| WPLP Communication | | | | | | | | |
| 5081HWPLP | Fibre Optic & Metallic Cable | 3,653 | (165) | - | - | - | (0) | 3,488 |
| 5081JWPLP | Carrier Equipment | 2,347 | (207) | 285 | 62 | (2,487) | 0 | - |
| 5081J-03WPLP | MW, Optical, Span Line & HVI Carrier Equipment | - | - | - | - | 786 | (0) | 786 |
| 5081J-05WPLP | VHF Network Equipment | - | - | - | - | 1,701 | (0) | 1,701 |
| WPLP Total Communication | | 6,000 | (372) | 285 | 62 | - | (0) | 5,975 |
| WPLP Motor Vehicles | | | | | | | | |
| 6081GWPLP | Heavy Trucks | 1,339 | (70) | - | - | - | (2) | 1,267 |
| 6081HWPLP | Construction Equipment | 1,730 | (117) | - | - | - | 0 | 1,614 |
| 6081JWPLP | Trailers | 2,599 | (116) | - | - | - | 0 | 2,483 |
| 6081KWPLP | Miscellaneous Vehicles | 4,624 | (1,403) | - | - | - | (61) | 3,160 |
| WPLP Total Motor Vehicles | | 10,292 | (1,706) | - | - | - | (63) | 8,523 |
| WPLP General Equipment | | | | | | | | |
| 9081KWPLP | Computer Equipment | - | - | - | - | - | - | - |
| 9081LWPLP | Office Furniture & Equipment | 10,980 | - | - | - | - | 0 | 10,980 |
| WPLP Total General Equipment | | 10,980 | - | - | - | - | 0 | 10,980 |
| Total Wuskwatim Power Limited Partnership | | 16,522,177 | (208,329) | 523,960 | 1,712,634 | 0 | 424,620 | 18,975,062 |
| Total Electric Operations | | 431,103,587 | (5,614,899) | 5,795,028 | 28,457,461 | (0) | (1,344,237) | 458,396,939 |

* Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results

Centra Gas
Depreciation Expense Impact Analysis
Quantification of Depreciation Study Differences
For Plant in Service as at March 31, 2019

Attachment 1 to Appendix 2 - Depreciation Expense Impact Analysis
Manitoba Hydro Status Update on Depreciation Matters
Page 7 of 7

| Account | Account Description | Concentric 2019 CGAAP-ASL Depreciation Study Results | Removal of RDA Recovery Embedded in Concentric Results | Impact of Alliance Changes to Service Lives & Iowa Curves | Impact of Alliance Proposed Component Changes | Apply Alliance Proposed Component Changes | Impact of Other * Changes | Alliance IFRS- Compliant ASL Study Results |
|-------------------------------|--|--|--|--|---|--|---------------------------------|---|
| TRANSMISSION | | | | | | | | |
| 46300 | Structures and Improvements - Measuring and Regulating | 19,431 | (124) | - | - | - | 0 | 19,307 |
| 46400 | Structures and Improvements - Other | 895 | (21) | - | - | - | 0 | 874 |
| 46500 | Mains - Transmission | 2,211,130 | (25,067) | - | - | - | 14 | 2,186,077 |
| 46510 | Cathodic Protection for Mains - Transmission | 34,288 | 10 | - | - | - | (0) | 34,298 |
| 46530 | Gas In-Line Inspections | 85,626 | - | - | - | - | 5,189 | 90,815 |
| 46700 | Station Measuring and Regulating Equipment | 344,162 | (7,140) | - | - | - | (4,212) | 332,809 |
| 46710 | Station Telemetry and Electronic Equipment | - | - | - | - | - | - | - |
| Total Transmission | | 2,695,531 | (32,342) | - | - | - | 992 | 2,664,181 |
| DISTRIBUTION | | | | | | | | |
| 47200 | Structures and Improvements | 20,148 | (619) | - | - | - | (1) | 19,527 |
| 47210 | Structures and Improvements - Measuring and Regulating | 109,377 | (1,951) | - | - | - | 1,721 | 109,147 |
| 47300 | Services | 4,185,525 | (105,309) | 92,577 | 51,518 | (4,223,818) | (493) | - |
| 47300-01 | Services - Steel | - | - | - | - | 1,925,702 | (43) | 1,925,659 |
| 47300-02 | Services - Plastic | - | - | - | - | 2,298,115 | (19) | 2,298,096 |
| 47400 | Customer Regulators and Meter Installation | 953,937 | (2,899) | - | - | - | 53 | 951,092 |
| 47500 | Mains - Distribution | 3,202,492 | (20,334) | (131,239) | 17,582 | (3,066,787) | (1,714) | - |
| 47500-01 | Mains - Distribution - Steel | - | - | - | - | 1,064,758 | (5) | 1,064,753 |
| 47500-02 | Mains - Distribution - Plastic | - | - | - | - | 2,002,029 | (8) | 2,002,021 |
| 47510 | Cathodic Protection for Mains - Distribution | 316,301 | - | (2) | 78 | - | 1,755 | 318,132 |
| 47700 | Station Measuring and Regulating Equipment | 1,023,216 | (27,333) | - | - | - | 13 | 995,896 |
| 47710 | Station Telemetry and Electronic Equipment | 54,969 | 3,694 | - | 0 | - | 24 | 58,687 |
| 47800 | Meters | 2,609,559 | (182,653) | (376,427) | 205,090 | (2,256,164) | 595 | - |
| 47800-1 | Meters - Mechanical | - | - | - | - | 1,504,473 | (245) | 1,504,228 |
| 47800-2 | Meters - Electronic | - | - | - | - | 751,691 | (92) | 751,599 |
| 47810 | Meter Testing | 2,172,883 | - | - | - | - | 11,198 | 2,184,081 |
| 47910 | Computer Hardware Equipment - EMS/SCADA | 74,967 | - | - | - | - | (210) | 74,758 |
| Total Distribution | | 14,723,375 | (337,403) | (415,090) | 274,268 | 0 | 12,527 | 14,257,676 |
| GENERAL PLANT | | | | | | | | |
| 48200 | Structures and Improvements | 83,566 | (3,951) | - | - | - | (2) | 79,613 |
| 48400 | Transportation Equipment | - | - | - | - | - | - | - |
| 48500 | Heavy Work Equipment | - | - | - | - | - | 0 | 0 |
| Total General Plant | | 83,566 | (3,951) | - | - | - | (2) | 79,613 |
| INTANGIBLE PLANT | | | | | | | | |
| 40100 | Franchises and Consents | 1,105 | - | - | - | - | (173) | 932 |
| 46100 | Land Rights - Transmission | 94,553 | - | - | - | - | 487 | 95,039 |
| 47100 | Land Rights - Distribution | 31,012 | - | - | - | - | 156 | 31,169 |
| 47930 | Computer System Development - EMS/SCADA | 470,260 | (69,531) | - | - | - | (26,209) | 374,520 |
| Total Intangible Plant | | 596,931 | (69,531) | - | - | - | (25,739) | 501,660 |
| Total Centra Gas | | 18,099,403 | (443,228) | (415,090) | 274,268 | 0 | (12,222) | 17,503,131 |

* Includes differences in consultant approaches to true-up of accumulated depreciation variances, source account reclassifications identified during IFRS-Compliant ASL study analysis and minor differences between Manitoba Hydro calculated and consultant provided results



360 Portage Avenue (22) · Winnipeg Manitoba Canada · R3C 0G8
Telephone / N° de téléphone: (204) 360-3257 · Fax / N° de télécopieur: (204) 360-6147 · baczarnecki@hydro.mb.ca

February 20, 2024

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: MANITOBA HYDRO STATUS UPDATE ON DEPRECIATION MATTERS

Manitoba Hydro would like to thank the PUB for the opportunity to discuss and clarify the information in the Manitoba Hydro Status Update on Depreciation Matters letter dated February 8, 2024. The following is a summary of the decisions Manitoba Hydro requires from the PUB regarding depreciation as outlined during our call on Monday February 12, 2024 with PUB representatives.

Direction from the regulator is used as audit evidence with respect to the treatment of regulatory deferral accounts and therefore, Manitoba Hydro requests a response from the PUB on:

1. the treatment of depreciation expense for rate setting purposes; and
2. confirmation that an unqualified audit opinion would satisfy the Board's direction for Manitoba Hydro to obtain professional accountant advice related to componentization changes.

In order to avoid two sets of accounting records, two options are available to Manitoba Hydro for the treatment of depreciation expense.

1. PUB approve a regulatory deferral for a limited period of time to record the difference between depreciation expense calculated using the 2019 depreciation study and depreciation expense calculated using the 2019 depreciation study with select changes as recommended by Manitoba Hydro and described in the letter dated February 8, 2024 until the PUB's review of the next full depreciation study. This option would ensure that for rate setting purposes, accumulated depreciation would reflect the use of the rates from 2019 depreciation study as directed in 19 g). Should the PUB prefer

this option, Manitoba Hydro requests approval to amortize this account over the remaining life of the assets that contribute to the account through future depreciation rates. This treatment would be acceptable under IFRS 14 which dictates that timing differences resulting from the impacts of rate regulation be captured within the net movement section of the income statement.

2. Acknowledge that Manitoba Hydro will calculate actual depreciation expense for 2023/24 using the componentization in the 2019 depreciation study with select changes. This would increase accumulated depreciation in comparison to the impact of deferring the differences through a regulatory deferral and would result in lower depreciation rates in the next depreciation study (2024/25). In absence of a regulatory deferral, Manitoba Hydro will never recover the difference between the 2019 depreciation study and depreciation expense calculated using the 2019 depreciation study with select changes.

At page 144 of Order 101/23, the Board indicated that utilizing the 2019 ASL rates for financial reporting purposes can be determined through either internal or external accounting advice. As discussed on our call, Manitoba Hydro did not seek external accounting advice as its internal professional accountants confirmed that regardless of componentization, the 2019 ASL rates cannot be utilized for financial reporting purposes. These rates include recovery of the Change in Depreciation Method Regulatory Deferral, which cannot be reported in depreciation expense under IFRS; rather would be reported in net movement.

Manitoba Hydro is strongly opposed to having two sets of accounting records and different retained earnings in perpetuity. Manitoba Hydro cannot use the 2019 depreciation study for financial reporting purposes and as such there will be a permanent difference in retained earnings for financial reporting versus regulatory purposes as the PUB's directive disallows use of a regulatory deferral to capture this difference.

In addition, also at page 144 of Order 101/23, the Board indicated that Manitoba Hydro is to reassess the level of componentization in its next depreciation study and include a reasonable increase in componentization, if such an increase is warranted based on professional accounting advice. Obtaining professional accounting advice in 2023/24 on the componentization changes implemented by Manitoba Hydro is challenging given the insufficient time to tender this work.

If an unqualified audit opinion does not satisfy the Board's direction for Manitoba Hydro to obtain professional accountant advice, then Manitoba Hydro would seek to engage an external professional accounting advisor subsequent to after Manitoba Hydro's year end and prior to the next full depreciation study. This would delay commencement of the full depreciation study. Approval of a regulatory deferral would ensure book accumulated depreciation continues to reflect use of the 2019 depreciation study until the PUB has an opportunity to review the results.

In order to comply with the PUB's request to use ALG for rate setting, Manitoba Hydro is transitioning to ALG for financial reporting purposes in 2023/24. Manitoba Hydro reviewed all the componentization recommendations from Alliance Consulting and selected the minimum number of components required for implementation to be IFRS-compliant using an ALG technique for estimating depreciation. Manitoba Hydro recognizes that this does not fully satisfy Directive 19 g), however there was insufficient time to complete a full depreciation study prior to March 31, 2024. As such, Manitoba Hydro will be tendering a depreciation study request for proposal this spring and intends on reviewing the study with the PUB when completed.

Manitoba Hydro does not require and will not seek any adjustments to customer rates from the PUB in 2023/24 or 2024/25 as a result of this request.

For audit purposes, a response from the PUB is respectfully requested prior to March 31, 2024 to ensure that Manitoba Hydro's financial statements accurately reflect the direction from the PUB.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3257.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



Brent A. Czarnecki
Senior Counsel

February 29, 2024

Mr. Brent Czarnecki
Law Department
Manitoba Hydro
22nd Floor – 360 Portage Avenue
Winnipeg, MB R3C 0G8

VIA EMAIL

Dear Mr. Czarnecki:

Re: Manitoba Hydro Status Update on Depreciation Matters

This letter is in response to Manitoba Hydro's correspondence of February 1, 2024 and February 20, 2024 regarding depreciation matters.

Overview

In Directive 19 of Order 101/23, the Public Utilities Board ("Board") directed Manitoba Hydro to continue to use the Average Service Life ("ASL") methodology to determine depreciation expense. To address any transitional issues resulting from this ruling, the Board further issued Directives 19 (g) to (k):

g) until Manitoba Hydro's next depreciation study, Manitoba Hydro is to use the level of componentization in the utility's 2019 depreciation study prepared by Concentric Energy Advisors and determine depreciation expense for rate-setting purposes using the depreciation accrual rates based on the Average Service Life (ASL) methodology set out in that study;

h) if the utility determines, through professional accounting advice, that determining depreciation expense in accordance with clause (g) is not compliant with International Financial Accounting Standards (IFRS), Manitoba Hydro is to write off any difference in depreciation expense and is directed not to establish a regulatory deferral account for the difference;

i) in preparing Manitoba Hydro's next depreciation study, the utility is to re-evaluate the level of componentization reasonably required under an IFRS-compliant Average Service Life (ASL) methodology and make adjustments to the existing level of componentization if necessary;

j) in revising the level of componentization in accordance with clause (i), Manitoba Hydro is to avoid a level of componentization intended, or that could reasonably be constructed to be intended, to recreate the effect of using the Equal Life Group (ELG) methodology to determine depreciation expense;

k) Manitoba Hydro is to begin determining depreciation expense in accordance with this Directive on September 1, 2023, without a phase-in period or a deferral account in respect of a phase-in.

On February 1, 2024, Manitoba Hydro wrote to the Board to advise that, in the utility's view, the 2019 depreciation study referenced in Directive 19(g) was not IFRS-compliant and there was insufficient time to complete a new depreciation study in time for the 2023/24 and 2024/25 fiscal years. Manitoba Hydro accordingly analyzed and developed a level of componentization that, in its view, would be required to make the methodology IFRS-compliant. Based on this analysis Manitoba Hydro proposes to increase the number of depreciable components from 371 to 414, an increase of 43 components. It analyzed the componentization against the "coverage" provided by those changes, i.e., how closely the results match the results provided by the Alliance study filed as part of the 2023/24 & 2024/25 General Rate Application.

Manitoba Hydro advised that the proposed changes would have an approximate impact of \$35 million on depreciation expense in each of the 2023/24 and 2024/25 fiscal years and sought confirmation that engaging with KPMG (Manitoba Hydro's auditor) and obtaining an unqualified audit opinion would meet the requirements of Directive 19(h).

In its letter of February 20, 2024, Manitoba Hydro further requested a response from the Board on the treatment of depreciation expense for rate-setting purposes and conformation that an unqualified audit opinion would meet the requirements of Directive 19(h).

The Board's Direction

Directive 19 required Manitoba Hydro to determine depreciation expense in accordance with the 2019 depreciation study until a "minimal componentization" study had been completed. While it is clear to the Board that Manitoba Hydro has performed a substantial amount of analysis, its internal deliberations fall short of a depreciation study. The utility appropriately acknowledges this in its February 1, 2024 letter.

Directive 19(h) requires Manitoba Hydro to write off the difference in depreciation expense between the 2019 study and any revised approach developed by the utility pending the creation of a new depreciation study. As such, the Board confirms that if the utility, in discussion with its auditors, determines that the revised level of componentization is necessary, then Directive 19(h) requires the resulting amount of \$35 million annually to be written off for rate-setting purposes.

While Manitoba Hydro has raised the prospect of establishing a deferral account, doing so would require the Board to review & vary Directive 19(h). The Board notes that Manitoba Hydro's letters of February 1, 2024 and February 20, 2024 do not seek an order from the Board to review & vary that directive. The Board accordingly confirms the following:

- Directive 19(h) requires Manitoba Hydro to write off any difference in depreciation expense resulting from a difference between the 2019 depreciation study and the utility's revised methodology for rate-setting purposes.
- The Board is not making a ruling at this time as to whether the revised methodology (and resulting depreciation expense) is appropriate. This may require evidence from an accounting expert, and possibly Manitoba Hydro's auditor, at the next general rate application.
- The Board is similarly not directing the accounting approach Manitoba Hydro is to use for financial reporting purposes.
- Manitoba Hydro has not sought an order from the Board to review & vary Directive 19(h).
- Establishing a deferral account into which to accrue the \$35 million increase in depreciation expense would require the Board to review & vary Directive 19(h) of Order 101/23.
- If Manitoba Hydro decides to apply for an order to review & vary Directive 19(h), it would have to file the application with the Board and copy the approved interveners at the 2023/24 & 2024/25 General Rate Application. This applies regardless of whether the utility is seeking approval to add the \$35 million annually to its current revenue requirement or whether the utility is seeking approval to establish a deferral account until the Board makes a determination in a future hearing.
- The Board's process for considering and deliberating applications to review & vary an existing directive generally involve submissions from interveners and, in the case of new facts, a testing of the evidence. The Board would determine the exact nature of the review process if and when it receives the application.

I trust that the above provides Manitoba Hydro with adequate guidance to determine its next steps.

Sincerely,

A handwritten signature in black ink, appearing to read "R McMillin". The signature is fluid and cursive, with the first letter "R" being particularly large and stylized.

Rachel McMillin, B.Sc., MPA
Associate Secretary

RM/kl

cc: Deanna Hiebert and Ashley Janzen, Manitoba Hydro
Bob Peters and Sven Hombach, Board Counsel