

The Manitoba Hydro-Electric Board

QUARTERLY REPORT

(for the three months ended June 30, 2024)



REPORT FROM THE CHAIR OF THE BOARD AND BY THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

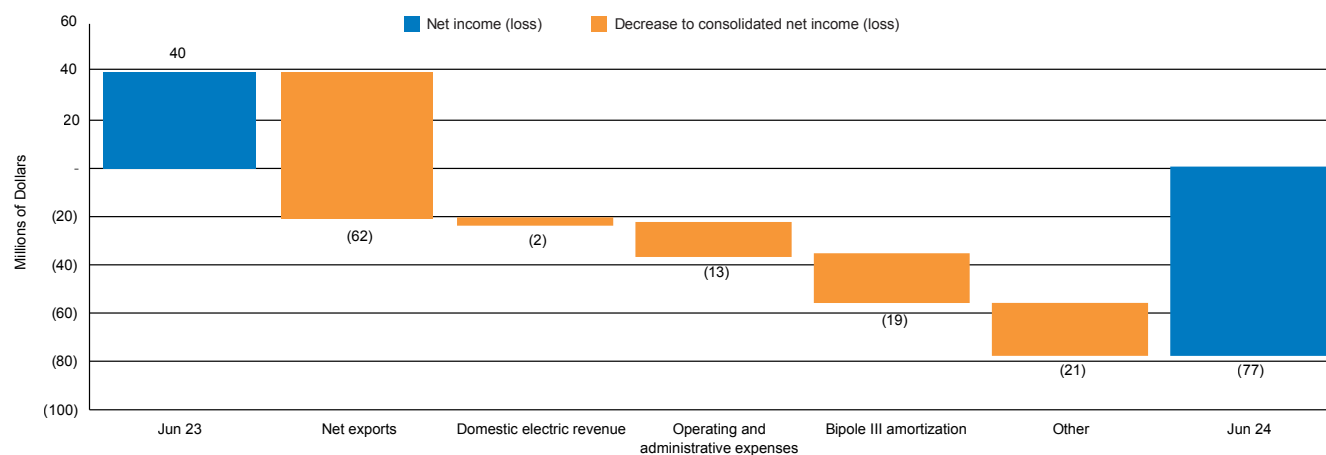
Financial Overview

Consolidated net loss attributable to Manitoba Hydro was \$77 million for the first three months of 2024-25 compared to net income of \$40 million for the same period last year.

The main driver of the decrease in net income from this same period last year is lower net exports. During the first quarter of 2023-24 the corporation benefitted from high reservoir system storage (i.e. the starting point for water conditions in the fiscal year) which resulted from high water from the preceding year (2022-23). However, a drought then followed for the rest of 2023-24 that resulted in lower storage levels to start 2024-25 which has significantly impacted the results for the first three months of 2024-25.

The decrease in net income from the prior year was also impacted by an increase in operating and administrative costs, the completion of the Bipole III deferral amortization in July 2023, as well as a slight decrease in domestic electric revenue.

CONSOLIDATED NET LOSS ATTRIBUTABLE TO MANITOBA HYDRO WAS \$77 MILLION FOR THE FIRST THREE MONTHS OF 2024-25



Net Exports - The \$62 million decrease in net export revenue from the same period last year was primarily due to a reduction in opportunity revenues and an increase in fuel and power purchases, driven by low water levels at the beginning of the current year as described above.

Domestic Electric Revenue - A cooler spring this year resulted in a decrease in domestic electric revenues compared to the prior year. The decrease was largely offset by an increase in usage across all customer classes, increased customer growth, and the impact of 1% general rate increases effective September 1, 2023 and April 1, 2024.

Operating and Administrative Expenses - The increase of \$13 million in operating and administrative expenses was largely due to higher wages and salaries and employee benefits related to an increase in the workforce and as a result of collective bargaining settlements.

Completion of Bipole III Regulatory Deferral Amortization - Manitoba Hydro had a regulatory deferral in place from July 2018 associated with amounts collected from customers during the construction of Bipole III. These historical rate increases previously set aside in the Bipole III regulatory deferral account to mitigate rate increases when Bipole III came into service were fully recognized in net income in July 2023.

Consolidated net loss was comprised of \$65 million net loss in the electric segment, \$17 million net loss in the natural gas segment, and \$5 million net income in the other segment.

CONSOLIDATED NET LOSS ATTRIBUTABLE TO MANITOBA HYDRO WAS \$11 MILLION HIGHER THAN THE BUDGETED NET LOSS OF \$66 MILLION

Recognizing the drought in 2023-24 and expected lower water conditions to start 2024-25, Manitoba Hydro budgeted for a net loss of \$66 million for the first three months of 2024-25. The actual consolidated net loss of \$77 million attributable to Manitoba Hydro was \$11 million higher than budget. The net loss was primarily driven by lower net export revenue related to the low water conditions at the start of this fiscal year and the need to import more energy than planned. This was partially offset by lower operating and administrative expenses primarily due to timing differences in planned work.

Manitoba Hydro's primary sources of liquidity and capital are cash generated from operations and debt financed through the Province of Manitoba. The consolidated cash balance at June 30, 2024 totaled \$810 million. Cash provided by operating activities of \$125 million during the first quarter of 2024-25 primarily reflects the impacts of cash-adjusted earnings partially offset by net interest paid. Manitoba Hydro's investing activities used \$161 million in the first three months of 2024-25, an increase in cash outflows of \$8 million over the same period last year, which largely reflected additions to property, plant and equipment, partially offset by higher contributions. As a result, the corporation reported a net deficit of \$36 million when comparing cash flows provided by operating activities net of cash flows for investing activities. Cash provided from financing activities totaled \$66 million compared to a cash outflow of \$742 million over the same period last year. The decrease in cash outflows is largely as a result of a reduction in long-term debt maturities compared to the prior year as well as an increase in long- and short-term debt issuances. It is the corporation's intention to remain prefunded at levels that protect against liquidity risk with a cash balance of approximately \$400 - \$600 million.

Cash flow summary for the three month period ended June 30

<i>(in millions of dollars)</i>	2024	2023	Inc/(Dec) over prior year
Cash and cash equivalents, beginning of year	780	1 089	(309)
Cash provided by operating activities	125	196	(71)
Cash used for investing activities	(161)	(153)	(8)
Cash provided by (used for) financing activities	66	(742)	808
Cash and cash equivalents, end of the period	810	390	420

MANITOBA HYDRO IS CURRENTLY PROJECTING NET INCOME TO BE CONSISTENT WITH BUDGETED NET INCOME OF \$95 MILLION

Manitoba Hydro is currently projecting net income to be consistent with the budgeted net income of \$95 million. However due to uncertainty associated with water conditions, weather impacts, energy markets, and other external factors, there still remains significant variability in the projected financial results.

Electric Segment

Electric segment results for the three month period ended June 30

<i>(in millions of dollars)</i>	2024	2023	Inc/(Dec) over prior year
Revenues	628	677	(49)
Expenses	699	661	38
Net income (loss) before net movement	(71)	16	(87)
Net movement	5	36	(31)
Net Income (Loss)	(66)	52	(118)

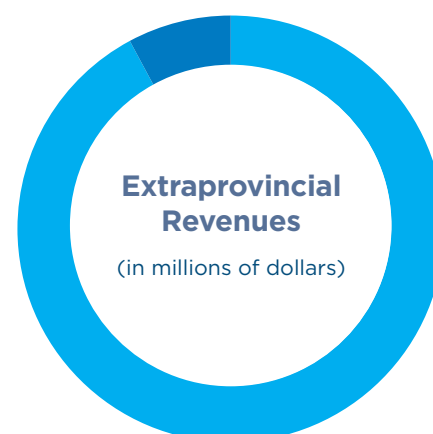
Electric revenue for the first three months of 2024-25 was \$628 million, a decrease of \$49 million from the same period last year. The decrease was largely attributable to lower extraprovincial revenues as well as slightly lower domestic electric revenues while other revenues increased slightly compared to the prior year.

Electricity sales within Manitoba were \$416 million, \$2 million lower than the same period last year primarily due to a cool spring which decreased cooling load, largely offset by higher usage in all customer classes, customer growth, and the impact of the September 1, 2023 and April 1, 2024 electric rate increases.

ENERGY SOLD IN THE EXPORT MARKET THIS YEAR WAS 1.8 BILLION KILOWATT-HOURS COMPARED TO 3.3 BILLION KILOWATT-HOURS IN THE PREVIOUS YEAR

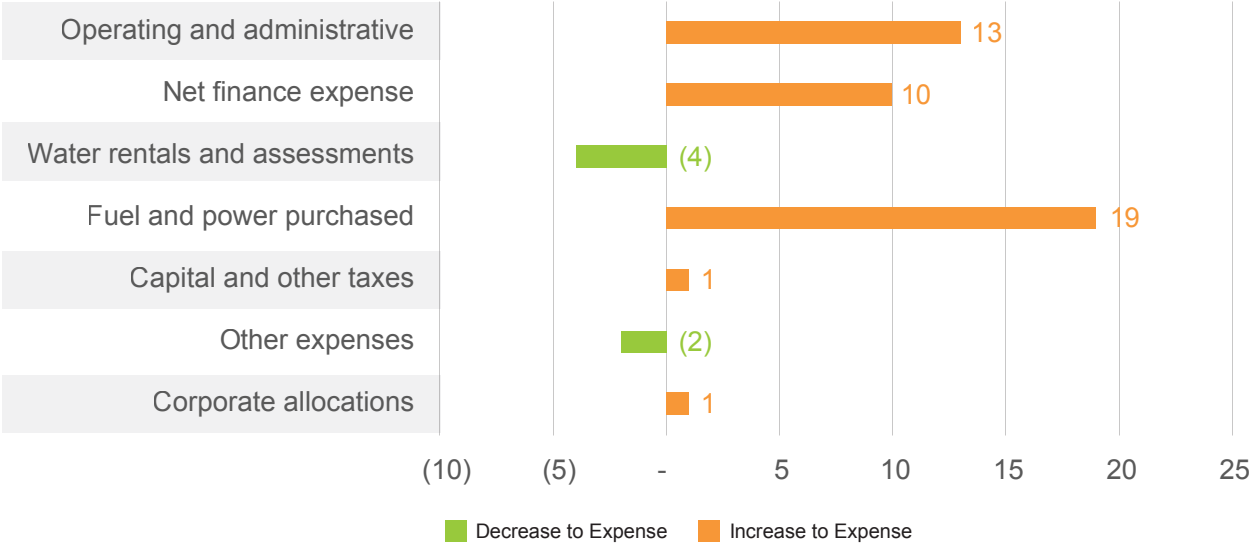
Extraprovincial revenue of \$204 million was \$47 million or 19% lower than the same period last year which reflects a reduction in opportunity revenues due to a decrease in volumes as a result of drought conditions experienced early in the year. Overall, energy sold in the export market this year was 1.8 billion kilowatt-hours compared to 3.3 billion kilowatt-hours in the previous year.

Expenses attributable to electric operations totaled \$699 million for the three-month period, which represents an increase of \$38 million or 6% compared to the same period last year.



Opportunity	\$16
Dependable	\$188

Electric Segment Expense Variances from Prior Year (in millions of dollars)



Operating and administrative expenses increased primarily due to higher wages and salaries and employee benefits related to an increase in the workforce and as a result of collective bargaining settlements.

Net finance expense was higher than the prior year largely due to higher interest rates, an increase in long- and short-term debt volumes, and accretion on the preferred distributions obligation associated with the preferred units of the Keeyask Hydropower Limited Partnership.

Water rentals and assessments decreased due to lower hydraulic generation as a result of low water conditions.

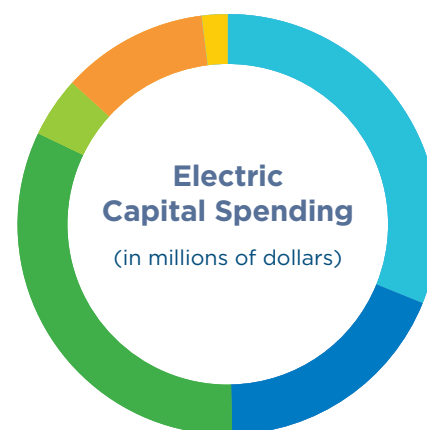
Fuel and power purchases increased significantly due to drought conditions experienced in the 2023-24 fiscal year which resulted in a significant increase in volumes purchased in the spring of 2024.

The corporation incurred \$13 million in electric Demand Side Management (DSM) expenses during the first three months of 2024-25. These costs are subsequently deferred and amortized through net movement, and therefore do not impact net income this year.

Net loss before net movement in regulatory balances was \$71 million. The net movement in regulatory balances of \$5 million captures the timing differences of revenues and expenses for financial reporting purposes and those amounts approved by the Public Utilities Board (PUB) for rate-setting purposes. The decrease in net movement from the prior year is largely due to the completion of the Bipole III deferral amortization.

After considering the net movement in regulatory deferral balances, the net loss was \$66 million. Net loss of approximately \$1 million was attributable to non-controlling interests.

Expenditures for capital construction for the three-month period amounted to \$151 million compared to \$133 million for the same period last year, an increase of \$18 million or 14%. Expenditures for the current period included \$3 million related to trailing costs on the Keeyask project. The remaining capital expenditures of \$148 million were predominantly related to ongoing system additions and modifications necessary to meet the electrical service requirements of customers throughout the province.



Generation	\$47
Transmission	\$28
Distribution	\$49
Digital & Technology	\$7
Corporate Infrastructure	\$17
Keeyask	\$3

Natural Gas Segment

Natural gas segment results for the three month period ended June 30

<i>(in millions of dollars)</i>	2024	2023	Inc/(Dec) over prior year
Revenues	88	106	(18)
Expenses	94	110	(16)
Net income (loss) before net movement	(6)	(4)	(2)
Net movement	(11)	(12)	1
Net income (loss)	(17)	(16)	(1)

The net loss in the natural gas segment was \$17 million for the three-month period ended June 30, 2024 compared to a net loss of \$16 million for the same period last year.

Revenue, net of cost of gas sold (gross margin), was \$30 million compared to \$41 million for the same period last year. Gross margin decreased by \$13 million primarily due to lower purchased gas costs (compared to amounts charged to customers through rates). The difference between the cost of gas embedded in customer rates and the actual cost of gas purchased is accumulated in the purchased gas variance accounts (PGVA) and adjusted in net movement thereby ensuring that only the actual cost of gas, no more or less, is ultimately passed on to customers over time. The cost of natural gas is a flow through cost passed on to customers through rates approved by the PUB and therefore does not impact net income. After considering the impact of PGVAs, gross margin decreased \$2 million largely due to weather impacts that resulted in a lower heating load, and lower unaccounted for gas (UFG) true up, partially offset by higher usage. Delivered gas volumes were 362 million cubic metres compared to 335 million cubic metres for the same period last year.



PGVA	(\$11)
Weather	(\$1)
Usage	\$1
UFG true up	(\$1)
Other	(\$1)

Expenses attributable to natural gas operations, excluding cost of gas sold, amounted to \$34 million compared to \$45 million for the same period last year, a decrease of \$11 million or 24%. The decrease in expenses was largely related to a decrease in DSM costs primarily due to the receipt of a reimbursement payment from Efficiency Manitoba in June 2024 for the Low Carbon Economy Leadership Fund (LCELF), partially offset by higher gross payments to Efficiency Manitoba primarily due to increased communication and advertising to promote energy efficiency programs, increased program participation, and the introduction of new programs and enhancements made to existing programs. The corporation incurred \$5 million in natural gas DSM expenses during the first three months of 2024-25, excluding the LCELF reimbursement. These costs are subsequently deferred and amortized through net movement, and therefore do not impact net income this year. The corporate allocation was reduced in 2023-24 to reflect the impact of sinking fund investments designated for retiring acquisition debt as well as a modification in the allocation methodology between the electric and natural gas segments.

Capital expenditures in the natural gas segment were \$10 million for the current three-month period compared to \$8 million for the same period last year, an increase of \$2 million or 25%. This increase is mainly attributable to the timing of gas meter purchases, which were initially planned to be purchased in 2023-24 but were delivered in 2024-25. Capital expenditures are related to system improvements and other expenditures necessary to meet the natural gas service requirements of customers throughout the province.

Other Segment

The other segment includes Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services, and Minell Pipelines Ltd. Net income was \$5 million in the other segment for the three-month period ended June 30, 2024 compared to \$4 million in the prior year, an increase of \$1 million.

Manitoba Hydro Begins Redesigning Website with Usability and Accessibility in Mind

In April, Manitoba Hydro's website homepage (www.hydro.mb.ca) got a major new look. Informed by extensive research and customer testing, the new homepage emphasizes the most common tasks customers are looking for.

Testing and surveys indicated the utility's customers wanted to use the website to solve problems, find information, or complete transactions like submitting meter readings or moves. The same research also showed customers were having difficulty accomplishing those goals on the existing website. In fact, many customers who called Manitoba Hydro tried to find what they were looking for on its website first — and many customers said they would rather use the website than call. When those customers can find what they need more easily on the website, customer engagement representatives on phone lines can help other customers solve more complex problems. By redesigning its website to be more intuitive, better organized, and more accessible, Manitoba Hydro can serve more customers for the same amount of money.

The homepage redesign was the beginning of a larger project expected to last approximately one year; by the end of the project, the website's content and navigation will be fully audited and overhauled.

Manitoba Hydro Launches New Pilot Program to Fund Indigenous-led Stewardship Projects

Manitoba Hydro's new Indigenous Monitoring and Stewardship Fund (IMSF) pilot program was developed to support community-based environmental activities and build knowledge of waters and shorelines affected by hydro-electric development. With a first-year budget of \$1 million, Indigenous-led environmental monitoring and stewardship projects can apply to Manitoba Hydro for up to \$125 000 to get their project up and running.

Manitoba Hydro heard from Indigenous communities about the importance of having environmental stewardship work designed and implemented by the peoples who have a connection to those lands and waters. The IMSF will support these efforts and strengthen Manitoba Hydro's understanding of the environments the utility operates in.

Applicants for the IMSF must provide detailed information about their project, including budgets, contingency plans, and outlines for how information gathered by the project will be shared and used to benefit nearby communities. More information is available at www.hydro.mb.ca/community/imsf.

Grand Rapids Fish Hatchery Improvements Expected to Boost Efforts to Stock and Bolster Sturgeon Populations

Sturgeon are currently being considered for listing as endangered under the federal Species at Risk Act (SARA), due primarily to effects of historical commercial overfishing, compounded by habitat changes resulting from hydro-electric development and operation over the years. Lake Sturgeon (Namew/Namao in Ojibwe and Cree) have a rich cultural significance to Indigenous people and historically represented an important food source.

Thanks to recent upgrades, Manitoba Hydro's capacity for raising Lake Sturgeon is expected to double. The Grand Rapids Fish Hatchery upgrades include circular tanks that generate currents more suited to the sturgeons' swimming patterns and improved treatment for the tanks (including biofilters, degassers, and UV units).

Manitoba Hydro recognizes its operations and infrastructure may affect Lake Sturgeon and has made a long-term and ongoing commitment to the recovery of Lake Sturgeon in Manitoba. The Lake Sturgeon Stewardship & Enhancement Program (LSSEP) was established in 2008 to consolidate Manitoba Hydro's Lake Sturgeon stewardship efforts. Manitoba Hydro raises Lake Sturgeon to fulfill regulatory requirements for the Keeyask Hydropower Limited Partnership (KHLP) and supports stewardship activities undertaken by the Nelson River Sturgeon Board. In conjunction with those organizations, the utility raises and stocks young sturgeon into both the upper and lower Nelson River each year. Currently, approximately 1 700 sturgeon are raised every year at the Grand Rapids Fish Hatchery before their release.

New Fleet Vehicle Decal Promotes Safe Driving for Staff and Customers

About four years ago, Joe Dobson was working in the Virden area when he spotted a fleet vehicle from another company that caught his eye. A decal he saw encouraged safe driving for that company's employees and the public.

Dobson started to think about how the decal could play into the safety culture at Manitoba Hydro and took the idea to his Workplace Safety and Health committee. Recently, Dobson and the committee's safety initiative is being rolled out in Manitoba Hydro's rural service areas. All fleet vehicles, from bucket, digger, and utility trucks, are getting decals applied that say "Everybody Gets Home Safe."

Since safety is so important at Manitoba Hydro, Dobson said the decal reminds employees why they need to work safely and to get home safe to their families and social activities. When the public sees it, Dobson said it shows customers that Manitoba Hydro's priority is to always work safe.



Ben Graham

Chair of the Board

A handwritten signature in black ink, appearing to be 'B. Graham'.



Hal Turner

Interim President and
Chief Executive Officer

August 14, 2024

A handwritten signature in black ink, appearing to be 'Hal Turner'.

FINANCIALS

Consolidated Statement of Income (Loss)

In millions of dollars (unaudited)

		THREE MONTHS ENDED JUNE 30	
		2024	2023
REVENUES			
Domestic	Electric	416	418
	Gas	88	105
	Extraprovincial	204	251
	Other	18	19
		<u>726</u>	<u>793</u>
EXPENSES			
	Cost of gas sold	60	64
	Operating and administrative	200	187
	Finance expense	266	264
	Depreciation and amortization	165	165
	Water rentals and assessments	13	18
	Fuel and power purchased	52	33
	Capital and other taxes	46	45
	Other expenses	11	24
	Finance income	(15)	(24)
		<u>798</u>	<u>776</u>
	Net income (loss) before net movement in regulatory balances	(72)	17
	Net movement in regulatory balances	(6)	23
	Net Income (Loss)	<u>(78)</u>	<u>40</u>
	Net income (loss) attributable to:		
	Manitoba Hydro	(77)	40
	Non-controlling interests	(1)	-
		<u>(78)</u>	<u>40</u>

FINANCIALS

Consolidated Statement of Financial Position

In millions of dollars (unaudited)

	AS AT JUNE 30, 2024	AS AT MARCH 31, 2024	AS AT JUNE 30, 2023 RESTATED
ASSETS			
Current assets	1 530	1 498	1 116
Property, plant and equipment	26 766	26 727	26 475
Non-current assets	1 610	1 622	1 656
Total assets before regulatory deferral balance	29 906	29 847	29 247
Regulatory deferral balance	1 675	1 679	1 453
	<u>31 581</u>	<u>31 526</u>	<u>30 700</u>
LIABILITIES AND EQUITY			
Current liabilities	1 764	1 870	1 603
Long-term debt	23 796	23 644	22 874
Other non-current liabilities	1 977	1 921	1 636
Deferred revenue	735	702	657
Non-controlling interests	45	46	344
Retained earnings	3 401	3 478	3 690
Accumulated other comprehensive loss	(258)	(254)	(252)
Total liabilities and equity before regulatory deferral balance	31 460	31 407	30 552
Regulatory deferral balance	121	119	148
	<u>31 581</u>	<u>31 526</u>	<u>30 700</u>

FINANCIALS

Consolidated Cash Flow Statement

In millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2024	2023 Restated
Operating Activities	125	196
Investing Activities	(161)	(153)
Financing Activities	66	(742)
Net increase (decrease) in cash	30	(699)
Cash at beginning of period	780	1 089
Cash at end of period	810	390

Consolidated Statement of Comprehensive Income (Loss)

In millions of dollars (unaudited)

	THREE MONTHS ENDED JUNE 30	
	2024	2023
Net Income (Loss)	(78)	40
Other Comprehensive Income (Loss)		
Items that will be reclassified to income		
<i>Unrealized foreign exchange gains (losses) on debt in cash flow hedges</i>	(9)	46
Items that have been reclassified to income		
<i>Realized foreign exchange losses on debt in cash flow hedges</i>	5	7
	(4)	53
Comprehensive Income (Loss)	(82)	93
Comprehensive income (loss) attributable to:		
Manitoba Hydro	(81)	93
Non-controlling interests	(1)	-
	(82)	93

FINANCIALS

Segmented Information

In millions of dollars (unaudited)

THREE MONTHS ENDED JUNE 30	ELECTRIC SEGMENT		NATURAL GAS SEGMENT		OTHER SEGMENT		ELIMINATIONS		TOTAL	
	2024	2023 Restated	2024	2023	2024	2023	2024	2023 Restated	2024	2023 Restated
Revenues	628	677	88	106	11	12	(1)	(2)	726	793
Expenses	699	661	94	109	6	8	(1)	(2)	798	776
Net income (loss) before net movement in regulatory balances	(71)	16	(6)	(3)	5	4	-	-	(72)	17
Net movement in regulatory balances	5	36	(11)	(13)	-	-	-	-	(6)	23
Net Income (Loss)	<u>(66)</u>	<u>52</u>	<u>(17)</u>	<u>(16)</u>	<u>5</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>(78)</u>	<u>40</u>
Net income (loss) attributable to:										
Manitoba Hydro	(65)	52	(17)	(16)	5	4	-	-	(77)	40
Non-controlling interests	(1)	-	-	-	-	-	-	-	(1)	-
	<u>(66)</u>	<u>52</u>	<u>(17)</u>	<u>(16)</u>	<u>5</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>(78)</u>	<u>40</u>
TOTAL ASSETS	30 795	30 039	887	889	116	205	(217)	(433)	31 581	30 700

FINANCIALS

Generation and Delivery Statistics

	THREE MONTHS ENDED JUNE 30	
	2024	2023
ELECTRICITY IN GIGAWATT-HOURS		
Hydraulic generation	6 257	9 025
Thermal generation	6	1
Scheduled energy imports	805	67
Wind purchases (Manitoba)	242	199
Total system supply	<u>7 310</u>	<u>9 292</u>
GAS IN MILLIONS OF CUBIC METRES		
Gas sales	175	203
Gas transportation	187	132
	<u>362</u>	<u>335</u>

