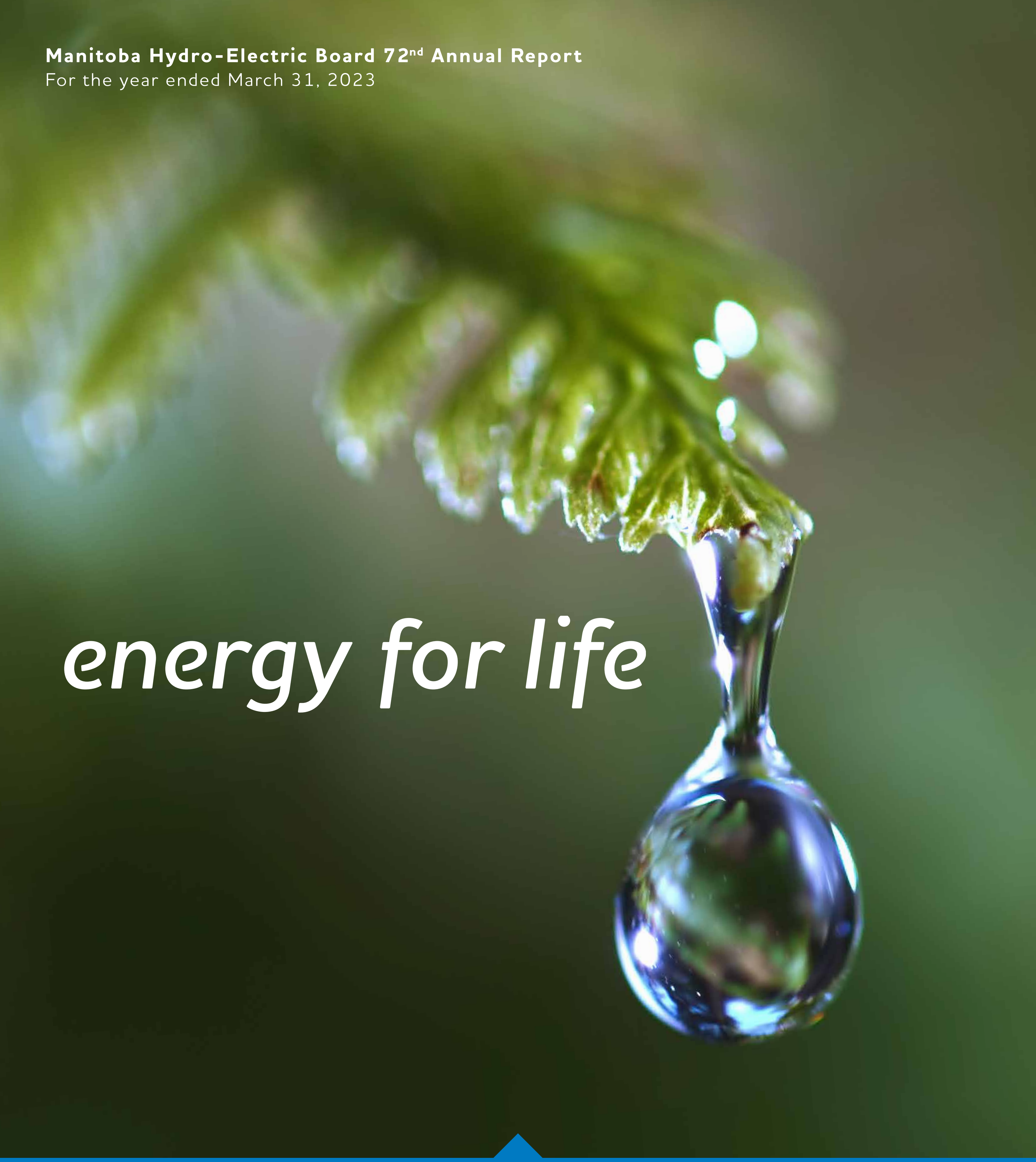
Manitoba Hydro-Electric Board 72nd Annual Report

For the year ended March 31, 2023



energy for life

Manitoba Hydro

energy for life

Manitoba Hydro has a presence right across Manitoba — on Treaty 1, Treaty 2, Treaty 3, Treaty 4 and Treaty 5 lands — the original territories of the Anishinaabe, Anishininew, Cree, Dakota, and Dene peoples and the homeland of the Red River Métis. We acknowledge these lands and pay our respects to the ancestors of these territories. The legacy of the past remains a strong influence on Manitoba Hydro's relationships with Indigenous communities today, and we remain committed to establishing and maintaining strong, mutually beneficial relationships with Indigenous communities.

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Letter of transmittal from the Chair of the Manitoba Hydro-Electric Board

Minister of Finance
Legislative Building
Winnipeg, Manitoba
R3C 0V8

July 27, 2023

Dear Minister,

I am pleased to present the 72nd Annual Report of the Manitoba Hydro-Electric Board, together with the financial statements for the fiscal year ended March 31, 2023.

My tenure with the Manitoba Hydro-Electric Board began June 8, 2022 as part of a Board renewal that included Beth Bell as Vice Chair, Gord Pollard, and Dave Brown. We have since learned much about the complexity, risk, and potential of Manitoba Hydro's business. I am very thankful for the valuable context and insights provided by Hydro's President & CEO Jay Grewal, senior management and our continuing Board members Jim Downey, Val Wowryk, Ron Evans, Brent VanKoughnet and Harold Reid. As well we have benefitted from Beth Bell's and Dave Brown's experience on earlier Manitoba Hydro Boards.

One competency we fall short of is independent, executive-level industry expertise. To compensate for this deficiency (which was common to previous Manitoba Hydro Board compositions and surprisingly to many but not all Crown and municipal-owned utilities in Canada), we engaged an industry advisor, James McMahon from Charles River Associates, and he has assisted throughout the work that is summarized in this report.

The Board's refocus last year was on Manitoba Hydro's core mandate to efficiently provide reliable energy to Manitobans, with an emphasis on four areas: financial health, the quality of Public Utilities Board (PUB) applications, Indigenous relations and the completion of Manitoba Hydro's first Integrated Resource Plan (IRP).

Financial Health

We worked with Manitoba Hydro management in the second and third quarters to assess the company's financial situation, in the face of rising industry risks tied to inflation, interest rates, climate change, North American decarbonization policies and geopolitical upheavals affecting energy prices. Even without these external factors at play we recognized that industry forecasting is an increasingly difficult exercise that requires multiple scenarios and continuous updating.

Under most likely futures for Manitoba Hydro, we concluded that the company's debt overhang from Bipole III and Keeyask was a significant risk. While appropriate debt/equity levels can be debated, our concern was whether Manitoba Hydro had sufficient cashflow to maintain its ongoing operations and existing capital investments while having the resources and financial flexibility to fulfill its statutory mandate.

The scenarios we reviewed indicated that, depending on any series of potential adverse variables, Manitoba Hydro would repeatedly find themselves in the precarious position of being forced to borrow to fund everyday operations, similar to during the 2020-21 drought year. In December, this situation was mitigated by the Province of Manitoba reducing its debt guarantee and water rental fees by approximately $190 million, which combined with modest rate increases, gives Manitoba Hydro the opportunity to stabilize and solidify its financial position over the long term.

Manitoba Hydro's financial picture will be an ongoing oversight area for the Manitoba Hydro-Electric Board and the good news is that we have a much better path to sustainability than when we started the year.

Quality of PUB Applications

Manitoba Hydro's General Rate Applications (GRAs) and other submissions to the PUB require the sharing of essential, trusted information. All interested parties — the Province of Manitoba as shareholder, Manitoba Hydro, intervenors and the PUB — have important roles to play. For our part, we identified the need to submit the highest possible standard of completeness, clarity and insight within Manitoba Hydro's November 2022 GRA. We invested more time, especially in the third quarter ahead of the GRA, listening to different perspectives and then discussing and agreeing on proposed improvements with Manitoba Hydro management measured against the best industry practices.

At the time of this writing, the GRA hearing process is still underway. So far, we are encouraged by positive comments offered by third parties on the quality of Manitoba Hydro's application and responses to literally thousands of follow-on information requests. Going forward we want to see Manitoba Hydro's credibility continue to build in future PUB applications and through deeper industry expertise resident within the PUB and the Government of Manitoba.

Indigenous Relations

Manitoba Hydro has dozens of newer and longstanding agreements in place with Indigenous communities and entities across the province. Coming from a long career of serving and doing business in partnership with Indigenous Peoples across northern Canada and internationally, I have been impressed with the knowledge and values that Manitoba Hydro holds in this important area.

Later in the year, the Board engaged with management on their work with the Manitoba Métis Federation, the Keeyask Hydropower Limited Partnership, and with Pimicikamak Cree Nation related to the Northern Flood Agreement. Each relationship is very unique but shares mutual principles of historical awareness, rights, openness, respect and fairness. Manitoba Hydro's goal is to reach understandings first and then agreements by authentically adhering to these principles and investing the required senior management time.

Where the stage has been set for negotiations, the Board has overseen the parameters for reaching possible agreements and will continue to work closely with management and other stakeholders to help ensure a successful outcome.

Integrated Resource Plan (IRP)

By the end of July 2023, Manitoba Hydro will complete and communicate its first IRP. The IRP will be an essential roadmap of the longer-range events and conditions Hydro may face and the important decisions at each "signpost" along the way.

The time frame takes our planning to 2042, with a path to potential net-zero carbon targets in 2050. The future energy sources for all Manitobans will be affected by the IRP and the many iterations to come as new policies, technologies and facts unfold.

To reach this year's IRP milestone, Manitoba Hydro has engaged stakeholders from government, public sector, our communities, Indigenous groups and more to consumer and commercial/industrial customers. The common interest is to decarbonize boldly and quickly but also affordably and realistically. Striking the right balance is the energy policy accountability of our Federal and Provincial governments, with informed advice from major energy providers like Manitoba Hydro.

The Board has worked as a whole and through a special committee to oversee the quality of Manitoba Hydro's intense work on the IRP. Similar to the Board's PUB task, we are as interested in the credibility and completeness of Manitoba Hydro's IRP work and how it informs as we are in how right or wrong the key assumptions and forecasts turn out to be.

2023-24 Outlook

The Board's work with management in the current fiscal year will continue on the PUB, Indigenous and IRP initiatives. We will add oversight work in technology, customer service and Manitoba Hydro's culture and talent management. Finally, we plan to make recommendations on governance which we believe will be important to help ensure that Manitoba Hydro and key stakeholders have a capability in their respective roles that is fully commensurate with the significant performance and potential at stake.

Acknowledgments

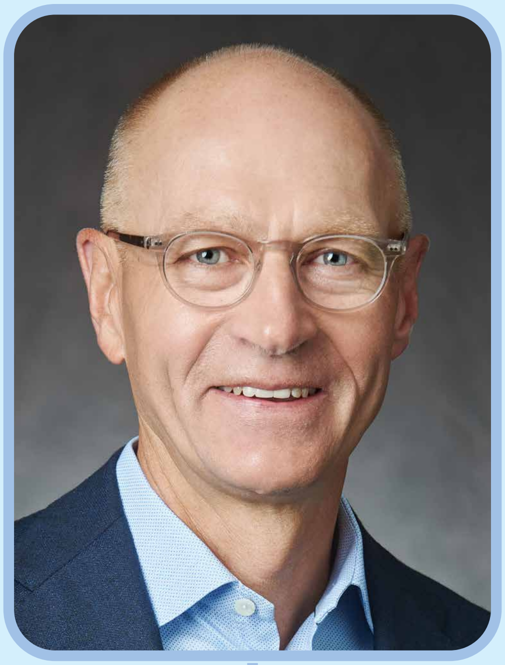
On behalf of the Board, I extend my thanks to the Minister and to his predecessor, Cameron Friesen, for the attention and importance placed on Manitoba Hydro's success. We have achieved major alignments, for example, on Manitoba Hydro's debt levels, Manitoba's debt guarantee and water fee reductions, increased funding for the PUB and the moratorium on supplying more crypto-industry customers. These are outcomes of working collaboratively while being encouraged to give the best possible independent advice to you, as the representative of our shareholder.

I mentioned at the beginning of this report that Manitoba Hydro is a much more complex organization operating within a more complex, higher risk/reward industry than is widely assumed by Manitobans. While the Board's work has been focused it has not been in disregard for the everyday work performed by Manitoba Hydro's over 5,000 employees at all levels. We see that Manitoba Hydro's people have again delivered on Manitoba Hydro's reliability commitment while facing other new challenges ranging from hybrid work conditions to labour relations.

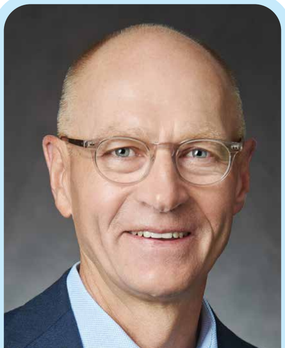
I want to thank Manitoba Hydro employees sincerely for the work that they've accomplished over the past year.

Respectfully submitted,

Edward Kennedy,
Chair, Manitoba Hydro-Electric Board

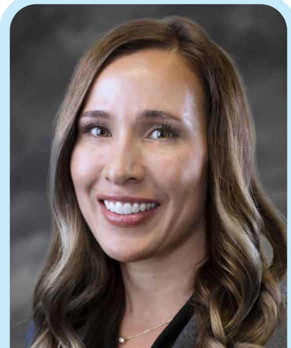


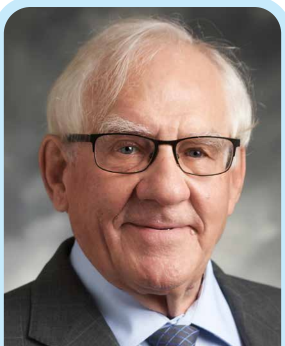
Manitoba Hydro-Electric Board, 2022-23

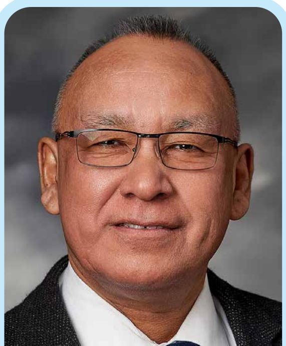

Edward Kennedy
Chair


Beth Bell
Vice-Chair


Dave Brown

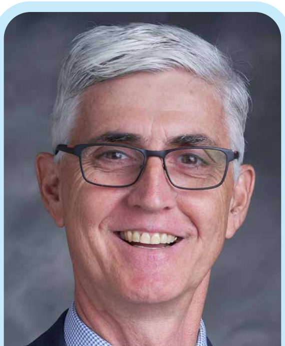

Nicole Chabot


James (Jim) Downey


Ron Evans


Gordon Pollard


Harold Reid


Brent Vankoughnet


Valerie Wowryk








Letter to customers from Jay Grewal, President & CEO of Manitoba Hydro

energy for life

Since I started leading Manitoba Hydro four years ago, it has become abundantly clear to me how much Manitobans have invested in their utility.

As the largest energy provider in our province, serving Manitobans for decades with reliable, renewable hydroelectricity and dependable natural gas, we play a pivotal role in the life of every Manitoban. Our energy enables our lifestyles, allowing us to power, heat and cool our homes and businesses and fuel economic growth. It helps mitigate the use of fossil fuels in other jurisdictions and brings Canada closer to its net-zero goals.

This is a big responsibility — and one we take seriously by doing everything we can to support a reliable, dependable supply to our customers every minute and hour of the day or night. And on top of that daily responsibility comes a duty to plan for and navigate a changing energy landscape that we know will have a significant impact on our province's future.

Just as our customers have invested in Manitoba Hydro, we invested in our customers and our energy future in fiscal year 2022-23.

As energy capacity becomes a consideration and the need for clean, reliable energy continues to grow — and the ways that energy is created and used evolves — we are committed to building on our solid foundations and legacy of service to the benefit of every Manitoban.

Just as our customers have invested in Manitoba Hydro, we invested in our customers and our energy future in fiscal year 2022-23.

To that end, we're investing in digital tools and responsiveness, modernizing our customer experience to ensure we are providing clear, accessible information and serving our customers where, when, and how they want to be served.

We are working with interested parties and communities who may be affected by service upgrades, maintenance work or other projects to ensure they remain informed and have the opportunity to have their voices heard.

And as modern grids around the world gain complexity and interactivity, we're staying on top of information about new or changing energy trends, services and products, bringing that knowledge to bear in potential plans for our future.

And we're expanding and enhancing our natural gas service that provides critical heat to thousands of homes and businesses, while also maintaining, renewing and expanding our electrical generation, transmission and distribution assets to make sure all Manitobans continue to have the renewable, reliable energy services we all depend on to live — all part of the significant infrastructure investments that will be necessary to reinforce our grid and ensure it can meet demand in the future.

As it always has been, this is our purpose: Energy for Life, a promise to our customers and our employees that we will always be there to provide Manitobans with the energy they need to live and thrive in our province.

This past year we continued delivering on this promise by finding better ways to serve and advocate for our customers; by evaluating the way we perform our work to encourage innovation; by improving our business processes and introducing new tools to do better work in less time; and by creating a culture of continuous improvement to build better employee and customer experiences with Manitoba Hydro.

It's all part of putting our customers at the forefront of all we do — and taking pride in living up to the responsibility they have given us. With that in mind, in 2022-23 we took steps to ensure our customers get maximum value from their energy infrastructure, including our newest generating station.

All seven generating units at the Keeyask Generating Station are now in service, and its additional 695 megawatts (MW) of capacity are already filling the needs of our customers. The commissioning of the Keeyask Project in 2022-23 is a tremendous step towards energy security for future generations.

All seven generating units at the Keeyask Generating Station are now in service, and its additional 695 megawatts of capacity are already filling the needs of our customers.

With construction over, work continues on site remediation, clean-up and restoration, and ongoing environmental monitoring in collaboration with our Keeyask partner First Nations of Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation, and Fox Lake Cree Nation.

Beyond Keeyask, there were other opportunities and challenges facing our electrical system — and the people that maintain it — in 2022-23.

Growth in demand for renewable electricity combined with increasingly volatile weather continues to put pressure on our long-lived infrastructure. This year saw record-high water flows, challenging our generating stations. At the same time, wildfires tore through large portions of Manitoba's northern and eastern boreal forest and our transmission and distribution lines. Each weather event is another stress test for our grid.

Preparing for what may come means investing in reliability, which in turn means putting our resources where they're needed most — and in 2022-23, we made critical investments in our system. Our Slave Falls Generating Station is over 90 years old and currently undergoing work to lengthen its life.

Our Pointe du Bois Renewable Energy Project (PREP), a project that will see even more renewable energy flowing out of the 110-year-old station, landed this year on a preferred route for a new transmission line connecting Pointe du Bois to a substation in the Whiteshell.

In 2022-23, we also built new transmission and distribution to meet growing demand. Upgrades to infrastructure serving the University of Manitoba and a new distribution supply centre have increased reliability to customers in the Fort Richmond neighbourhood of Winnipeg. In St. Boniface, work is underway to overhaul parts of the grid that serve industrial and residential customers as part of the Dawson Road Station Replacement Project, which involves upgrading from a four-kilovolt (kV) system to 24-kV infrastructure to reduce outages and better support the needs of our customers.

Our upgrade to the natural gas system in Steinbach is enhancing supply in one of the fastest growing areas of our province.

This fiscal year we upgraded our natural gas assets to serve growing communities. Our upgrade to the natural gas system in Steinbach is enhancing supply in one of the fastest growing areas of our province, and a new natural gas gate station in Winnipeg's Transcona neighbourhood is increasing reliability to the area.

Work to restore transmission lines after the significant damage caused from the October 2019 storm continues (we received the license to rebuild our Brandon-Portage 6 and 7 transmission lines in July 2022), but this type of work is also creating other opportunities: chances for Manitoba Hydro to foster better relationships with our customers, interested parties, and the communities in which we operate.

As part of the ongoing Portage Area Capacity Enhancement (PACE) project, we have incorporated enhanced community engagement processes into our planning, providing greater opportunities for our customers, Indigenous communities and all those affected by construction to hear from us on project progress and ask questions or voice concerns.

With all our work — to upgrade, maintain, build, and innovate — we are doing all we can to generate and deliver the energy we provide responsibly and with care for people, communities and our environment. This means prioritizing safety for our employees and the public. Every one of our employees deserves to go home safely to their families at the end of each workday.

And beyond delivering our core business safely and responsibly, we must also go further to ensure our customers are happy and satisfied with the service we provide.

To that end, in 2022-23 we made strategic and tactical changes to improve our customers' experience with Manitoba Hydro.

To optimize our customer service, we are employing technologies designed to limit customer effort and friction, like our call handling technology, customer self-service portal and mobile app. And we're making adjustments to how we manage and restore outages, book customer appointments, and more.

To continue and build on the high level of service Manitobans expect and deserve, this fiscal year we re-examined our recruitment and retention processes to better acquire and develop talent and capabilities within our organization.

Recognizing that our customers' direct, immediate interactions with Manitoba Hydro are only part of the customer experience picture, we are also considering our long-term capacity and ability to serve Manitobans by understanding the resources available and those we may need in the future.

Ongoing work on our first Integrated Resource Plan (IRP) — which will deliver a road map for successfully navigating the changing energy landscape and realizing our long-term strategy — met customer outreach and engagement milestones through the 2022-23 fiscal year. Using these discussions and the input received, our modelling and analysis is establishing a clearer picture of potential energy futures. With delivery of our IRP planned for summer 2023 (and future iterations to follow in the coming years), we will be better positioned to understand the factors affecting energy supply and usage in the future from the perspectives of our customers, allowing us to begin the steps to build an energy future that's in the best interest of all Manitobans.

Record-high export revenue of $1.13 billion played a significant role in Manitoba Hydro's results this fiscal year.

Financially, with a product in high demand as the world trends toward decarbonization and favourable market conditions for our power exports, record-high export revenue of $1.13 billion played a significant role in Manitoba Hydro's overall positive results this fiscal year. Looking to the future, we remain poised to capitalize on increasing demand for renewable electricity by revamping our system to maximize output and ensure the highest possible value for every kilowatt-hour we sell.

Affordability is top of mind for customers as we all deal with market volatility, high rates of inflation, and other upward pressure on prices across all sectors. We continue to seek regular, reasonable rate increases to help customers budget for their energy costs more predictably over the longer term, as well as mitigate risks of rate shock that could be caused by drought, higher interest rates and other factors beyond our control.

This includes, in collaboration with government and the Public Utilities Board (PUB), a new, longer-term approach to general rate applications (GRAs) to the PUB. The longer-term approach helps limit the costs of our GRAs, in turn saving our customers money, and helping us service and pay down debt incurred by construction of necessary major capital projects.

In addition, this past October, Manitoba Hydro and its customers benefitted from a government decision to halve the water rental and debt guarantee fees Manitoba Hydro pays annually to the province. As a result, we revised our most recent rate application significantly downward to seek only two per cent average electricity rate increases in each of the 2023-24 and 2024-25 fiscal years.

This change saved the utility approximately $190 million this fiscal year and will save a projected $4 billion over the next 20 years.

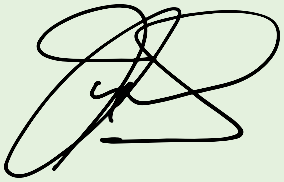
This year also saw the release of our first Environmental, Social and Governance (ESG) Report, which documents the many activities and initiatives underway to protect our environment and address climate change, and to further our province's economic and social growth. The statistics and traction within the report are commendable, and I am extremely proud of what we have achieved on the ESG front. By sharing how our employees and our organization go over and above our regulatory requirements, we can better track our progress as we seek to do right by our customers and communities.

It has been another eventful year. I wish to sincerely thank and express my admiration for each and every Manitoba Hydro employee, with special recognition to our Vice-President of Operations, Shane Mailey, who at the time of writing this letter decided to retire after over 32 years of service. I have benefitted greatly from Shane's guidance and expertise, and I know there are many others who share this sentiment.

Our work in pursuit of realizing our long-term strategic vision and delivering on our Energy for Life promise hasn't always been easy. But when these challenges arise, I have great confidence in the many talented and passionate people at Manitoba Hydro, all doing their best to provide value every day. From individuals in the field supporting our around-the-clock reliable service, to our front-line, customer-facing employees doing all they can to deliver an excellent customer experience, to our behind-the-scenes support employees looking for ways we can all work better — Manitoba Hydro employees are among the most resilient, hardworking, and steadfastly committed people I have had the pleasure to work with.

It is because of the strength of our people that I can rest assured in our ability to succeed. I look forward to seeing what the future holds.

Sincerely,



Jay Grewal,
President and Chief Executive Officer
Manitoba Hydro

Manitoba Hydro Senior Officers

*Left to Right: **Aurel Tess**, CPA, CGA, Vice-President & Chief Financial Officer; **Shane Mailey**, P. Eng, Vice-President, Operations; **Jamie Hanly**, CPHR, Vice-President, Human Resources and Safety, Health & Environment; **Hal Turner**, P. Eng, Vice-President, Asset Planning & Delivery; **Jay Grewal**, B.A., MBA, President & Chief Executive Officer; **Jeffrey Betker**, B.A., B.Comm (Hons), MBA, Vice-President, External & Indigenous Relations and Communications; **Alex Chiang**, MBA, Vice-President, Customer Solutions & Experience; **Ian Fish**, M.Sc., Vice-President, Digital & Technology*

Corporate Profile

Founded in 1961, Manitoba Hydro is a provincial Crown corporation and one of the largest integrated electricity and natural gas distribution utilities in Canada. We are a leader in providing renewable hydroelectricity and clean-burning natural gas that powers our province and supports our economic growth.

We are a forward-looking utility that keeps the best interests of our customers at the forefront, functioning both as a responsive, reliable supplier of electricity and natural gas and as a trusted energy advisor for our customers as the energy landscape continues to change.

We also trade electricity within four wholesale markets in the Midwestern United States and Canada. Nearly all the electricity Manitoba Hydro produces each year is renewable hydropower generated using our province's water resources. Hydroelectric exports help keep rates in Manitoba lower than they would otherwise be, while displacing greenhouse gas emissions in markets where fossil fuels are used for electricity production.

Governance

As outlined in the *Manitoba Hydro Act*, Manitoba Hydro is governed through the Manitoba Hydro-Electric Board.

Mission

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

How we do business

Now and into the future, we take seriously our responsibility to respect and care for the people, communities and the broader environment affected by the nature and location of Manitoba Hydro's business.

With fundamental principles of safety, environmental stewardship, and respect for all, we conduct our activities lawfully, responsibly, and ethically, securing and enhancing Manitoba Hydro's established reputation for honesty, integrity, and good faith operations.

For more about how we do business, please refer to our 2021-22 Environmental, Social, and Governance (ESG) report available at **hydro.mb.ca/corporate/esg**.

75 909* Kilometres of distribution lines

* Includes all energized distribution lines rated < 100 kV.

Number of natural gas customers **296 138**

10 771 Kilometres of natural gas main lines

Number of electric customers **616 289**

132 Number of communities with natural gas service

Total assets **$31.41 billion**

5 143* Total number of full-time equivalent employees

* See page 121 for definition of full-time employees.

$2.6 billion Total revenue (electric and gas)

Our service area in km^2 **650 000**

14 329* Kilometres of transmission lines

* Includes all energized transmission lines (AC or DC) rated ≥ 100 kV.

Net income **$655 million**

6 054 MW Total electricity capability

Total debt **$24.61 billion**

$1.1 billion Export revenue

Progress on our Pillars and Achieving Everyday Excellence

Five pillars set the future of Manitoba Hydro

Four key factors — digitalization, decarbonization, decentralization, and democratization — are shaping the future of energy. These factors are driving changes for all those in the energy sector and are driving energy utilities to rethink how to best serve their customers.

Monitoring these trends in our industry and with a long-term view of the future, Manitoba Hydro is proactively responding to the emerging needs and expectations of our customers.

To respond to this evolving energy landscape, Manitoba Hydro's long-term direction is set out in five strategic pillars — promises to our customers that form the basis of our long-term strategy, Strategy 2040, and lay out how we give Manitobans Energy for Life.

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

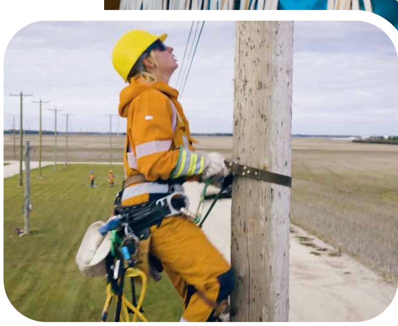
1

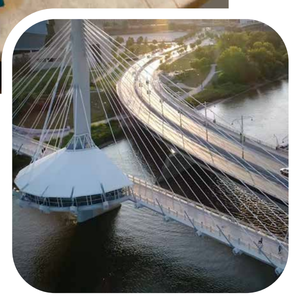
Provide safe, reliable energy that responsibly meets the evolving energy needs of Manitobans

Our promise to you: Energy powers your life and your business. Manitoba Hydro is ensuring your energy is safely, responsibly, and reliably produced and delivered to you.

In 2022-23:

- Milestones reached in public engagement and scenario modelling for the Integrated Resource Plan, a foundational plan that informs near- and long-term investment decisions as part of Strategy 2040
- After nine years, construction completed on Keeyask Generating Station, adding 695 MW to Manitoba Hydro's generation capacity
- Released Manitoba Hydro's first Environmental, Social and Governance (ESG) report, which documents the many activities and initiatives underway to protect our environment and address climate change, and to further our province's economic and social growth
- Conducted surveys and research into the attitudes and perceptions of Manitobans as they relate to potential energy products, services and programs
- Conducted an internal survey on safety culture with results to inform future safety programming and initiatives





2

Serve customers efficiently, responsively and digitally

Our promise to you: You expect responsive service, and to be able to deal with your energy provider the way you want. Manitoba Hydro will modernize its customer service to deliver digitally and to improve responsiveness.

In 2022-23:

- Leveraged technology and data to improve service offerings and customer experiences when interacting with Manitoba Hydro on computers and mobile devices, whether through upgrades to the mobile app or continued changes to the customer self-service portal
- Continued improvements to Contact Handling Technology (CHT) and Interactive Voice Response (IVR) systems and options, allowing for greater customer self-service and more efficient handling of calls reaching the Customer Engagement Centre
- Leveraged a specialist employee group within the Customer Engagement Centre to handle escalations and challenging customer issues
- Made changes to natural gas bills, improving readability

3

Help all Manitobans understand their energy options and make informed choices

Our promise to you: Your home and business energy choices are expanding and becoming a lot more complex. Manitoba Hydro will help you understand your energy options so you can make informed choices that are right for you.

In 2022-23:

- Integrated Resource Plan process helped identify attitudes around energy among customers and stakeholders while exploring the possibilities created by new energy products and services on a global scale, all while assisting Asset Management professionals with identifying potential need for generation, transmission or distribution resources
- Continued progress on building relationships with customer groups to help understand attitudes, desires and behaviours around energy and inform future plans for energy use and development
- Continued collaboration and communication with First Nations and Indigenous communities and groups to better understand specific needs in a changing energy landscape
- Following two rounds of public engagement, preferred route selected for the transmission line on the Pointe du Bois (Generating Station) Renewable Energy Project (PREP), a potential project to retrofit and increase capacity of one of Manitoba Hydro's oldest generating station which will allow even more renewable, reliable hydroelectricity to flow from the over-110-year-old station
- Enhanced community engagement processes on projects like the Portage Area Capacity Enhancement (PACE) project, providing opportunities for customers, Indigenous communities, and all those affected by our work to have their voices heard

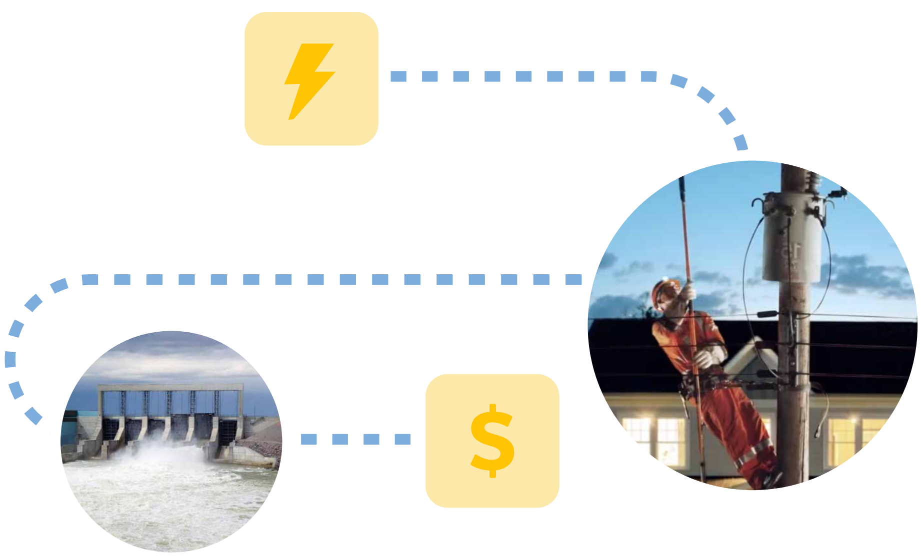
4

Ensure Manitobans get maximum value from their clean, dependable energy infrastructure

***Our promise to you:** All Manitobans have a tremendous asset that is becoming even more valuable as the world moves to price and reduce the use of carbon. Manitoba Hydro will help protect and maximize the value of its assets for all Manitobans.*

In 2022-23:

- Work progressed on Dawson Road station replacement in Winnipeg, including replacement of distribution infrastructure in the area and upgrade of infrastructure from 4-kV to 24-kV to meet needs of residential and industrial customers
- Among other upgrades, maintained and upgraded equipment serving the University of Manitoba and Fort Richmond area in Winnipeg
- Continued progress on Slave Falls Generating Station renewal and maintenance
- Continued work on Portage Area Capacity Enhancement (PACE) project, including attaining licenses for construction on Brandon-Portage Lines 6 and 7 in July 2022
- Upgraded Transcona Gate Station natural gas infrastructure, reducing chance of equipment failure and improving reliability of gas service while making system operation more efficient
- Expanded natural gas supply to the Steinbach area
- Maximized available export revenues for Manitoba Hydro's clean hydroelectricity, helping support growth within Manitoba and keeping rates for customers lower than they would have otherwise been
- Strengthening relationships with key economic development stakeholders, including the Manitoba Economic Development Office, Economic Development Winnipeg, Manitoba Chambers of Commerce, Indigenous Chamber of Commerce, the Winnipeg Chamber of Commerce and more



5

Keep energy prices as low as possible while providing the level of service Manitobans expect

Our promise to you: Whether at home or in your business, your energy costs are important to you. Manitoba Hydro will take all responsible measures to keep costs low, while making necessary investments to serve the needs of Manitobans.

In 2022-23:

- Benefitted from the halving of provincial debt guarantee fees and water rental fees paid annually to Government of Manitoba, totalling an annual savings of approximately $190 million in 2022-23 and approximately $4 billion over the next 20 years
- Revised general rate application downward, moving from requests for 3.5 per cent electrical rate increases in each of the fiscal years 2023-24 and 2024-25 to just 2 per cent in each of those years
- Continued maturation of our Asset Management Plan, including putting the right people, processes, technology and other resources in place to help with acquisition, operation, maintenance, refurbishment/replacement and decommissioning of our assets at the most efficient times
- Development of a culture of continuous improvement, with special attention given to internal efforts that improve efficiency in work processes — like a new approach to grounding that is forecast to save $16 million, and collaborative procurement with Manitoba government forecast to save millions per year

Keeyask: a Legacy for Life

On September 8, 2022, the Waciye Water Ceremony and Blessings was held at the Keeyask Generating Station site to mark the changes the project has made to the environment surrounding the project site and to commemorate the project's progress.

The gathering was attended by representatives from Manitoba Hydro as well as leadership, elders, youth and advisors from the Keeyask Hydropower Limited Partnership communities of Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation.

Throughout much of 2022-23, the Keeyask team completed much of the work remaining on the generating station, including patching and finishing the powerhouse complex; installing guard rails on ramps and access roads as well as installing public safety fencing; completion of the powerhouse access road and ongoing site remediation and mitigation, including planting over 240 000 trees, covering former work areas with sand to prepare for future vegetation, and remediation of the fuel farm.

The vast majority of work on Keeyask is complete. Late in 2022, the Keeyask Camp — once home to 2 355 workers at any given time — closed down, and the station's seven generating units are now in service.

However, as we approach the final steps in the Keeyask Project's completion, work at the Keeyask Generating Station continues through 2023.

Work began and progressed through 2022-23 on commissioning of other parts of the project including installation and testing of systems for fire detection, alarm and suppression; HVAC systems and controls; lighting systems and controls; powerhouse elevators; domestic and wastewater treatment plants; telecommunications systems; the spillway diesel generator, as well as commissioning the oil storage system and oil handling system, black start generators for the black start system, lighting controls, video surveillance systems, access controls and life safety systems.

Now capable of providing 695 MW of renewable, reliable hydroelectricity to customers in Manitoba and across borders, Keeyask is already part of Manitoba Hydro's legacy of service in Manitoba, as well as part of the legacies of the thousands of individuals who built it.

Corporate Integrity Program

Manitoba Hydro encourages employees and others to speak up on matters of concern without fear of reprisal through its Integrity Program.

Below is a summary of all disclosures received during 2022-23 which allege wrongdoing as defined in *The Public Interest Disclosure (Whistleblower Protection) Act:*

Number of disclosures received 2022-23:	**2**
Number of disclosures ongoing from 2021-22:	**1**
Number of disclosures acted upon:	**3**
Number of disclosures not acted upon:	**0**
Number of investigations commenced/continued:	**3**
Number of wrongdoings found:	**1**
Number of wrongdoings not confirmed:	**2**
Number of disclosures carried forward to 2023-24:	**0**

Description of wrongdoings and corrective action:

Employment of wrongdoer has been terminated.

Report on Performance – Targets and Performance

	MEASURE	2022-23 TARGET	2022-23 ACTUAL
FINANCE	Debt to Capitalization	87%	84.1%
CUSTOMER SATISFACTION	CSTS – Customer Satisfaction Tracking Study	8.2	8.01
RELIABILITY	SAIDI – System Average Interruption Duration Index	148	216
	SAIFI – System Average Interruption Frequency Index	1.59	1.68
SAFETY	Lost Time Injury Frequency Rate	0.6 – 0.8	1.87
	Lost Time Injury Severity Rate	12-16	33.14
	Serious Injury/Fatality	0	2
	Serious Injury/Fatality Potential	0	5
DIVERSITY	Indigenous – Province-wide workforce	18%	20.3%
	Indigenous – Northern workforce	47%	47.8%
	Indigenous – in Management	8%	6.7%
	Persons with Disabilities	8%	8.2%
	Visible Minorities – in Total	14%	12.1%
	Visible Minorities – in Management	7%	9.1%
	Women – in Workforce	30%	23.9%
	Women – in Management	30%	32.7%

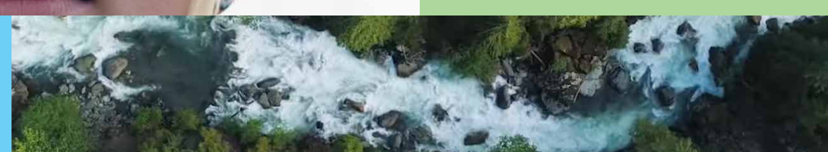
Report on Performance – Priorities of Government

Manitoba Hydro works collaboratively with the Province to support the priorities of government. A framework letter issued by the Minister of Crown Services to Manitoba Hydro on April 24, 2019 set out the expectations for the corporation. In January 2022, the Minister of Finance became responsible for Manitoba Hydro. Building on accomplishments from the year before, Manitoba Hydro's progress in 2022-23 include:

- Continued commitment to reconciliation with Indigenous peoples, communities and partners
- Working with the Province to understand how Manitoba Hydro can help advance Manitoba's ongoing economic development strategy and related initiatives
- Support Manitoba's work to develop and advance Provincial Energy Policy
- Continued collaboration with the Province on procurement processes
- In accordance with the directive from Crown Services, filed a multi-year general rate application with the Public Utilities Board for 2023-24 and 2024-25
- Continued cooperation with the provincial project team on the recommendations and Government of Manitoba's response to the Economic Review of Bipole III and Keeyask Generating Station
- In accordance with the directive from the Department of Finance, suspended the processing of requests for electric service intended to be used for cryptocurrency operations and began undertaking the requested review set out in the directive
- Continued to work with the province to leverage financial partnerships with the federal government
- Continued support of energy efficiency services related to Efficiency Manitoba
- Continued implementation of Regulatory Accountability into operating and governance processes
- Continue to remain in compliance with the directive concerning Manitoba Hydro's surplus capacity of fibre-optic cable in Manitoba
- Continue to remain in compliance with the directive concerning executive management compensation, overall staffing levels
- In support of the Made-in-Manitoba Climate and Green Plan, conducted a review of all print-based subscriptions. There are a small number of print-based subscriptions that remain which are necessary for business purposes





Financial Review

Management's Discussion and Analysis

Consolidated Financial Statements

The following Management's Discussion and Analysis (MD&A) provides comments on the financial results of Manitoba Hydro (the corporation) for the year ended March 31, 2023 with comparative information where applicable. The MD&A also provides an assessment of corporate risks and contains forward-looking statements regarding conditions and events which may affect financial performance in the future. Such forward-looking statements are subject to a number of uncertainties which are likely to cause actual results to differ from those anticipated. For context, the MD&A should be read in conjunction with the consolidated financial statements and notes. The fiscal 2023 financial information discussed below has been prepared in accordance with International Financial Reporting Standards (IFRS).

Summary of Consolidated Results

Consolidated Statement of Income

Consolidated net income attributable to Manitoba Hydro was $638 million for the year ended March 31, 2023. This was a significant improvement from the net loss of $248 million in the previous fiscal year.

Manitoba Hydro experienced a substantial increase in net exports (extraprovincial revenue net of fuel and power purchased and water rentals) largely driven by a significant increase in market prices as well as record high water flow conditions which resulted in higher hydraulic generation and lower power purchases (imports), compared to the drought conditions in the previous fiscal year. Extraprovincial revenues were significantly higher than the prior year due to favourable spot market prices as well as increased volumes driven by higher generation, which resulted in over $1.1 billion in sales, an increase of 93.3% over 2021-22. In addition to higher extraprovincial sales, the higher hydraulic generation allowed for a $256 million reduction in power purchase costs compared to the previous year.

The increase to net income was also impacted by the announcement made by the Province of Manitoba to reduce the fees charged to the corporation to guarantee its debt and the rate charged for the use of water in the generation of electricity (water rentals) by 50%, effective April 1, 2022. The reduction of these fees provided $189 million in savings in 2022-23. These annual savings will provide Manitoba Hydro with the opportunity to retire debt and minimize new debt which will gradually improve the corporation's financial health and Manitoba Hydro will be better placed to provide rate stability and predictability to customers.

In October 2023, Manitoba Hydro International Ltd. (a wholly-owned subsidiary of the corporation) sold its interest in a future royalty stream for $69 million as a result of a third-party transaction. The one-time sale increased net income in the other segment which further contributed to the improved net income in 2022-23 compared to the previous year.

Domestic electricity revenues also increased largely due to the January 1, 2022 interim electric rate increase, higher customer usage as well as customer growth and other revenue increased due to the one-time sale of royalty interests. These increases to net income were partially offset by cost increases related to the in-service and operations of Keeyask (fully in-service in March of 2022) as well as an increase in operating and administrative costs.

As a result of the increases in net income for 2022-23, Manitoba Hydro was able to reduce total debt (current and long-term debt) by approximately $200 million, largely as a result of debt retirements and lower requirements for new debt. The decrease in debt will result in lower financing costs for the corporation in future years.

The following table provides results of the two primary operating segments of Manitoba Hydro as well as the consolidated results.

	Electric		Natural Gas		Consolidated*		
	2023	2022	**2023**	2022	**2023**	2022	change
				millions of dollars			
Revenues							
Manitoba	**1 934**	1 865	**659**	546	**2 704**	2 455	249
Extraprovincial	**1 131**	585	**-**	-	**1 131**	585	546
	3 065	2 450	**659**	546	**3 835**	3 040	795
Expenses	**2 622**	2 876	**695**	568	**3 345**	3 479	(134)
Net income (loss) before net movement in regulatory balances	**443**	(426)	**(36)**	(22)	**490**	(439)	929
Net movement in regulatory balances	**147**	166	**18**	14	**165**	180	(15)
Net income (loss)	**590**	(260)	**(18)**	(8)	**655**	(259)	914
Net income (loss) attributable to:							
Manitoba Hydro	**573**	(249)	**(18)**	(8)	**638**	(248)	886
Non-controlling interests	**17**	(11)	**-**	-	**17**	(11)	28
	590	(260)	**(18)**	(8)	**655**	(259)	914
Total assets and regulatory deferral debit balances	**30 680**	30 420	**947**	873	**31 410**	31 138	272
Retained earnings	**3 398**	2 825	**61**	79	**3 650**	3 012	638
Debt to capitalization ratio					**84.1%**	86.3%	

*Includes other segment and eliminations

The consolidated net income attributable to Manitoba Hydro of $638 million for the 2023 fiscal year was comprised of net income of $573 million in the electric segment, a net loss of $18 million in the natural gas segment and net income of $83 million from other subsidiaries.

Consolidated net income for 2022-23 was $518 million higher than budgeted net income of $120 million. This was driven by an increase in net export revenue related to higher market prices and more favourable water conditions, lower finance expense and water rentals due to the Province of Manitoba's reduction of the Provincial Debt Guarantee Fee (PGF) and water rental rate by 50%, higher other revenues from the sale of royalty interests by MHI as well as higher domestic electric revenues. These favourable impacts were partially offset by an increase in operating and administrative costs.

Financial Metrics

The Provincial Government introduced Bill 36 to the Fourth Session of the Forty-Second sitting of the Legislative Assembly of Manitoba, and the Bill was enacted on November 3, 2022 as *The Manitoba Hydro Amendment and Public Utilities Board Amendment Act*. Bill 36 amends *The Manitoba Hydro Act and The Public Utilities Board Act* and makes related amendments to *The Crown Corporations Governance and Accountability Act*.

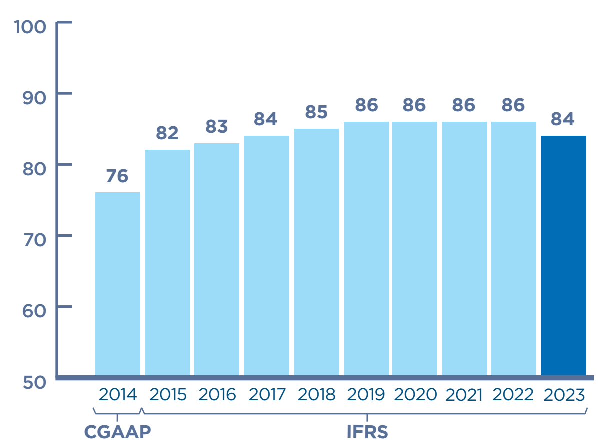
The legislation establishes new debt to capitalization ratio targets for Manitoba Hydro. While this new provision comes into force on April 1, 2025, Manitoba Hydro has updated its debt-to-capitalization targets to reflect the amendments. Under *The Manitoba Hydro Amendment and Public Utilities Board Amendment Act*, the rates charged by Manitoba Hydro are to provide sufficient revenue to enable the corporation to achieve the following debt to capitalization ratio targets no later than:

- 80% by March 31, 2035
- 70% by March 31, 2040

The debt to capitalization ratio is a measure of the portion of assets that are financed by debt rather than equity. The graph below illustrates the debt to capitalization ratio for the past ten years. Under *The Manitoba Hydro Amendment and Public Utilities Board Amendment Act* additional financial targets can be established via regulations. Until regulations with respect to any additional financial targets are established, Manitoba Hydro is not formally adopting any additional financial measures or targets. Notwithstanding this, Manitoba Hydro continues to consider a number of financial measures to assess its financial health. Manitoba Hydro continues to monitor the long-standing financial metrics such as the interest coverage ratios (EBIT and EBITDA) and the capital coverage ratio. The utility is also tracking the trends to the net debt balance, the year-over-year change to the net debt balance, the cash flow surplus/deficit, the self-financing ratio and the ratio of cash flow to net debt to assess financial health and progress towards the new debt to capitalization ratio targets.

The corporation's financial results were prepared using the interim standard IFRS 14 Regulatory Deferral Accounts which allows Manitoba Hydro to recognize rate regulated balances for financial reporting purposes based on decisions made by the Public Utilities Board.

Debt to Capitalization
For the year ended March 31



*See Note 31 in the Audited Financial Statements for ratio calculation.

This results in the deferral of costs and recoveries that under IFRS would otherwise be recorded as expenses or income in the current accounting period. These deferrals have a material impact on the corporation's financial results and the debt to capitalization metric. When the impact of these deferrals is removed from the calculation, the debt to capitalization ratio would be 89%, compared to 84% after rate regulation impacts.

Consolidated Statement of Financial Position

The following table provides a summary of Manitoba Hydro's consolidated statement of financial position.

	2023	2022	increase/ (decrease)
	millions of dollars		
Current assets	**1 828**	1 721	107
Property, plant and equipment	**26 474**	26 376	98
Non-current assets	**1 658**	1 673	(15)
Total assets	**29 960**	29 770	190
Regulatory deferral balances	**1 450**	1 368	82
Total assets and regulatory deferral balances	**31 410**	31 138	272
Current liabilities	**2 192**	1 906	286
Long-term debt	**23 097**	23 617	(520)
Non-current liabilities	**2 264**	2 410	(146)
Total liabilities	**27 553**	27 933	(380)
Equity	**3 689**	2 954	735
Total liabilities and equity	**31 242**	30 887	355
Regulatory deferral balances	**168**	251	(83)
Total liabilities, equity and regulatory deferral balances	**31 410**	31 138	272

Significant changes are explained below:

Current assets increased $107 million largely as a result of increased receivables from customers as a result of colder winter weather and the impact of the interim electric rate increase on January 1, 2022 as well as the recognition of a receivable from Efficiency Manitoba (EM) for expenditures refunded through federal grants. Inventory also increased from prior year primarily as a result of higher prices on natural gas in storage and higher material purchase prices largely due to inflation and supply chain impacts.

Property, plant and equipment increased by $98 million for capital expenditures for additions, improvements and replacement of existing infrastructure as well as the trailing costs associated with the development of major new generation and transmission facilities.

Non-current assets decreased by $15 million primarily due to the amortization of the transmission rights associated with the Great Northern Transmission Line (GNTL) as well as higher expected credit losses on other loans and receivables partially offset by advances made to Keeyask partners.

Regulatory assets (regulatory deferral debit balances) are the balance of any expense account that would not be recognized as an asset, but that qualifies for deferral because it is included, or is expected to be included, by the regulator in establishing rates. Regulatory deferral debit balances increased $82 million primarily due to the annual growth in the deferrals for changes in depreciation method, ineligible overhead and demand side management (DSM) as well an increase in the purchased gas variance account (PGVA) associated with the collection of prior period gas commodity costs from customers. These increases were partially offset by amortization of DSM programs and the Conawapa regulatory deferral. The total regulatory deferral debit balance at March 31, 2023 is $1 450 million.

Current liabilities increased by $286 million primarily due to an increase in the current portion of long-term debt based on the timing of expected debt maturities partially offset by a decrease in payables related to gas purchases as well as major capital projects.

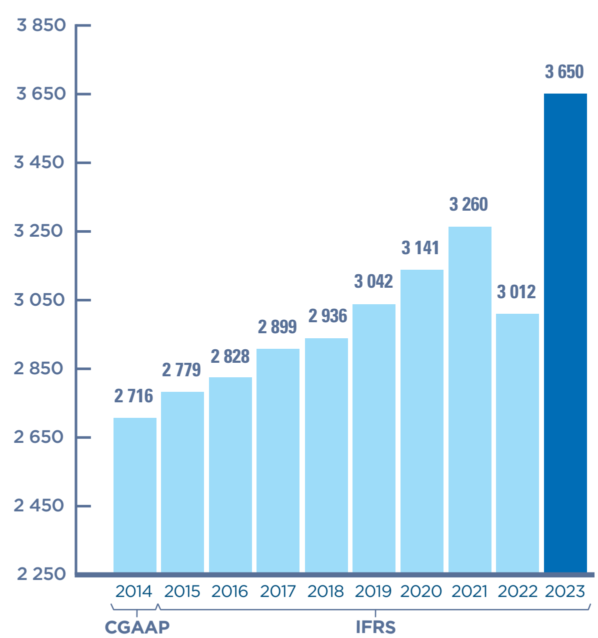
Long-term debt decreased $520 million primarily due to an increase in planned debt maturities in the current year partially offset by lower issuances of new long-term debt. During the year the corporation retired $1 148 million in debt while receiving proceeds from new debt of $837 million.

Non-current liabilities decreased by $146 million primarily due to lower future employee benefit obligations due to actuarial gains on the pension liability associated with the increase in the discount rate as well as a decrease in provisions partially offset by higher deferred revenue.

Consolidated net income attributable to Manitoba Hydro of $638 million increased the corporation's retained earnings to $3 650 million at March 31, 2023.

Regulatory liabilities (regulatory deferral credit balances) are the balance of any income account that would not be recognized as a liability, but that qualifies for deferral because it is included, or is expected to be included, by the regulator in establishing rates. Regulatory deferral credit balances decreased $83 million primarily due to amortization of the Bipole III deferral account. The total regulatory deferral credit balance at March 31, 2023 is $168 million.

Retained Earnings
For the year ended March 31
millions of dollars



Consolidated Statement of Cash Flow

Manitoba Hydro's primary sources of liquidity and capital are funds generated from operations and debt financing through the Province of Manitoba. These sources are used for multiple purposes including investment in generation, transmission and distribution facilities and to fund operating activities.

The following table provides a summary of Manitoba Hydro's consolidated statement of cash flows.

	2023	2022	change
	millions of dollars		
Cash and cash equivalents, beginning of year	**1 083**	1 142	(59)
Cash provided by operating activities	**1 068**	135	933
Cash used for investing activities	**(748)**	(793)	45
Cash provided by (used for) financing activities	**(314)**	599	(913)
Cash and cash equivalents, end of year	**1 089**	1 083	6

Cash from operating activities includes cash receipts from customers less cash paid to suppliers and employees as well as interest payments.

Cash provided from operations in 2022-23 was $1 068 million, an increase of $933 million from the previous year. The change reflects the impact of higher overall earnings as well as lower net interest paid, partially offset by a decrease in non-cash working capital accounts driven by higher payments to vendors and higher inventory costs.

The corporation's electric and natural gas segments are capital intensive in nature and require continued investment in infrastructure to construct new generation, transmission and distribution facilities, increase capacity of existing facilities and maintain and improve service, reliability, safety and environmental performance.

Cash flow used in investing activities in 2022-23 was $748 million, compared to $793 million in 2021-22. The decrease was primarily due to lower expenditures for the Keeyask project, partially offset by higher investments in sustaining assets.

The Appropriations Act provides the expenditure authority for Manitoba Hydro's new capital investments on an annual basis. Authority to refinance any maturing long-term debt is provided through *The Financial Administration Act*. The majority of Manitoba Hydro's long-term debt is obtained through advances from the Province of Manitoba. *The Manitoba Hydro Act* grants the corporation the power to issue short-term promissory notes in the name of the Manitoba Hydro-Electric Board. *The Manitoba Hydro Act* was amended in April 2020 to allow Manitoba Hydro to issue more than the previously approved $500 million, however the provincial government guarantee on the promissory notes has not yet been amended to reflect an increase. As at March 31, 2023 the corporation had $50 million outstanding on its short-term program. Manitoba Hydro's borrowing authority limit to borrow or refinance existing long-term and short-term debt must not exceed $29.3 billion at the end of the fiscal year as specified in *The Financial Administration Act*.

The primary use of the long-term borrowing program is to provide debt financing for investment in new generation and transmission and, if needed, to fund core operations. The primary use of the short-term borrowing program is to safeguard the corporation from liquidity risk by providing a credit facility to support the corporation's temporary cash requirements. Both long and short-term borrowings are unconditionally guaranteed as to principal and interest by the Province of Manitoba (except for mitigation bonds issued by the MHEB).

Cash used for financing activities in 2022-23 was $314 million, compared to cash provided by financing activities of $599 million in 2021-22 and is comprised primarily of retirements of long-term debt (net of proceeds) on advances from the Province of Manitoba. Maturities of long-term debt were $1 148 million compared to $954 million in the prior year as a result of the expected retirement of long-term debt. Proceeds from financing arranged by the corporation amount to $837 million compared to $1 505 million in the previous year. Taking advantage of attractive market conditions, the corporation issued debt at a weighted average interest rate (WAIR) of 4.07% during 2022-23 (excluding the provincial debt guarantee fee of 0.5%) with a weighted average term to maturity of 27.8 years. The WAIR of all outstanding debt at March 31, 2023 (excluding the provincial debt guarantee fee) is 3.41% compared to 3.37% in the prior year.

As a result of higher net income, the corporation had a surplus of operating cash flows to fund core operations of approximately $420 million in 2022-23. This surplus has allowed for the retirement of long-term debt. This is a significant improvement from the cash shortfall of approximately $350 million in the prior year which required the corporation to fund a portion of core operations through debt as a result of the drought.

Electric Segment

The electric segment is responsible for the generation, transmission and distribution of electrical energy adequate for the needs of the Province of Manitoba and engages in wholesale power related transactions in order to assist in providing a reliable and dependable supply of power to Manitoba and to minimize the net costs to Manitoba customers. The electric segment also includes Manitoba Hydro's ownership interests in the Wuskwatim Power Limited Partnership (WPLP) and the Keeyask Hydropower Limited Partnership (KHLP). Manitoba Hydro provides electric service to 542 268 residential and 74 021 commercial and industrial customers in Manitoba.

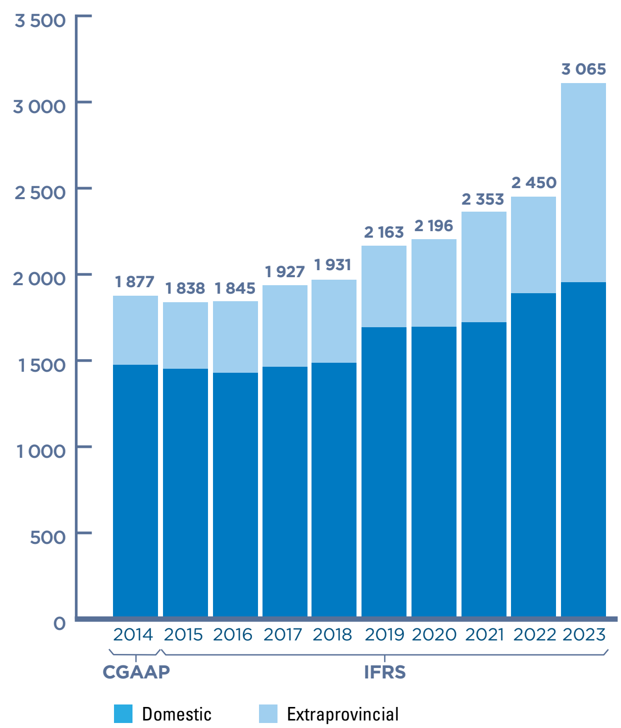
Net income attributable to Manitoba Hydro in the electric segment was $573 million in 2022-23 compared to a net loss of $249 million in the previous fiscal year. The improvement was driven by an increase in net export revenue related to higher market prices and record high water conditions, lower finance expense and water rentals due to the Province's reduction of the PGF and water rental rate by 50% as well as higher domestic electric revenues due to higher rates, usage and customer growth. These impacts were partially offset by cost increases related to the in-service and operations of Keeyask (fully in-service in March of 2022) as well as higher operating and administrative costs.

Electric Revenues

Domestic revenue includes the sale of electricity to residential, commercial and industrial customers in Manitoba and other miscellaneous revenues. Residential customers are comprised of all housing types including apartment blocks, seasonal cottages and farm houses. Commercial customers are comprised of small and medium establishments including retail outlets, schools, universities and hospitals. Industrial customers are comprised of large establishments with customer-owned transformation that are primarily engaged in mining and/or manufacturing activities. Revenues are impacted by weather, electricity rates, customer growth and energy usage. Other revenue in the electric segment includes amortization of customer contributions, provision of services on customer owned plant, gains on the sale of property and net rental revenue between Manitoba Hydro and other telecom and cable providers.

Extraprovincial revenue includes revenues from Canadian and U.S. export sales as well as revenues from other related export market activities such as arbitrage opportunities between wholesale energy markets, transmission credits and the sale of renewable energy certificates. Canadian and U.S. sales include both dependable and opportunity sales. Dependable sales are export contracts sourced from Manitoba Hydro's hydraulic energy available during lowest water conditions, are typically negotiated at least one year in advance and have duration of greater than six months. Opportunity sales are based on excess energy, are generally over shorter periods and are transacted primarily in markets operated by an independent system operator such as the Midcontinent Independent System Operator (MISO). Opportunity sales are also negotiated directly with a purchasing party. Extraprovincial sales are impacted by changes in water flow conditions, export prices, foreign exchange rates and domestic usage. Extraprovincial sales volumes are dependent on the availability of surplus generation that requires favourable water flow conditions and the availability of transmission to export markets.

Electric Revenues
For the year ended March 31
millions of dollars



Total electric revenues were $3 065 million, an increase of $615 million or 25.1% from the previous year. This was the result of a $546 million increase in extraprovincial revenues as well as an increase of $69 million in domestic revenues. The increase in extraprovincial revenues was primarily due to the impact of higher market prices influenced by higher natural gas prices and an increase in opportunity sales volumes attributable to record high water conditions as well as higher contract volumes and price escalations on dependable revenue as a result of the full year impact of new firm export contracts. The increase in domestic revenue was primarily attributable to the full year impact of the January 1, 2022 interim electric rate increase, higher consumption due to usage and customer growth, partially offset by weather impacts.

The breakdown of electric revenues is as follows:

Electric Revenues and kWh Sales

For the year ended March 31

	2023	2022	% change	**2023**	2022	% change
	millions of dollars			*millions of kWh*		
Domestic						
Electricity sales						
Residential	**844**	821	2.8	**8 203**	8 226	(0.3)
Commercial	**650**	615	5.7	**7 126**	6 954	2.5
Industrial	**409**	398	2.8	**7 338**	7 393	(0.7)
	1 903	1 834	3.8	**22 667**	22 573	0.4
Other revenue	**31**	31	-			
Domestic revenue	**1 934**	1 865	3.7	**22 667**	22 573	0.4
Extraprovincial						
Dependable	**711**	496	43.3	**6 209**	4 496	38.1
Opportunity	**372**	66	463.6	**7 116**	1 709	316.4
Other	**48**	23	108.7	-	-	-
Extraprovincial revenue	**1 131**	585	93.3	**13 325**	6 205	114.7
	3 065	2 450	25.1	**35 992**	28 778	25.1

Revenues from electricity sales in Manitoba totaled $1 903 million in 2022-23, an increase of $69 million from the previous year resulting from the full year impact of the January 1, 2022 interim rate increase as well as slightly higher consumption. Electricity consumption in Manitoba was 22 667 million kilowatt-hours, 94 million kilowatt-hours higher than the previous year. The increase in consumption was mainly due to higher customer usage, largely driven by commercial customers as well as customer growth in all classes, partially offset by a lower cooling load as a result of a cooler summer than the prior year.

Revenues from sales to residential customers for 2022-23 amounted to $844 million, an increase of $23 million or 2.8% from the previous year. The increase was primarily attributable to the full year impact of the January 1, 2022 interim rate increase and customer growth of 7 056 customers to 542 268 compared to the previous year, partially offset by weather impacts.

Revenues from commercial customers amounted to $650 million in 2022-23, an increase of $35 million or 5.7% from the previous year. The increase was primarily attributable to higher customer usage, the full year impact of the electricity rate increase as well as customer growth of 674 customers to 73 578. This was partially offset by weather impacts.

Residential	28%
Extraprovincial	37%
Commercial	21%
Industrial	13%
Other	1%

Revenues from industrial customers amounted to $409 million, an increase of $11 million or 2.8% from the previous year. The increase was mainly attributable to the full year impact of the interim electricity rate increase and customer growth of 5 customers to 443, partially offset by weather impacts and lower customer usage.

Other revenues amounted to $31 million which was largely consistent with the prior year.

Extraprovincial revenues totaled $1 131 million in 2022-23, an increase of $546 million from the previous year. The increase is largely due to higher U.S. export market prices attributable to higher natural gas prices which impacted market prices in both the opportunity and dependable markets as well as price escalations on firm contract sales. The increase in extraprovincial revenues was also driven by record level water conditions which increased opportunity sales volumes by 5 407 GWh or 316%. Dependable sales volumes were also higher by 1 713 GWh or 38% as a result of the full year impact of new firm export contracts as well as the impact of water conditions on market-based sales. Of the total extraprovincial revenues, $959 million or 85% was derived from the U.S. market, $155 million or 14% was from sales to Canadian markets and $17 million or 1% was related to arbitrage opportunities between wholesale energy markets.

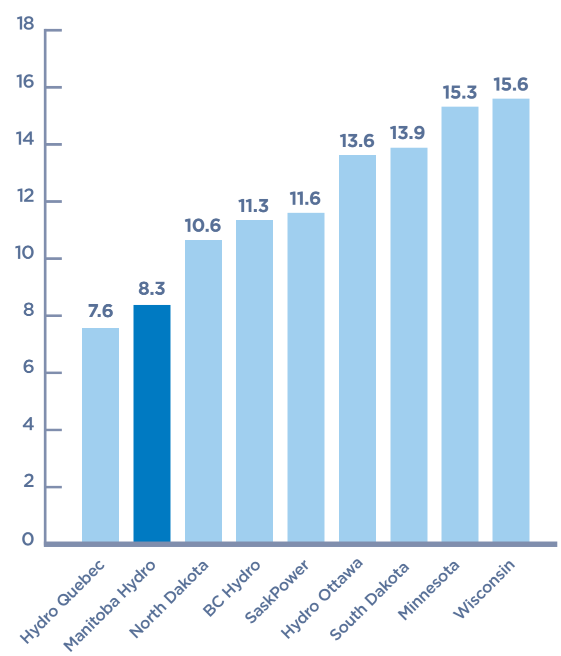
Electric Rates

Effective January 1, 2022, electricity rates for all Manitoba Hydro customers, with exceptions for certain customers in remote diesel-served communities, increased by an average of 3.6%, as approved by the Public Utilities Board, on an interim basis, in Order 137/21. The rate increase was required to address the financial impacts of the drought, as well as increasing costs associated with bringing the Major Capital Projects, such as the Keeyask Generating Station, in-service. The rate increase differed by customer class to better reflect the average cost to serve each class.

Manitoba Hydro's domestic electricity rates continue to be among the lowest overall in North America. This is illustrated in the accompanying chart which was excerpted from utilities' annual reports, Ontario Energy Board electricity bill calculator (based on residential and small commercial) and United States Department of Energy and Edison Electric Institute publications.

Average Retail Price of Electricity

cents/kWh (Cdn)



Electric Expenses

Electric expenses totaled $2 622 million for 2022-23, a decrease of $254 million or 8.8% over the previous year. The decrease in expenses was mainly due to lower fuel and power purchased costs driven by high water conditions in the current year compared to drought conditions experienced in 2021-22 as well as lower finance expense and water rentals due to the Province of Manitoba's reduction to the PGF and water rental rate. These decreases were partially offset by increases in depreciation and amortization expense as a result of new plant coming into service as well as higher operating and administrative expenses.

The breakdown of electric expenses is as follows:

Electric Expenses

For the year ended March 31

	2023	2022	% change
	millions of dollars		
Finance expense	**988**	1 027	(3.8)
Operating and administrative	**609**	579	5.2
Depreciation and amortization	**623**	572	8.9
Capital and other taxes	**157**	160	(1.9)
Fuel and power purchased	**138**	394	(65.0)
Water rentals and assessments	**84**	101	(16.8)
Other expenses	**68**	59	15.3
Corporate allocation	**7**	8	(12.5)
Finance income	**(52)**	(24)	116.7
	2 622	2 876	(8.8)

On November 23, 2022, the Province of Manitoba announced a reduction to the fee charged to the corporation to guarantee its debt and the rate charged for the use of water in generating electricity. The changes to these two fees are as follows:

- A reduction of the provincial debt guarantee fee on Manitoba Hydro's total outstanding debt balance from a rate of 1% to a rate of 0.5%.
- An amendment to *The Water Power Act* and associated Water Power Regulation to change the water rental fee from $20.32 per horsepower-year to $10.16 per horsepower-year.

Both fee reductions were applied retroactively to April 1, 2022 and the savings from these reductions are to be applied annually against Manitoba Hydro's debt and Manitoba Hydro is to report annually on the actual savings realized. The reduction of these fees represents a material change to Manitoba Hydro's finances. For the 2022-23 fiscal year the actual savings realized as a result of these reduced fees was $186 million.

The final unit of the Keeyask Generating Station being placed into service in the prior year marks the substantial completion of construction efforts on major capital projects undertaken by Manitoba Hydro over the last several years. The increased carrying costs associated with these projects (finance expense, depreciation expense, operating and administrative expenses and capital taxes) will have a significant impact on Manitoba Hydro's expenses in the coming years.

Finance expense includes interest on short and long-term borrowings and the provincial debt guarantee fee paid to the Province of Manitoba, foreign exchange gains and losses and accretion expense on provisions and other non-current liabilities, partially offset by interest capitalized for those qualifying assets under construction. Finance expense is impacted by borrowing requirements for capital investment, interest rates on borrowings and the capitalization of interest.

Finance expense totaled $988 million in 2022-23, a decrease of $39 million or 3.8% from the previous year. The decrease was primarily due to the 50% reduction in the provincial debt guarantee fee charged by the Province of Manitoba partially offset by higher financing costs as a result of lower capitalized interest largely due to Keeyask being fully in-service, as well as higher expected credit losses on other loans and receivables.

Operating and administrative expenses are comprised primarily of labour and benefits, materials, contracted services and overhead costs associated with operating, maintaining and administering the facilities and programs of the corporation and providing services to customers.

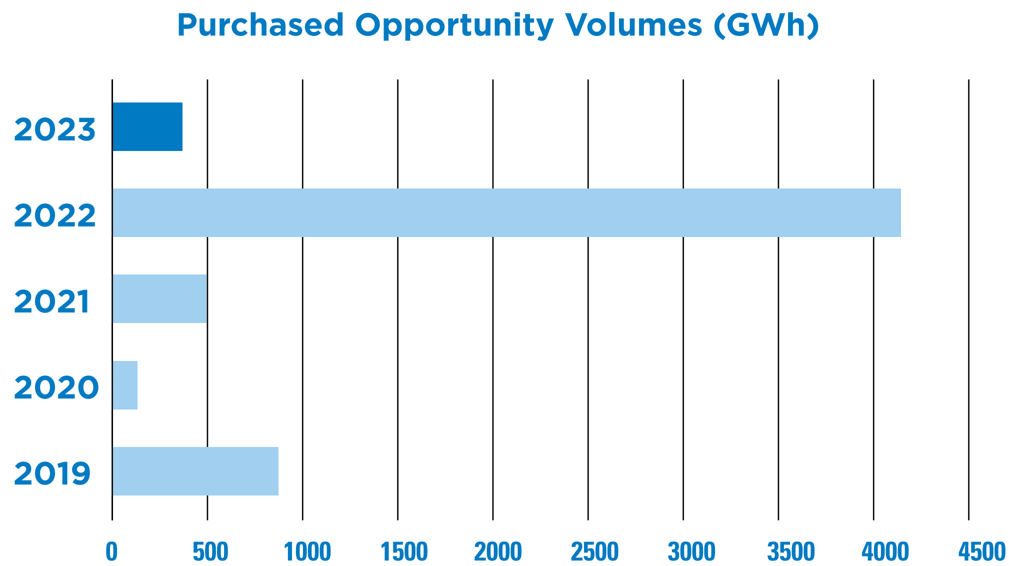
In 2022-23, operating and administrative expenses for electric operations amounted to $609 million, an increase of $30 million, or 5.2% compared to 2021-22. The increase in operating and administrative expenses is primarily attributable to higher wages and salaries, a reduction in labour hours charged to capital due in part to a shift to operating activities, higher operating costs associated with Keeyask being fully in-service as well as the impacts of inflationary pressures and global supply chain challenges on motor vehicle costs, including increased costs to maintain fleet and higher fuel costs. These increases were partially offset by lower employee benefit costs resulting from an increase in the discount rate.

Depreciation and amortization includes depreciation of property, plant and equipment and amortization of intangible assets as well as any gains or losses on disposal of assets.

Depreciation and amortization expense amounted to $623 million in 2022-23, an increase of $51 million or 8.9% from the previous year. The increase was mainly attributable to new additions to plant and equipment coming into service including the full year impact of the Keeyask Generating Station as well as losses on the disposal of assets compared to gains on disposal in the prior year.

Capital and other taxes includes payments to the Province of Manitoba for capital and payroll tax and to municipalities within the Province of Manitoba for property taxes.

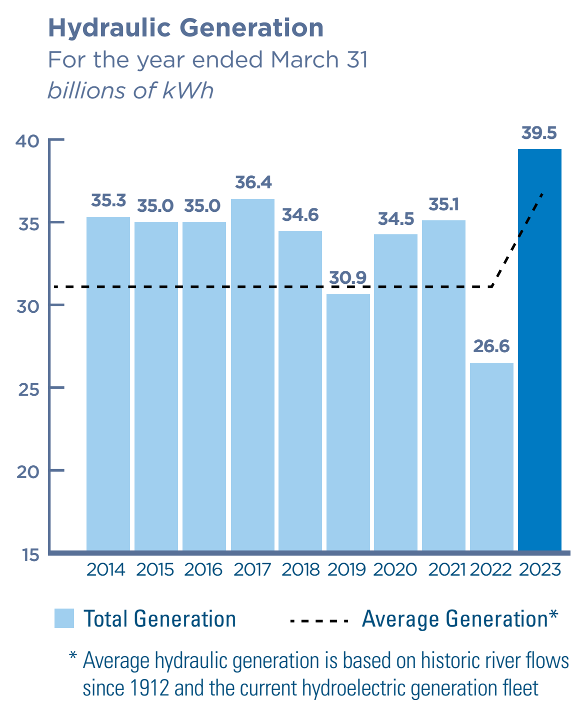
Capital and other taxes amounted to $157 million in 2022-23, a decrease of $3 million or 1.9% compared to the previous year. The change was primarily due to an adjustment that was made in the prior year for capital taxes associated with the GNTL, partially offset by an increase in capital taxes as a result of higher total equity.



Fuel and power purchased includes purchased electrical energy from external Canadian and U.S. suppliers, wind power purchased from the independently-owned St. Leon and St. Joseph wind farms, transmission charges and fuel for the thermal generating stations and remote diesel sites. Fuel and power purchases are impacted by weather, market prices for electricity and water flow conditions. If water conditions are low, electricity purchases are necessary to meet the energy requirements of Manitobans and dependable export contracts.

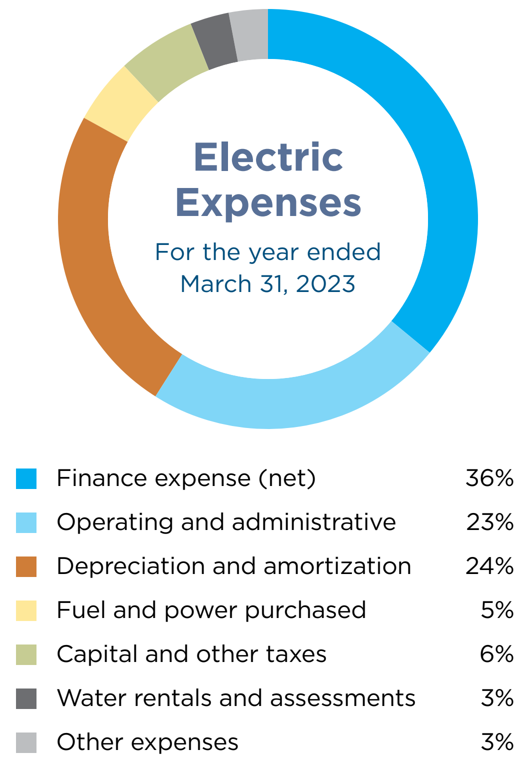
Fuel and power purchased was $138 million in 2022-23, a decrease of $256 million or 65.0% from 2021-22. The decrease was primarily due to lower opportunity purchases driven by the record high water conditions in the current year compared to drought conditions in the prior year as well as lower transmission charges. Opportunity purchase volumes were 3 771 GWh, or 1 033.2%, lower than the prior year resulting in a decrease of $224 million.

Water rentals and assessments includes water rentals paid to the Province of Manitoba for the use of water resources in the operation of the corporation's hydraulic generating stations and assessments paid to various regulatory and market organizations.



Water rentals and assessments amounted to $84 million in 2022-23 as compared to $101 million in the prior year, a decrease of 16.8%. The decrease is largely due to the 50% reduction in the rate charged by the Province of Manitoba for water resources used in generating electricity effective for 2022-23. This was partially offset by an increase in hydraulic generation due to high water levels and the full in-service of the Keeyask Generating Station. Hydraulic generation amounted to 39.5 billion kilowatt-hours in 2022-23 compared to 26.6 billion kilowatt-hours in the previous year, an increase of 48.5%. Hydraulic generation for the current year includes generation from all seven units of Keeyask as they were brought into service during the prior year. With Keeyask fully in-service, the total system hydraulic generation will increase to approximately 36.5 billion kWh.

Other expenses include expenditures associated with DSM programs designed to reduce overall energy consumption and assist customers in managing their energy costs as well as other miscellaneous expenditures. The majority of DSM programs are provided to customers of Manitoba Hydro through a Crown Corporation, Efficiency Manitoba Inc. (EMI) which is devoted to energy conservation. The majority of other expenses are removed from the statement of income, deferred and subsequently amortized through net movement in regulatory balances.



Other expenses amounted to $68 million in 2022-23, an increase of $9 million or 15.3% compared to the previous year. The increase was primarily due to higher site remediation costs, legal provisions associated with non-core operations as well as higher regulatory costs associated with the 2023-24 electric General Rate Application process. These increases were partially offset by lower corporate business initiative expenses as well as lower DSM program spending.

Electric Net Movement in Regulatory Balances

The net movement in regulatory balances captures the timing differences between financial reporting under IFRS and those amounts approved by the Public Utilities Board for rate-setting purposes. The change in the net movement in regulatory balances of $19 million was primarily due to the net impact of the cessation of additions to the Keeyask in-service and major capital deferrals. The Keeyask in-service deferral recognized the difference in depreciation and interest expense between the method applied by the corporation under IFRS for financial reporting purposes and the per unit of output method used for rate-setting purposes. This was partially offset by losses on disposal of property, plant and equipment in the current year compared to gains on disposal in the prior year.

Net regulatory deferral balance continuity

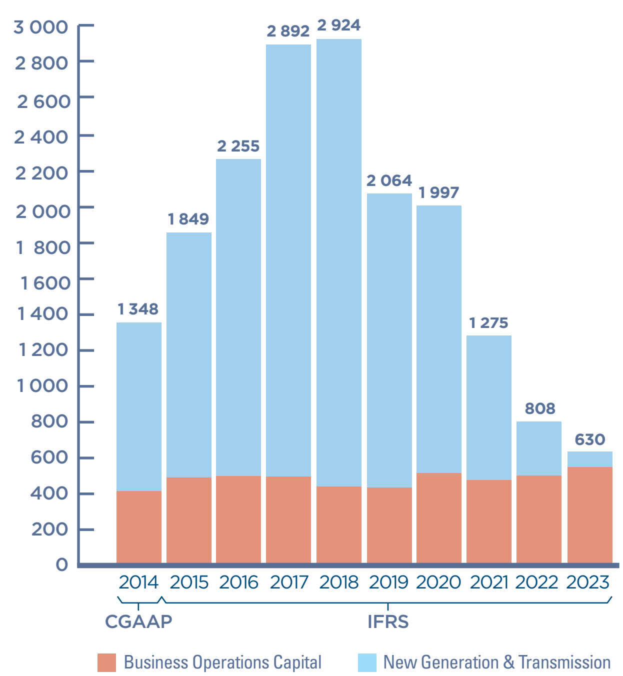
	2023	2022	change
	millions of dollars		
Balance April 1	**1 033**	867	
Additions			
Keeyask in-service deferral	**-**	70	(70)
Major capital deferral	**-**	(27)	27
Loss (gain) on disposals	**10**	(5)	15
Change in depreciation method	**53**	48	5
Other	**75**	70	5
Amortization	**9**	10	(1)
Net movement in regulatory balances	**147**	166	(19)
Balance March 31	**1 180**	1 033	147

Electric Capital Expenditures

The electric capital expenditure program relates to investments in major new generation and transmission facilities, as well as additions, improvements and replacement of existing infrastructure.

Expenditures for capital construction totaled $630 million in 2022-23 compared to $808 million during the previous fiscal year. This includes $99 million for the development of new major generation and transmission facilities, a decrease of $205 million when compared to 2021-22. Current year expenditures include $95 million (2022 – $295 million) for the Keeyask Generating Station and $4 million (2022 – $1 million) for the Manitoba-Minnesota Transmission project. Amounts include the capitalized interest associated with construction in progress.

Electric Capital Expenditures
For the year ended March 31
millions of dollars



Capital expenditures required for additions, improvements and replacements of existing infrastructure amounted to $531 million, an increase of $27 million compared to the previous fiscal year. The increase in capital expenditures in fiscal 2022-23 is related in part to increased spending on the St. Vital Transmission Complex, as well as additional spending on emergency events, including required restoration due to wildfires in Pukatawagan. There was also an increase in spending related to the System Control Centre Replacement project. The St. Vital Transmission Complex, which is comprised of the Laverendrye Station 230-66kV bank addition, the Laverendrye-St. Vital 230kV Line and Breakers and the De Salaberry-Letellier 230kV Transmission Line, is being built to address growing electrical needs in south-central Manitoba, enable the Winnipeg network to withstand severe outages, and promote reliability of our power system. Manitoba Hydro is investing in the replacement and refurbishment of existing assets to address asset degradation and obsolescence given that many of the corporation's assets were installed several decades earlier.

Wuskwatim Power Limited Partnership

The WPLP owns and operates the Wuskwatim Generating Station and related works, excluding the transmission facilities. The WPLP has two limited partners, Manitoba Hydro and Taskinigahp Power Corporation (TPC), which is owned beneficially by Nisichawayasihk Cree Nation, and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro.

The WPLP reported net income for 2022-23 of $28 million compared to $15 million in 2021-22. Manitoba Hydro's 67% share of the income was $19 million (2022 – $10 million) and TPC's 33% share of the income was $9 million (2022 – $5 million).

Keeyask Hydropower Limited Partnership

The KHLP was formed to carry on the business of developing, owning and operating the Keeyask Generating Station and related works excluding the transmission facilities but including all dams, dikes, channels, excavations and roads. Manitoba Hydro, Cree Nation Partners (owned beneficially by Tataskweyak Cree Nation and War Lake), FLCN Keeyask Investments Inc. (owned beneficially by Fox Lake) and York Factory First Nation Limited Partnership (owned beneficially by York Factory) are limited partners of KHLP. The General Partner is a wholly-owned subsidiary of Manitoba Hydro.

The KHLP reported net income for 2022-23 of $46 million (2022 – loss of $94 million). Manitoba Hydro's 82.5% share of the net income was $38 million (2022 – loss of $78 million) and the remaining 17.5% share of the net income of $8 million (2022 – loss of $16 million) was shared by Cree Nation Partners, FLCN Keeyask Investments Inc. and York Factory First Nation Limited Partnership.

Natural Gas Segment

Centra Gas Manitoba Inc. (Centra) is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to 296 138 residential, commercial and industrial customers in Manitoba.

The net loss in the natural gas segment was $18 million in 2022-23 compared to a net loss of $8 million in the previous fiscal year. The increase in net loss over the previous year was primarily attributable to higher financing costs, an increase in operating and administrative expenses as well as higher depreciation and amortization expense. These increases to the net loss were partially offset by higher gross margin largely driven by customer growth. Overall, the gross margin, after considering the net movement in PGVAs, was not sufficient to cover non-gas costs.

For the year ended March 31

	2023	2022	change
	millions of dollars		
Gross margin			
Gas revenues	**657**	544	113
Cost of gas sold	**523**	405	118
Gross margin	**134**	139	(5)
PGVA	**(18)**	(10)	(8)
Gross margin after net movement in PGVAs	**152**	149	3

Natural Gas Revenues and Cost of Gas

For the natural gas segment, customer classes are distinguished based on the level of annual consumption and include residential, large and small general service, large commercial and industrial as well as interruptible and transportation service. Interruptible customers may have service interrupted periodically upon notice in exchange for a reduced rate. Transportation service customers purchase their own gas commodity and pipeline transportation upstream of Manitoba and pay only for the delivery of natural gas on Centra's distribution system.

Natural gas revenues include a significant increase over the prior year related to the increase in the federal carbon charge (FCC). The FCC is collected from customers based on the volume of gas consumed and is remitted to the Federal government and therefore has no impact on net income.

Revenues from the sale and distribution of natural gas during 2022-23, excluding the federal carbon charge of $146 million, were $511 million, an increase of $81 million from the previous year. The increase is primarily due to higher gas rates driven by changes in market rates and the impact of customer growth. Natural gas deliveries were 2 225 million cubic metres in 2022-23 compared to 2 111 million cubic metres in 2021-22.

The breakdown of natural gas revenue is as follows:

Natural Gas Revenues

For the year ended March 31

	2023	2022	% change
	millions of dollars		
Residential	**230**	203	13.3
Large general service	**168**	139	20.9
Large commercial & industrial	**52**	39	33.3
Small general service	**43**	35	22.9
Interruptible	**12**	9	33.3
Transportation service and other	**6**	5	20.0
Federal carbon charge	**146**	114	28.1
Revenue from sale and distribution of natural gas	**657**	544	20.8
Other revenue	**2**	2	-
	659	546	20.7

The actual cost of gas purchased is comprised of all expenses incurred in the procurement and delivery of natural gas to the Manitoba marketplace, including commodity supply, transportation and storage costs either from Western Canada or U.S. sources. Centra purchased and delivered approximately 1.5 billion cubic metres of natural gas for system supply customers. The balance of natural gas deliveries were made to customers purchasing gas from natural gas brokers and to transportation service customers.

Cost of Gas Sold

For the year ended March 31

	2023	2022	change
	millions of dollars		
Cost of gas sold			
Purchased costs	**377**	291	86
PGVA	**(18)**	(10)	(8)
WACOG	**359**	281	78
Federal carbon charge	**146**	114	32
	505	395	110

The cost of gas purchased during 2022-23, was $377 million, an increase of $86 million from the previous year. This increase was primarily driven by higher market prices. The differences between the cost of gas embedded in customer rates (WACOG) and the actual cost of gas purchased are accumulated in the Purchased Gas Variance Accounts (PGVA), which ensures that only the actual cost of gas is ultimately passed on to customers. Any differences in these accounts are either refunded to, or collected from customers in future rates.

For income statement purposes the actual cost of gas purchased is adjusted in the net movement in regulatory balances for the impact of the PGVA accounts. For 2022-23, the total of actual cost of gas purchased combined with the FCC represents total cost of gas sold of $523 million compared to $405 million for 2021-22.

The resulting gross margin after considering the net movement in PGVAs is $152 million for 2022-23 compared to $149 million for 2021-22, which is an increase of $3 million primarily due to customer growth.

Natural Gas Rates

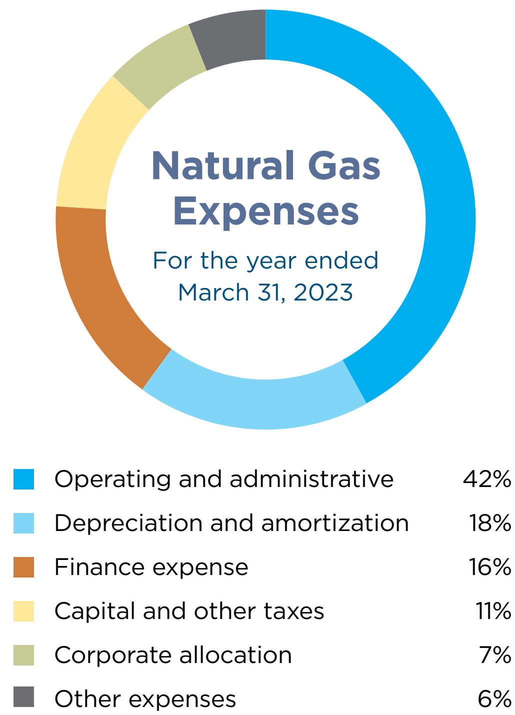
In accordance with Centra's quarterly rate-setting methodology, which was updated effective November 1, 2022 to reflect rate re-bundling considerations, annualized bill impacts for a typical residential customer resulting from Primary Gas and Gas Commodity rate changes for natural gas supplied during 2022-23 are as follows:

- May 1, 2022 — 20.5% increase
- August 1, 2022 — 1.9% decrease
- November 1, 2022 — 11.5% increase
- February 1, 2023 — 11.5% decrease

The changes in natural gas rates reflect the fluctuations in market prices for natural gas purchased by Centra. Market prices were elevated through the first three quarters of 2022-23, reflecting below-average storage levels, geopolitical uncertainty related to the Russia-Ukraine war, and strong demand for North American liquefied natural gas exports as Europe sought to fill natural gas storage ahead of the 2022-23 winter. Market prices eased in the fourth quarter due to moderate winter weather in North America and Europe and growing North American natural gas production.

While natural gas prices increased significantly during the year, the quarterly rate-setting process has been established to ensure that the cost of gas purchased from the market is passed on through rates to customers with a fixed margin meant to recover non-gas costs. Differences in the actual cost of gas and those charged to customers is eventually refunded to or collected from customers in future rates. The fluctuations in natural gas prices ultimately impact the bills paid by customers, however, these rises and falls do not translate into additional earnings for Centra Gas. The non-gas margin charged on customer bills is the only mechanism for the recovery of operating costs and is meant to provide Centra Gas with sufficient net income to invest in the natural gas delivery system.

Centra offers a fixed rate service which allows customers to fix their gas commodity rates for terms of up to five years. The fixed rate service is offered to residential and commercial customers. At March 31, 2023 there were approximately 100 customers on Centra's fixed rate service. Total natural gas deliveries under this service were approximately 0.8 million cubic metres.



Natural Gas Expenses

Expenses attributable to the natural gas operations, excluding cost of gas sold amounted to $172 million in 2022-23, which was $9 million higher than the previous year. The increase is primarily due to higher financing costs attributable to higher interest rates and increased volumes of debt, partially offset by the 50% reduction in the PGF charged by the Province of Manitoba resulting in savings of $3 million. There was also an increase in operating and administrative expenses due to higher wages and salaries as well as costs associated with the UNIFOR strike and an increase in depreciation and amortization expense due to new plant coming into service.

Natural Gas Expenses

For the year ended March 31

	2023	2022	% change
	millions of dollars		
Operating and administrative	**73**	70	4.3
Depreciation and amortization	**31**	29	6.9
Finance expense	**27**	23	17.4
Capital and other taxes	**18**	18	-
Other expenses	**11**	11	-
Corporate allocation	**12**	12	-
	172	163	5.5

Natural Gas Net Movement in Regulatory Balances

The natural gas net movement in regulatory balances captures the timing differences between financial reporting under IFRS and those amounts approved by the Public Utilities Board for rate-setting purposes. The change in the net movement in regulatory balances of $4 million was primarily the result of the change in the PGVA balance due to higher purchased gas costs compared to amounts recovered from customers, partially offset by the amortization of meter testing costs which ended in 2021-22.

Natural Gas Capital Expenditures

The capital expenditure program relates to new business, system improvement and other expenditures to meet the needs of natural gas customers. Capital expenditures in the natural gas sector were $46 million in 2022-23 which was consistent with the prior year.

Other Segment

In addition to Centra, Manitoba Hydro has the following wholly-owned subsidiaries involved in energy-related business enterprises:

Manitoba Hydro International Ltd. (MHI) provides innovative consulting, operations, maintenance and project management services world-wide, either exclusively or through partnerships. MHI provides research and development services and products to the power system and telecommunication sectors. The reorganization of Manitoba Hydro International as announced in February of 2021 is still in progress. This includes the continued wind down of MHI's international consulting business.

In October 2022, MHI sold its interests in Real Time Digital Solutions Technologies Inc. (RTDS) as a result of the acquisition of RTDS by a third party. MHI had been receiving royalty revenue from RTDS related to a licensing agreement. The corporation received a one-time payment of $69 million compensating MHI for the royalty stream, which ceased following the sale.

The Province of Manitoba signed a contribution agreement and associated documents with Xplore in November 2021 formalizing the provision of broadband services to nearly 30 First Nations and approximately 350 rural and northern communities. The telecom services segment of MHI may be impacted by this agreement. Work by Xplore to provide rural broadband services is on-going. Manitoba Hydro will continue to own the fibre optic network and run the network in support of its core operations.

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro, Centra and other utilities.

Manitoba Hydro also owns Minell Pipelines Ltd. (Minell) and Teshmont LP Holdings Ltd. (Teshmont).

Through its wholly-owned subsidiary, Teshmont LP Holdings Ltd., Manitoba Hydro owns 40% interest in Teshmont Consultants Limited Partnership (TCLP). In September of 2020, TCLP sold its operating assets and during 2022-23, TCLP completed the winddown of its operations. Accordingly, Manitoba Hydro is currently in the process of winding up Teshmont. At March 31, 2023, Teshmont no longer held ownership in TCLP and the final closing procedures for Teshmont are proceeding.

The following table provides a summary of the financial results of the subsidiary companies excluding Centra for the fiscal year ended March 31, 2023 compared to the previous fiscal year. The results of Minell and Teshmont are included in Other in the table below:

	MHI		MHUS		Other		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
				millions of dollars				
Revenues	**114.6**	47.4	**7.1**	7.4	**0.4**	0.7	**122.1**	55.5
Expenses	**30.2**	38.8	**6.9**	6.6	**1.2**	1.0	**38.3**	46.4
Net income (loss)	**84.4**	8.6	**0.2**	0.8	**(0.8)**	(0.3)	**83.8**	9.1

Risk Management

Manitoba Hydro is solely responsible for the provision of natural gas and electricity to Manitobans and as such is focused on effective risk management, ensuring the cost and effort associated with risk mitigation is balanced against the potential impacts to rates and services. Responsibility for managing risks at Manitoba Hydro has been distributed across the corporation.

Enterprise Risk Management

Manitoba Hydro faces risks and uncertainties that is driving the need for Strategy 2040. Strategy 2040 will be executed in an evolving energy landscape where the degree and pace of change is unknown. Manitoba Hydro is focused on establishing a comprehensive Enterprise Risk Management (ERM) program to ensure these risks and risks inherent in its business are clearly understood, actively monitored, and effective mitigation plans are put in place to support successful execution of Strategy 2040.

Manitoba Hydro's ERM program is focused on strategically managing Manitoba Hydro's enterprise risks through an integrated, comprehensive, forward-looking standardized approach. ERM will drive consistency and organizational alignment around risk management by the implementation of defined risk management policies and procedures, allowing risks to be aggregated and understood at an enterprise-wide level. ERM will also support the continued development of a risk intelligent culture within Manitoba Hydro, where each area not only manages known risks but considers risk holistically across the enterprise, with a common risk language and risk-based tools and processes throughout its decision-making processes. Development and roll-out of the ERM framework continues to be the major focus of ERM program efforts. Next steps and targeted areas of focus include the development of an enterprise-wide risk appetite, tolerance and quantification process at Manitoba Hydro.

Top Organizational Risks

Manitoba Hydro faces several risks to the fulfillment of its mission and mandate. Through the ERM program the following summary of top organization risks have been identified for Manitoba Hydro and focus has been placed on their effective mitigation. Manitoba Hydro's top risk summary is monitored and updated as required as top risks are not static and will change and evolve over time.

RISK	DESCRIPTION	RISK MITIGATIONS
Risk Category: Financial *Risk associated with organization's financial stability, predictability of funding, internal controls, financial fraud, and financial management practices.*		
Drought (low water levels)	Risk of low water inflows and storage as well as elevated energy market prices that impact Manitoba Hydro's net extraprovincial revenues.	- Ongoing monitoring of water levels to identify any potential for continued reduced generation output and resulting impacts to financial performance.
Interest Rates	Manitoba Hydro has significant yearly debt refinancing requirements and as such is exposed to additional costs associated with increasing interest rates.	- Manitoba Hydro monitors economic and financial market conditions, while undertaking appropriate debt management strategies to manage the potential impact of interest rate changes to Manitoba Hydro's ongoing debt financing and refinancing requirements.
Export Price Uncertainty	Uncertainty in export power prices causes volatility to Manitoba Hydro's net income.	- Opportunistically hedge opportunity export power volumes to limit portfolio risk exposure.
Risk Category: Emerging Energy Landscape *Risk that is created by the anticipated, but uncertain pace of global shift in the energy landscape, including risks related to strategic choices and strategic execution, that could impede the Enterprise's ability to achieve its strategic objectives*		
Self Generation & Stranded Assets	Accelerated or un-mitigated adoption by customers of self-generation and associated battery technologies could result in stranding Manitoba Hydro's assets.	- Study how market changes influence customer demand for energy services and adoption of self-generation assets. - Develop rate options/tools that respond to market changes, promote efficient use of existing assets and meet both customer and Manitoba Hydro's needs more effectively.
Energy Policy & Decarbonization	An increased focus on reduction of greenhouse gas emissions in energy policy and public/societal drivers may cause a switch from natural gas to electric heating that does not create customer value due to the significant and expensive expansion of electric infrastructure required to support decarbonization.	- Manitoba Hydro has a defined role in energy policy development discussions. - Manitoba Hydro is nearing completion and will continuously refresh an Integrated Resource Plan (IRP) that considers both new and existing assets in addressing resource requirements.
Disruptive Technology	Manitoba Hydro is not able to react to new and unexpected renewable energy technologies that emerge (beyond solar, batteries, hydrogen, etc.) and dramatically alter the utilities landscape, resulting in Hydro losing competitive advantage.	- Development of a long-term strategic plan that incorporates assessment of the changing energy landscape and allows assessment of potential impacts on customer requirements and Manitoba Hydro's assets.

RISK	DESCRIPTION	RISK MITIGATIONS
Risk Category: Operational *Risk arising from the execution of the organization's business functions defined as the loss resulting from failed internal processes, people, systems or external threats*		
Ageing Assets	Manitoba Hydro continues to hold and manage assets that are near their end-of-life, which could result in operational inefficiencies, safety concerns, and require targeted financial investments.	- Manitoba Hydro has a Strategic Asset Management Plan to address ageing assets and will continue to mature the asset management system to optimize lifecycle costs (capital + operating & maintenance) in addressing those assets. - Manitoba Hydro is nearing completion and will continuously refresh an Integrated Resource Plan (IRP) that considers both new and existing assets in addressing resource requirements.
Supply Chain Disruptions	Continued or intensified global macroeconomic pressures (including geopolitical uncertainty and inflation) continue to significantly challenge Manitoba Hydro to procure materials and services in both a timely and cost-effective manner that could ultimately impact the execution of Strategy 2040 initiatives and required operational and maintenance activities.	- Procure and keep increased inventory levels on hand - Strengthen internal long-tern planning/forecasts with key user groups to ensure supply. - Source inventory from multiple vendors to mitigate long lead time/availability.
Physical Environment Changes	Climate change causes changes to the physical environment, resulting in precipitation levels, water levels and temperature that fall outside historical norms, impacting Hydro's ability to operate its hydraulic generating stations to current parameters and potentially impacting overall generating capacity.	- Manitoba Hydro has a Climate Change, Opportunities, Risks and Adaptation working group to provide direction on comprehensive climate change risk assessments and to explore adaption options to increase resiliency throughout the enterprise to inform and guide adaptation investment.
Risk Category: Talent *Risk associated with staff acquisition & retention, capacity building, employment/work culture, recruitment, succession planning, and professional development*		
Succession Planning	Risk that appropriate planning for staff turnover, mentoring, and transition are not in place or are insufficient and that staff do not receive an appropriate level of training and educational support to facilitate smooth succession planning.	- Update of formal succession planning and associated training processes to ensure effective succession plans are in place across the enterprise.
Talent Acquisition & Retention	As a result of both internal and/or external factors, the potential that Manitoba Hydro is unable to deliver on its staffing requirements needed to deliver on Strategy 2040 initiatives and/or ongoing business requirements.	- Implement updated HR operating model. - Develop and implement a Strategic Workforce Planning process.

RISK	DESCRIPTION	RISK MITIGATIONS
Risk Category: Technology *Risk associated with the capacity, use, operations and sustainability of information technology systems, including infrastructure and use of technological applications*		
Cyber Security (IT/OT Assets)	Disruptions within Manitoba Hydro's information technology (IT) systems and operational technology (OT) caused by malicious acts may result in theft of information, compromised information, operational failure, financial loss, and damage to reputation.	- Manitoba Hydro has an Enterprise Technology Security Program in place that is focused on minimizing cyber-attacks through multiple levels of protection. - Continuous review of key systems and processes and 3rd party security assessments are undertaken to further improve protection against potential cyber security event(s).
Technology Integration	Hydro does not effectively integrate existing (legacy) and new software systems into a cohesive platform or collaborative suite, resulting in inconsistent work practices with multiple systems containing different or conflicting data/ information.	- Application Standardization, Rationalization & Modernization to evaluate the scale of duplication of applications and footprint of legacy applications across the enterprise. - Develop and implement a strategy to drive consolidation, standardization and modernization of applications across the enterprise.
Technology Innovation	Manitoba Hydro is not leveraging advancements in technology in its business model to achieve or sustain competitive advantage.	- Key objectives within Strategy 2040 include: a focus on leveraging automation and digital technologies to drive enterprise value including efficiency, safety, and effectiveness, and significantly expanding digital customer service.

Financial Outlook

On December 9, 2022, Manitoba Hydro filed an amendment to its electric General Rate Application before the Manitoba Public Utilities Board reducing its rate request in the 2023-24 and 2024-25 fiscal years from 3.5% to 2.0%. If granted, a 2% rate increase would provide $24 million in additional rate revenue for the 2023-24 fiscal year.

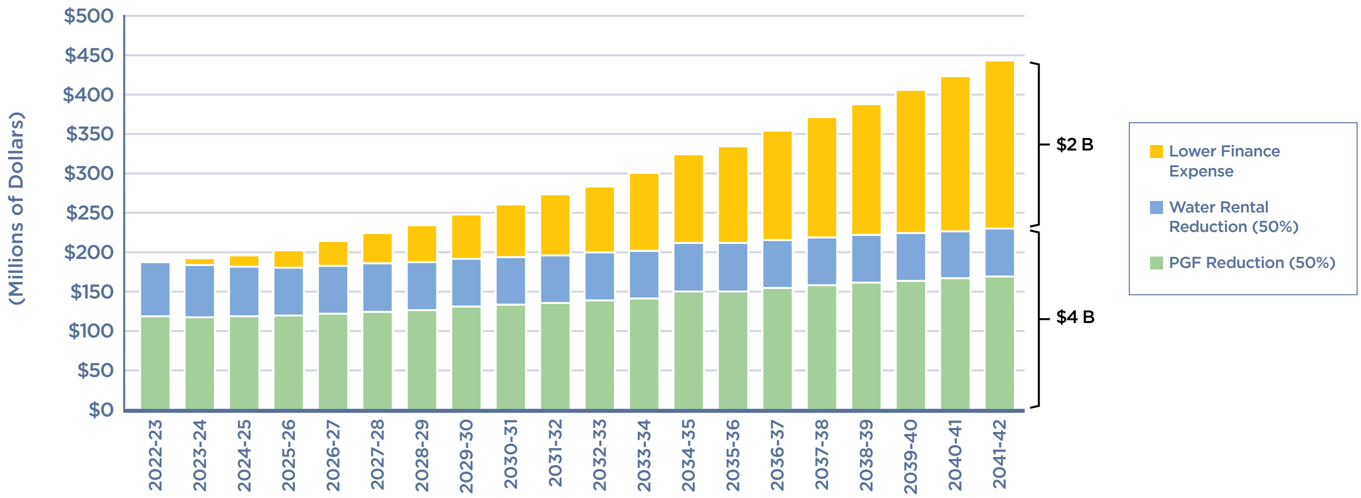
Manitoba Hydro's net income is highly dependent on several uncontrollable factors. One of the most significant is water flow conditions which is monitored and managed daily. Coming off well above average water supply conditions in 2022-23, reservoir storage conditions have returned to average entering the 2023-24 fiscal year and have remained at average through the end of May 2023. Annual hydraulic generation is dependent on summer and fall rainfall conditions so there remains uncertainty as to the impact of water flow conditions on the corporation's 2023-24 financial results. Assuming normal precipitation for the remainder of the fiscal year, hydraulic generation is projected to be very close to the approved budget.

Other key uncontrollable factors that can impact the corporation's net income are inflationary cost pressures and interest rates. The Bank of Canada made a series of interest rate hikes in 2022-23 to address inflation that exceeded 6%. High inflation continues to put upward pressure on the corporation's operating and capital costs. Recognizing the need for Manitoba Hydro to refinance approximately $1 billion in debt per year over the coming years, further interest rate increases will have a cost impact on the corporation.

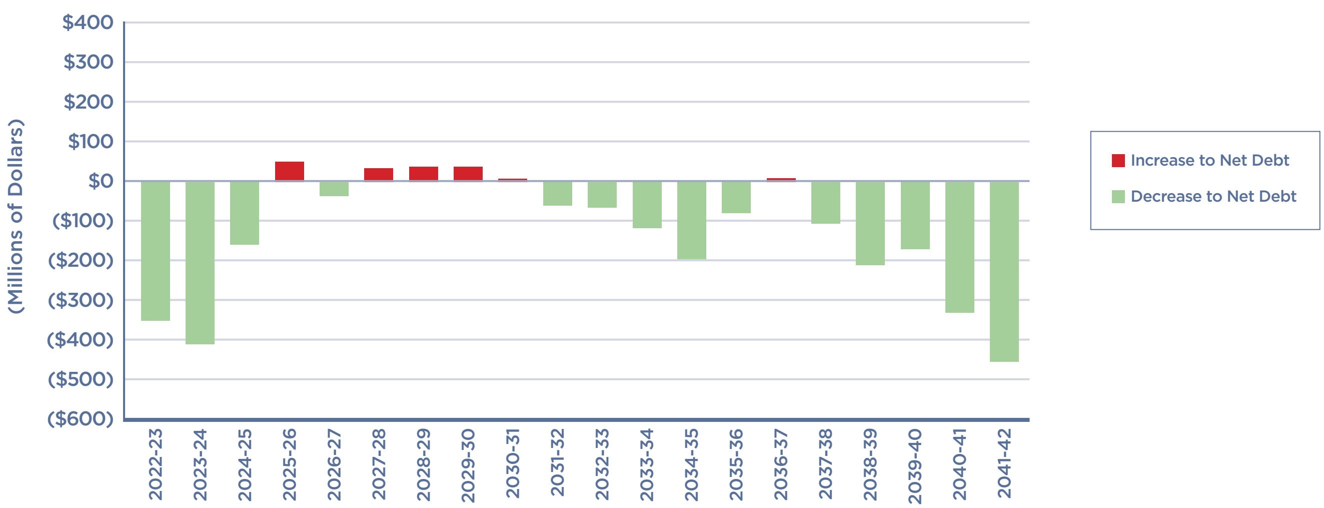
Early in 2023, natural gas prices dropped sharply from highs experienced throughout much of 2022 which is having a corresponding impact on electricity spot market prices. A declining price outlook for electricity spot market prices was factored into the 2023-24 approved budget net income of $450 million. Based on precipitation levels and export market conditions experienced through the early part of the fiscal year and the current forecast for the remainder of the year, Manitoba Hydro recognizes that net income for 2023-24 could be materially below budget. However, as summer and fall precipitation levels have material impacts on hydraulic generation and net income, the outlook for 2023-24 will continue to evolve.

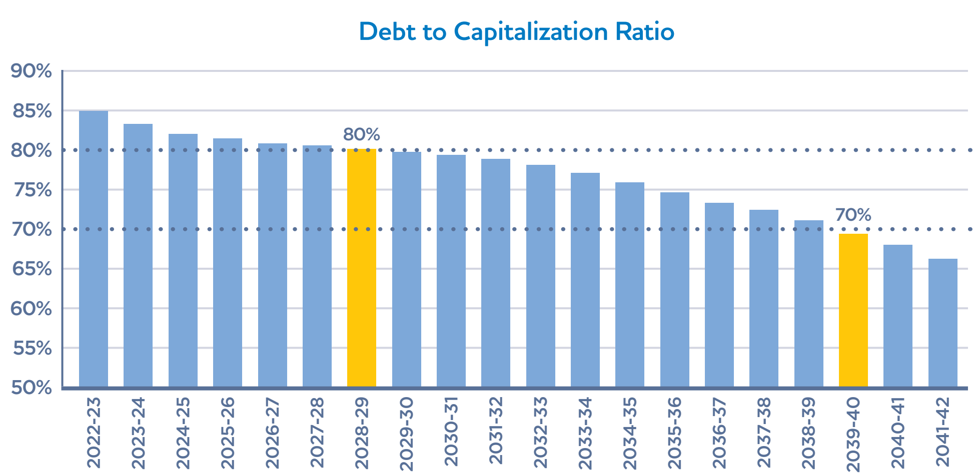
Forecasted Savings Resulting from Provincial Guarantee Fee and Water Rental Fee Reductions

Based on Manitoba Hydro's current 20-year financial forecast, the direct savings from the reduction of the fees is estimated to total approximately $4 billion. Manitoba Hydro will also see savings associated with lower finance expense as a result of both debt retirement and debt avoidance. Debt avoidance relates to an increased ability to avoid taking on new debt as a result of the fee reductions. The yearly savings forecasted as a result of the fee reductions compared against leaving the fees unchanged total approximately $6 billion over the next 20-years. The breakdown of these savings is as follows:



Based on the forecasted savings from the reduction of the fees, Manitoba Hydro is forecasted to minimize debt growth and reduce net debt over the next 20 years and anticipates achieving a 70:30 debt to capitalization structure by 2039-40. This is depicted in the figures below:





Management's Report

For the year ended March 31, 2023

The accompanying consolidated financial statements have been prepared by management of the Manitoba Hydro-Electric Board (the corporation), who are responsible for the integrity, consistency and reliability of the information presented. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The preparation of the consolidated financial statements necessarily involves the use of estimates and assumptions based on management's judgments, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances. The preparation of the consolidated financial statements includes information regarding the estimated impact of future events and transactions. Actual results in the future may differ from the present assessment of this information because future events and circumstances may not occur as expected. The consolidated financial statements have been prepared within reasonable limits of materiality in light of information available up to July 7, 2023.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls, which is designed to provide reasonable assurance that the corporation's assets are safeguarded and appropriately accounted for, that financial information is relevant, reliable and accurate, and that transactions are properly authorized and executed. The system includes formal policies and procedures as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function evaluates the effectiveness of these controls and reports its findings to management and the Audit & Finance Committee of the Board of Directors.

The Board of Directors, through the Audit & Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit & Finance Committee, which is comprised of outside and unrelated directors, meets periodically with management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its responsibility with respect to internal controls and financial reporting. The Audit & Finance Committee reviews the consolidated financial statements and management's discussion and analysis and recommends their approval to the Board of Directors. The external auditors have full and open access to the Audit & Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

The consolidated financial statements were reviewed by the Audit & Finance Committee, and on their recommendation, were approved by the Board of Directors. The consolidated financial statements have been examined by KPMG LLP, independent external auditors appointed by the Lieutenant Governor in Council. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards. The Independent Auditor's Report outlines the scope of their examination and their opinion.

On behalf of management:

Jay Grewal,
President & Chief Executive Officer

Aurel Tess,
Vice-President and Chief Financial Officer

Winnipeg, Canada
July 7, 2023

Independent Auditor's Report

To the Board of Directors of Manitoba Hydro-Electric Board:

Opinion

We have audited the consolidated financial statements of Manitoba Hydro-Electric Board (the "Entity"), which comprise the consolidated statement of financial position as at March 31, 2023, the consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "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).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report, and the Annual Report, other than the financial statements and the auditor's report thereon, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- 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.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada
July 7, 2023

Consolidated Statement of Income (Loss)

For the year ended March 31

millions of Canadian dollars

	Notes	2023	2022
Revenues			
Domestic			
Electric		**1 903**	1 834
Gas		**656**	542
Extraprovincial	5	**1 131**	585
Other	6	**145**	79
		3 835	3 040
Expenses			
Finance expense	7	**1 031**	1 068
Operating and administrative	8	**694**	660
Depreciation and amortization	9	**658**	605
Cost of gas sold		**523**	405
Water rentals and assessments		**84**	101
Fuel and power purchased	10	**138**	394
Capital and other taxes	11	**175**	179
Other expenses	12	**98**	91
Finance income		**(56)**	(24)
		3 345	3 479
Net income (loss) before net movement in regulatory balances		**490**	(439)
Net movement in regulatory balances	20	**165**	180
Net Income (Loss)		**655**	(259)
Net income (loss) attributable to:			
Manitoba Hydro		**638**	(248)
Non-controlling interests	29	**17**	(11)
		655	(259)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at March 31

millions of Canadian dollars

	Notes	2023	2022
Assets			
Current Assets			
Cash and cash equivalents	13	**1 089**	1 083
Accounts receivable and accrued revenue	14	**565**	509
Prepaid expenses		**31**	23
Inventory	15	**143**	106
		1 828	1 721
Property, Plant and Equipment	16	**26 474**	26 376
Non-Current Assets			
Goodwill		**107**	107
Intangible assets	18	**998**	1 023
Loans and other receivables	19	**553**	543
		1 658	1 673
Total assets before regulatory deferral balance		**29 960**	29 770
Regulatory deferral balance	20	**1 450**	1 368
Total assets and regulatory deferral balance		**31 410**	31 138

On behalf of the Board of Directors:

Edward Kennedy
Chair of the Board

Valerie Wowryk
Chair of the Audit & Finance Committee

	Notes	2023	2022
Liabilities and Equity			
Current Liabilities			
Current portion of long-term debt	21	**1 463**	1 141
Accounts payable and accrued liabilities	3(u), 22	**413**	453
Notes payable	23	**50**	50
Other liabilities	24	**132**	126
Accrued interest		**134**	136
		2 192	1 906
Long-Term Debt	21	**23 097**	23 617
Non-Current Liabilities			
Other non-current liabilities	25	**826**	820
Employee future benefits	26	**727**	882
Deferred revenue	27	**637**	607
Provisions	3(u), 28	**74**	101
		2 264	2 410
Total liabilities		**27 553**	27 933
Equity			
Retained earnings		**3 650**	3 012
Accumulated other comprehensive loss		**(305)**	(383)
Equity attributable to Manitoba Hydro		**3 345**	2 629
Non-controlling interests	29	**344**	325
Total equity		**3 689**	2 954
Total liabilities and equity before regulatory deferral balance		**31 242**	30 887
Regulatory deferral balance	20	**168**	251
Total liabilities, equity and regulatory deferral balance		**31 410**	31 138

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31

millions of Canadian dollars

	Notes	**2023**	2022
Operating Activities			
Net income (loss)		**655**	(259)
Net movement in regulatory balances	20	**(165)**	(180)
Add back:			
Depreciation and amortization	9	**658**	605
Finance expense	7	**1 031**	1 068
Finance income		**(56)**	(24)
Adjustments for non-cash items		**39**	(10)
Adjustments for changes in non-cash working capital accounts			
Accounts receivable and accrued revenue		**(52)**	(38)
Prepaid expenses		**(8)**	(1)
Accounts payable and accrued liabilities		**(39)**	(2)
Other		**(25)**	64
Interest received		**26**	4
Interest paid		**(996)**	(1 092)
Cash provided by operating activities		**1 068**	135
Investing Activities			
Additions to property, plant and equipment		**(715)**	(776)
Additions to intangible assets		**(19)**	(11)
Contributions received		**46**	46
Cash paid for mitigation obligations		**(12)**	(15)
Cash paid for major development obligations		**(18)**	(20)
Cash paid for transmission rights obligations		**(22)**	(22)
Other		**(8)**	5
Cash used for investing activities		**(748)**	(793)

	Notes	2023	2022
Financing Activities			
Proceeds from long-term debt	21	**837**	1 505
Retirement of long-term debt	21	**(1 148)**	(954)
Advances to investment entities	19	**(2)**	(13)
Contributions from non-controlling interests	29	**2**	13
Proceeds from short-term borrowings, net	23	**-**	50
Sinking fund investment withdrawals	17	**248**	310
Sinking fund investment purchases	17	**(248)**	(310)
Repayment of lease liabilities		**(3)**	(2)
Cash provided by (used for) financing activities		**(314)**	599
Net increase (decrease) in cash and cash equivalents		**6**	(59)
Cash and cash equivalents, beginning of year		**1 083**	1 142
Cash and cash equivalents, end of year		**1 089**	1 083

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income (Loss)

For the year ended March 31

millions of Canadian dollars

	Notes	**2023**	2022
Net Income (Loss)		**655**	(259)
Other comprehensive income (loss)			
Items that will not be reclassified to income			
Experience gains on pensions, net of actuarial losses	26	**167**	180
Items that will be reclassified to income			
Cash flow hedges - unrealized foreign exchange losses on debt	30 (c)	**(116)**	(2)
Unrealized fair market value losses on commodity derivatives	30 (c)	**(7)**	(32)
Items that have been reclassified to income			
Cash flow hedges - realized foreign exchange losses on debt	30 (c)	**34**	31
		78	177
Comprehensive Income (Loss)		**733**	(82)
Comprehensive income (loss) attributable to:			
Manitoba Hydro		**716**	(71)
Non-controlling interests		17	(11)
		733	(82)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

millions of Canadian dollars

	Notes	Retained earnings	Accumulated other comprehensive income (loss)	**Manitoba Hydro**	Non-controlling interests	Total equity
Balance as at April 1, 2021		3 260	(560)	**2 700**	323	3 023
Net loss		(248)	-	**(248)**	(11)	(259)
Other comprehensive income		-	177	**177**	-	177
Comprehensive income (loss)		(248)	177	**(71)**	(11)	(82)
Contributions	29	-	-	**-**	13	13
Balance as at March 31, 2022		3 012	(383)	**2 629**	325	2 954
Net income		638	-	**638**	17	655
Other comprehensive income		-	78	**78**	-	78
Comprehensive income		638	78	**716**	17	733
Contributions	29	-	-	**-**	2	2
Balance as at March 31, 2023		**3 650**	**(305)**	**3 345**	**344**	**3 689**

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 Reporting entity

The Manitoba Hydro-Electric Board and the Manitoba Power Commission were amalgamated in 1961 by enactment of *The Manitoba Hydro Act* to form a Crown corporation in the Province of Manitoba named Manitoba Hydro-Electric Board (Manitoba Hydro or the corporation). As a Crown Corporation, Manitoba Hydro is not subject to income taxes under Section 149(1)(d) of the *Income Tax Act* (Canada). Manitoba Hydro's mandate is to provide for the continuance of a supply of energy adequate for the needs of the province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy. The head office of the corporation is located at 360 Portage Avenue, Winnipeg, Manitoba.

These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd. (Minell), Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS), Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership) and 6690271 Manitoba Ltd. (a subsidiary that was formed to participate in the development of a new transmission line in the U.S.). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the Wuskwatim Power Limited Partnership (WPLP) and its 82.5% ownership interest in the Keeyask Hydropower Limited Partnership (KHLP). For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Note 2 Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were approved for issue by the Manitoba Hydro-Electric Board on July 7, 2023.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statement of financial position:

- Financial instruments accounted for in accordance with the financial instrument categories defined in Note 3(n) and (o);
- Employee future benefits defined in Note 3(k); and
- Provisions defined in Note 3(l).

(c) Functional and presentation currency

The consolidated financial statements are presented in millions of Canadian dollars, the functional currency of the corporation.

(d) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and judgements that affect amounts reported as assets, liabilities, income and expenses.

Areas of significant management estimates and judgments are outlined in the following summary and significant accounting policies included in Note 3:

- Accrued revenue for domestic electricity and natural gas deliveries not yet billed at year-end (Note 3(b));
- Determination of borrowing costs that are directly attributable to the acquisition of a qualifying asset (Note 3 (d) and (g));
- Useful life estimates for depreciable and amortizable assets (Notes 3(g) and (i), 16 and 18);
- Determination of cash generating unit as it pertains to impairment testing (Note 3 (h) and (j));
- Determination of expected credit loss allowance for loans and other receivables (Notes 3(p) and 19);
- Recognition of regulatory deferral accounts and amounts expected to be recovered or refunded in future rates (Note 20);
- Measurement of accrued liabilities (Note 22);
- Measurement of other long-term liabilities and underlying estimates of future cash flows (Note 25);
- Measurement of employee future benefits and underlying actuarial assumptions (Notes 3(k) and 26);
- Measurement of provisions and underlying estimates of future cash flows (Notes 3(l) and 28);
- Fair value measurement of financial instruments (Notes 3(n) and (o) and 30); and
- Identification and reporting of operating segments (Note 34).

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Note 3 Significant accounting policies

(a) Regulatory deferral accounts

In January 2014, the International Accounting Standards Board (IASB) issued an interim standard, IFRS 14 *Regulatory Deferral Accounts* (IFRS 14), which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts in accordance with their previous accounting standards. This interim standard was effective for financial reporting periods beginning on or after January 1, 2016. The corporation elected to adopt IFRS 14 in its consolidated financial statements. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Regulatory deferral account balances usually represent timing differences between the recognition of items of income or expenses for regulatory purposes and the recognition of those items for financial reporting purposes. Regulatory deferral account balances arising from rate-regulated activities are recognized and measured separately if they do not meet the criteria to be recognized as an asset or liability in accordance with other standards. The balances are recorded as regulatory deferral balances when there is sufficient evidence that they will be recovered or refunded in future rates. Sufficient evidence includes approvals by the regulator and past practice. These amounts would otherwise have been included in the determination of net income in the year they are incurred.

Under rate regulation, the prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and natural gas service plus a sufficient contribution to retained earnings.

The following regulatory deferral account balances are amortized on a straight-line basis using the specified periods:

Demand side management (DSM) programs	10	years
Site remediation costs	15	years
Deferred taxes	30	years
Acquisition costs	30	years
Regulatory costs	up to 5	years
Ineligible overhead	34	years
Conawapa	30	years
Bipole III deferral	5	years
Change in gas meter depreciation rate	5	years
Impact of 2014 depreciation study	5	years
Meter exchange costs	3	years

The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the obligation is drawn down. The Purchased Gas Variance Account (PGVA) is recovered or refunded over a period determined by the PUB.

The amortization period for the loss on retirement or disposal of assets, change in depreciation methodologies from average service life (ASL) to equal life group (ELG), major capital project deferral and the impact of the 2019 depreciation study will be determined at a future regulatory proceeding.

The Keeyask in-service deferral has been established based on Manitoba Hydro's past practice of recognizing expenses associated with the generating station on a per-unit basis for rate-setting purposes.The corporation has sought regulatory approval for this deferral and the associated amortization.

(b) Revenue recognition

The corporation assesses each contract with the customer to identify distinct good(s) and service(s) and the related performance obligation(s). Where the corporation determines that goods and services are not distinct, they are combined until they are distinct. If multiple distinct goods/services are substantially the same and have the same pattern of transfer to the customer, they would be treated as one performance obligation. Revenue is recognized when the control of the goods or services has been transferred to the customer at a point in time or over time.

Domestic electricity and natural gas revenues are recognized upon delivery to the customer and charged in accordance with rates approved by the PUB. Accrued revenues are recorded based on an estimated amount of electricity and natural gas delivered and not yet billed at year-end. Domestic electricity and natural gas contracts include a single performance obligation that represents a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The corporation's performance obligation is satisfied over time when the electricity or natural gas is received and consumed by the customer.

Extraprovincial contracts may include multiple distinct goods including electricity, capacity and renewable energy credits (RECs). Electricity and capacity both represent a promise to transfer to the customer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer (customer simultaneously receives and consumes benefits as the corporation performs) and result in a single performance obligation. Control is transferred and revenue is recognized upon the delivery of energy to the customer. RECs sourced from wind energy purchases or generated by the corporation's facilities are a separate performance obligation with revenue recognized at a point in time. Control is transferred and revenue is recognized when title to the credits is transferred to the customer. The costs the corporation incurs to obtain or fulfill a contract with a customer are not significant.

Consulting, technology and maintenance services and other miscellaneous revenue is recognized when services are provided or goods are shipped to the customer. Revenue from fixed price contracts is recognized over time under the percentage-of-completion method. The percentage of completion is determined by comparing the costs incurred at the consolidated statement of financial position date to the total estimated costs, which include costs incurred plus anticipated costs for completing a contract.

Revenue from contract modifications such as change orders and claims is recognized to the extent that the contract modifications have been approved by the customer and the amount can be measured reliably. In cases where the contract modification is approved, but the price has not been finalized, the contract modification is accounted for using variable consideration as it is in addition to the agreed upon performance obligation outlined in the original contract.

Non-refundable contributions in aid of construction received from customers are recorded as deferred revenue. The deferred revenue is initially recorded at the amount of cash contributions received and recognized as revenue on a straight-line basis over the estimated lives of the contracts with customers.

Where contracts with customers are perpetual and the related contributed asset is used to provide ongoing goods or services to customers, the life of the contract is estimated to be equivalent to the economical useful life of the related asset for which the contribution was received.

Non-refundable contributions in aid of construction received from developers are recorded as deferred revenue and amortized into other revenue over the life of the related asset for which the contribution was received.

(c) Cost of gas

Natural gas is recorded at purchased cost upon delivery to gas customers.

(d) Finance expense and finance income

Finance expense includes interest on short and long-term borrowings and the provincial debt guarantee fee paid to the Province of Manitoba, foreign exchange gains and losses, the mark to market of foreign exchange forward contracts, accretion expense on provisions and other long-term liabilities, offset by interest capitalized for those qualifying assets under construction. Foreign exchange gains and losses include amounts that had been recognized in other comprehensive income and reclassified from equity to net income in the same periods during which the hedged forecast cash flows (being U.S. export revenues) affect net income. All borrowing costs are recognized using the effective interest rate method. Finance income includes interest earned on loans and advances to investment entities and temporary investments.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less.

(f) Inventory

Materials and supplies, fuel and natural gas inventories are valued at the lower of average cost and net realizable value. Replacement cost is used as management's best estimate of the net realizable value for materials and supplies and fuel inventory.

Materials, supplies, fuel and natural gas are charged to inventory when purchased and not immediately required for use. These inventories are expensed or capitalized when used. Those materials, supplies and fuel purchased for immediate use are expensed directly.

(g) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, contracted services, direct labour and interest applied at the weighted average cost of debt outstanding during the period. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

(in millions of Canadian dollars)

Depreciation is calculated on a straight-line basis using the ELG procedure. Generating station components are depreciated over the lesser of the service life of the components and the remaining life of the associated generating station.

Generation	4 – 125 years
Transmission lines	10 – 85 years
Substations	15 – 65 years
Distribution systems	10 – 75 years
Other	5 – 100 years

The estimated service lives of the assets are based upon depreciation studies conducted periodically by the corporation. A depreciation study was last completed in 2019-20.

The net gain or loss on retirement of these assets is charged to depreciation in the period incurred and then subsequently deferred in regulatory deferral balances through net movement. When the costs of removing an asset from service are incurred to facilitate the installation of a new asset, the costs to remove the asset from service are added to the costs of the new asset. When an asset is retired from service and not replaced with a similar asset, the costs of removing the asset from service are treated similarly to the net gain or loss on retirement of assets.

A reasonable estimate of the present value of the future cash flows required to retire an asset from service is recorded when the recognition criteria for a provision (Note 3(l)(i)) are met. An equivalent amount is added to the carrying cost of the related asset and is amortized over the asset's remaining service life. The discount rate used to measure the cash flows reflects current market assessments of the time value of money and the risks specific to the obligation.

(h) Goodwill

Goodwill represents the amount of the corporation's investments in Centra and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred.

(i) Intangible assets

Intangible assets include computer application development costs, land easements and transmission rights. Intangible assets are recorded at cost less accumulated amortization. The cost of computer application development includes software, direct charges for labour, materials, contracted services and interest during development applied at the weighted average cost of debt outstanding during the period. Computer application development also consists of cloud computing costs, including configuration and customization costs, that meet the relevant capitalization criteria. The relevant capitalization criteria include, but is not limited to control, future economic benefit and identifiability. The corporation's intangible assets have finite useful lives and are amortized over their useful lives on a straight-line basis with the amortization included in depreciation and amortization expense. The expected useful lives are as follows:

Computer application development	5 – 11 years
Land easements	75 years
Transmission rights	1 – 40 years

Transmission rights are amortized over the contractual period of the right plus a one-term renewal. The estimated service lives of computer application development and land easements are based upon depreciation studies conducted periodically by the corporation. A depreciation study was last completed in 2019-20.

(j) Impairment of non-financial assets

Non-financial assets subject to impairment testing include goodwill, intangible assets and property, plant and equipment. The corporation tests goodwill and material intangible assets under construction at least annually for impairment. Assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit (CGU) to its recoverable amount. The recoverable amount is calculated as the higher of the fair value less costs to sell and the present value of the future cash flows from an asset or CGU. The corporation has determined its CGUs to be at the segment level. This is the lowest level for which there are separately identifiable cash flows as rates for electricity and natural gas revenue are set by the PUB at the segment level. An impairment would be recognized as a charge against operations in the year of impairment if the carrying amount exceeds the recoverable amount.

(k) Employee future benefits

Manitoba Hydro provides future benefits, including pension and other benefits, to both existing and retired employees.

The costs and obligations of defined benefit pension plans and other benefits are determined by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation. Pension expense consists of the cost of pension benefits earned during the year and net interest income or expense. Interest expense on the accrued benefit obligation for the period and interest income on plan assets for the period are determined by applying the discount rate used to measure the accrued benefit obligation at the beginning of the annual reporting period, taking into account any changes during the period as a result of contributions and benefit payments.

Experience gains or losses on the assets and actuarial gains or losses on the obligation are recognized in other comprehensive income (OCI) in the period in which they occur. Past service costs, which arise when a change is made to plan benefits, are recognized immediately in profit or loss.

Other unfunded non-pension future benefits earned by employees include vacation, vested sick leave, severance and retirement health plans. Where applicable, the future costs of these benefits are determined by an independent actuary and reflect management's best estimates.

(l) Provisions

In accordance with International Accounting Standards (IAS) 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is required to be recognized where there is a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which are uncertain.

(i) Asset retirement obligations

Asset retirement obligations are estimated by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

(ii) Affordable Energy Fund

The Affordable Energy Fund was determined based on Provincial Legislation. The timing of disbursements is uncertain due to the unpredictability of future customer participation.

(iii) Mitigation

Provisions arising from Manitoba Hydro's mitigation program are recognized when there is an expectation that expenditures will be incurred to address the adverse effects of past hydroelectric development on Indigenous and other communities. These provisions are based on management's best estimate of the consideration required to settle the obligation. The corporation reviews its estimates of future mitigation expenditures on an ongoing basis.

(iv) Major development

Provisions arising from Manitoba Hydro's major development projects are recognized when there is an expectation that expenditures will be incurred to address project-related adverse effects on Indigenous and other communities. These provisions are based on management's best estimate of the consideration required to settle the obligation. The corporation reviews its estimates of future major development expenditures on an ongoing basis.

(v) Other provisions

Other provisions have been established for obligations identified, which require recognition in the financial statements due to the likelihood of settlement and the presence of an obligation, either from past events or constructive in nature.

(m) Government grants

Government grants are recognized when there is reasonable assurance they will be received and the corporation will comply with the conditions associated with the grant. Government grants that compensate the corporation for expenses incurred are recognized in profit or loss in the same period in which the expenses are recognized. Grants that compensate the corporation for the cost of an asset are recorded as deferred revenue and recognized in other revenue over the service life of the related asset.

(n) Non-derivative financial instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Financial assets are classified into one of the following categories: amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Financial liabilities are classified at amortized cost or fair value through profit or loss.

Amortized cost
The corporation's cash and cash equivalents, trade accounts receivable and accrued revenue, loans and other receivables are initially recorded at fair value and subsequently measured at amortized cost, if the financial assets are held in order to collect contractual cash flows, and those cash flows are solely payments of principal and interest on the principal outstanding. Interest income is calculated using the effective interest method and is recognized in net income. Changes in fair value are recognized in net income when the asset is derecognized or reclassified. All financial assets measured at amortized cost are subject to impairment measurement at the end of the reporting period as described below.

Long-term debt, trade payables and accrued liabilities, notes payable, accrued interest and other liabilities, except for derivative liabilities classified and measured at fair value through profit or loss, are initially recognized at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method of amortization.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced with substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability is recorded at fair value. The differences in the respective carrying amounts are recognized as gains or losses in net income.

At fair value through other comprehensive income
Financial assets that are held within a business model for the collection of contractual cash flows and for selling, where cash flows are solely payments of principal and interest, are classified as fair value through other comprehensive income. Financial assets are initially recorded at fair value and are subsequently measured at fair value with unrealized gains and losses recognized in other comprehensive income. Interest income, impairment gains and losses and foreign exchange gains and losses are recognized in net income. Once the financial asset is derecognized or reclassified, fair value losses previously recorded in other comprehensive income, are reclassified to net income. Interest income from these financial assets is recognized as other income using the effective interest method. As of March 31, 2022, the corporation does not have any financial assets classified at fair value through other comprehensive income.

At fair value through profit or loss
Financial instruments classified as fair value through profit or loss are subsequently measured at fair value with changes in fair value recognized in the consolidated statement of income in the period in which they arise.

(o) Derivative financial instruments

The corporation's derivative assets and liabilities are classified and measured at fair value through profit or loss with changes in the fair value of the financial derivative instrument recognized in net income, where hedge accounting is not applied.

Foreign exchange forward contracts are transacted to mitigate annual net income impacts due to foreign exchange rate fluctuations related to a portion of U.S. long-term debt balances, for which hedge accounting is not applied. As well, the corporation mitigates price risk of electricity market sales and purchases through its limited use of derivative financial instruments such as contracts for differences, forward contracts, options and financial transmission rights.

The change in fair value of derivative financial instruments reflects changes in foreign exchange rates and in electricity prices, with discount rates applied for time value. Changes in fair value of unsettled positions are recognized in net income or in accumulated other comprehensive income (AOCI) if the derivative instruments are accounted for as hedging instruments. The corporation does not engage in derivative trading or speculative activities.

(p) Impairment of financial assets

The corporation uses the expected credit loss (ECL) model for calculating impairment and recognizes ECL as a loss allowance for financial assets measured at amortized cost. ECLs are a probability-weighted estimate of credit losses and measured as the present value of all cash shortfalls and discounted at the effective interest rate of the financial asset. Lifetime ECLs result from all possible default events over the expected life of the financial instrument. 12-month ECLs result from default events that are possible within the 12 months after the reporting date.

For trade receivables, the corporation applies the simplified approach and uses a provision matrix, which is based on the corporation's historical credit loss experience for trade receivables, current market conditions and any insights into future economic conditions to estimate and recognize lifetime ECL. Trade and other receivables are assessed for impairment on a collective basis with special consideration for risk factors associated with each customer group.

Loans and receivables are measured at 12-month ECLs unless there has been a significant increase in credit risks since initial recognition. When determining whether the credit risk has increased significantly since initial recognition, the corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis and includes forward looking information. The corporation assumes that the credit risk on specific loans and receivables has increased significantly if it is more than 30 days past due or pursuant to borrower specific relative criteria as identified by the corporation.

(q) Hedges

The corporation has formally designated and documented cash flow hedges, establishing economic relationships between forecasted transactions and various hedging instruments. To hedge foreign currency risk, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Foreign currency gains and losses of U.S. long-term debt balances are recognized in other comprehensive income and in long-term debt on the statement of financial position. Once the U.S. export revenues designated as being hedged are recognized in earnings, the accumulated gains and losses recorded in other comprehensive income are reclassified to finance expense. The change in fair value method is used to measure ineffectiveness on a quarterly basis. Any potential source of ineffectiveness would come from the initial difference in the timing of the forecasted hedged item and the timing of the hedging instrument, minimal changes caused by the discounting of rate changes and changes in the timing of the forecasted transaction subsequent to the inception of the hedging relationship. The amount of ineffectiveness, if any, is recorded in net income and is equal to the excess of the cumulative change in the fair value (discounted cash flows) of the hedging instrument over the cumulative change in the fair value (discounted cash flows of the hedged item).

On a limited basis, cash flow hedges of electricity price risk have also been established between contracts for differences and/or options and future U.S. electricity sales. The estimated fair value of a hypothetical derivative is used in the hedge effectiveness assessment to match the price, quantity and timing of the future U.S. electricity sales. The effective portion of the change in the fair value of the hedging instruments is initially recognized in other comprehensive income. Once the forecasted transactions are recognized, the accumulated gains and losses recorded in other comprehensive income are reclassified to export revenues. Hedge effectiveness testing is performed at the inception of the hedge and on an ongoing basis. Any ineffective portions of the cash flow hedges are immediately recorded in export revenues. The sources of hedge ineffectiveness are a result of location differences. The fair value of the hedged item and the hedging instrument are based on forward energy prices however they are priced at different locations. The difference in the energy price of the locations is a result of congestion and transmission losses between the two nodes.

(r) Foreign currency translation

Revenues and expenses resulting from transactions in foreign currencies are translated to Canadian dollar equivalents at exchange rates approximating those in effect at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the reporting date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

(s) Leases

As a Lessee

At the inception of a contract the corporation determines whether a contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A lease liability is initially measured at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the corporation's incremental borrowing rate. Generally, the corporation uses its incremental borrowing rate as the discount rate. Lease payments include fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. The lease liability is measured at amortized cost using the effective interest method. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets are recognized for contracts that are, or contain, leases. A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and their useful lives. The lease term includes consideration of an option to extend or to terminate if the corporation is reasonably certain to exercise that option. Additionally, the right-of-use assets can be reduced by impairment losses if applicable and adjusted for re-measurement of the corresponding lease liability, less any lease incentives received.

The corporation accounts for short-term leases and leases of low-value assets by recording the associated lease payments as an expense on a straight-line basis over the lease term. These payments are included in operating and administrative expenses in the consolidated statement of income.

As a Lessor

As a lessor, the corporation classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

If an arrangement contains lease and non-lease components, the corporation applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

The corporation recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other revenue.

(t) Non-controlling interests

Non-controlling interests represent the outstanding ownership interests attributable to third parties in the corporation's limited partnerships. The portion of the equity not owned by the corporation is reflected as non-controlling interests within the equity section of the consolidated statement of financial position. The portion of the net income or net loss attributable to the parent and non-controlling interests is reported on the consolidated statement of income.

(u) Change in classification

The comparative amounts as at March 31, 2022 in the statement of financial position for accounts payable and accrued liabilities and provisions (non-current) have been restated for consistency. During the year, new information resulted in a change in classification of an existing obligation. As a result, accounts payable and accrued liabilities was reduced by $29 million, and provisions was increased by $29 million as at March 31, 2022.

Note 4 Accounting changes

(a) Current accounting changes

The following new interpretations and amendments have been applied in preparing these consolidated financial statements.

Property, Plant and Equipment – Proceeds Before Intended Use (Amendments to IAS 16)

The corporation adopted amendments to IAS 16 Property, plant and equipment with respect to proceeds before intended use. These amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the costs of producing those items, are recognized in profit or loss. The amendment was effective for annual reporting beginning on or after January 1, 2022 and has been applied retrospectively by the corporation to applicable items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the amendment was first applied. The adoption of these amendments did not have a material impact on the corporation's consolidated financial statements.

(b) Future accounting changes

The following new interpretations and amendments to existing standards have been issued but are not yet effective for the year ended March 31, 2023 and have not been applied in preparing these consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021, the IASB issued amendment to IAS 8 to introduce a new definition of accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied prospectively.

Disclosure Initiative – Accounting Policies (Amendments to IAS 1)

In February 2021, the IASB issued amendments to IAS 1 requiring an entity to disclose its material accounting policies, rather than its significant accounting policies. Additional amendments were made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or non-current (the 2020 amendments). Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. In October 2022, the IASB issued further amendments, to improve the information a company provides about long-term debt with covenants (the 2022 amendments). The 2020 amendments and the 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. An entity that applies the 2020 amendments early is required to also apply the 2022 amendments. The amendments are to be applied retrospectively.

Lease Liability in a Sale and Leaseback Transaction (Amendments to IFRS 16)

In September 2022, the IASB issued amendments to IFRS 16 clarifying how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective to annual periods beginning on or after January 1, 2024, with early adoption permitted.

The corporation is currently assessing the impact of these amendments on the corporation's consolidated financial statements.

Rate-Regulated Accounting Exposure Draft

In January 2021, the IASB published the Exposure Draft Regulatory Assets and Regulatory Liabilities. The IASB proposes an accounting model under which an entity subject to rate regulation that meets the scope criteria would recognize regulatory assets and liabilities. If finalized as a new IFRS Standard, the IASB's proposal would replace the interim standard IFRS 14 Regulatory Deferral Accounts. The Exposure Draft was open for comment until July 2021, with the IASB completing its review of the feedback received and agreeing with the proposed plan for redeliberation in December 2021. Since February 2022, the IASB has been redeliberating specific topics such as determining whether a regulatory agreement is within the scope of the proposals and the definition of a regulator. Under the current proposal, an entity would apply the final IFRS Standard retrospectively to annual reporting periods beginning 18 to 24 months after the new IFRS Standard is issued. The corporation is currently awaiting the final IFRS Standard to assess the impact on the corporation's consolidated financial statements.

(tabular amounts in millions of Canadian dollars)

Note 5 Extraprovincial revenue

	2023	2022
Dependable sales	**711**	496
Opportunity sales	**372**	66
Other	**48**	23
	1 131	585

Dependable sales are sourced from Manitoba Hydro's hydraulic energy available during lowest water conditions and typically with duration of greater than six months. Opportunity sales are based on excess energy, are generally over shorter periods and are transacted primarily in markets operated by an independent system operator such as the Midcontinent Independent System Operator.

The majority of extraprovincial revenue is from sales to the U.S. The average effective exchange rate for the year was $1.00 U.S. = $1.32 Canadian (2022 – $1.00 U.S. = $1.25 Canadian).

Note 6 Other revenue

	2023	2022
Consulting, technology and maintenance services	**45**	46
Customer and developer contributions	**15**	14
Miscellaneous revenue	**85**	19
	145	79

Consulting, technology and maintenance services consist of professional consulting, operations, maintenance and project management services provided to energy sectors world-wide.

Customer and developer contributions are the recognition of deferred revenue related to contributions in aid of construction (Note 27) and the recovery of period costs from customers.

The corporation leases out land, buildings and telecommunication apparatus. The corporation has classified these leases as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Included in miscellaneous revenue is operating lease income of $2 million (2022 - $3 million). Also included in miscellaneous revenue is a one-time compensation payment received during the year for the sale of royalty interests of $69 million.

The following table provides the maturity analysis of undiscounted lease payments to be received after the reporting date:

	2024	2025	2026	2027	2028 and thereafter	Total
Undiscounted lease payments - operating	1	1	1	1	4	8

(in millions of Canadian dollars)

Note 7 Finance expense

	2023	2022
Interest on debt	**843**	840
Provincial debt guarantee fee	**118**	229
Accretion	**39**	40
Interest capitalized	**(21)**	(83)
Foreign exchange loss	**32**	30
Other	**20**	12
	1 031	1 068

During the year, the Province of Manitoba announced a reduction to the Provincial debt guarantee fee charged to Manitoba Hydro to guarantee its debt. The fee was reduced by 50%, effective April 1, 2022. As a result, the fee during the year was 0.50% of the corporation's total outstanding debt guaranteed by the Province of Manitoba (2022 – 1.00%). Interest was capitalized during the year at a weighted average rate of 4.27% (2022 – 4.20%).

Note 8 Operating and administrative

	2023	2022
Salaries and benefits	**464**	469
External services	**150**	122
Materials, motor vehicles and supplies	**54**	44
Other	**26**	25
	694	660

Additional salaries and benefits are included in other expenses (Note 12) in the amount of $3 million (2022 – $4 million).

Included in operating and administrative are expenses relating to short-term leases of $2 million (2022 - $3 million), low-value asset leases of less than $1 million (2022 – less than $1 million) and variable lease payments not included in the measurement of lease liabilities of $5 million (2022 - $3 million).

Note 9 Depreciation and amortization

	2023	2022
Depreciation of property, plant and equipment (Note 16)	**624**	585
Amortization of intangible assets (Note 18)	**23**	23
Loss (gain) on retirement or disposal of property, plant and equipment	**11**	(3)
	658	605

(tabular amounts in millions of Canadian dollars)

Note 10 Fuel and power purchased

	2023	2022
Wind purchases	**76**	78
Power purchases	**15**	234
Transmission charges	**40**	70
Thermal fuel purchases	**7**	12
	138	394

Included in transmission charges above is amortization of transmission rights of $20 million (Note 18) (2022 - $20 million). Included in power purchases are gains or losses on financial transmission rights.

Note 11 Capital and other taxes

	2023	2022
Corporate capital tax	**124**	129
Property tax and grants in lieu of tax	**39**	38
Payroll tax	**12**	12
	175	179

Note 12 Other expenses

	2023	2022
Demand side management expenses	**43**	44
Consulting, technology and maintenance expenses	**19**	21
Corporate initiatives and restructuring costs	**8**	10
Miscellaneous	**28**	16
	98	91

Of the total other expenses, $65 million (2022 – $59 million) are subsequently deferred in regulatory deferral balances through net movement in regulatory balances (Note 20).

(in millions of Canadian dollars)

Note 13 Cash and cash equivalents

	2023	2022
Temporary investments	**840**	874
Cash	**245**	204
Restricted cash	**4**	5
	1 089	1 083

Temporary investments consist of cash invested with the Province of Manitoba and have a maturity of less than 30 days. Restricted cash consists of deposits held for letters of guarantees for customer contracts, callable at any time.

Note 14 Accounts receivable and accrued revenue

	2023	2022
Trade accounts receivable (Note 30(a))	**379**	376
Accrued revenue	**152**	125
Other receivables	**43**	14
Current portion of loans and other receivables (Note 19)	**18**	19
Taxes receivable	**8**	10
Fair value of forward contracts (Note 30(c))	**1**	-
ECL allowance (Note 30(a))	**(36)**	(35)
	565	509

Note 15 Inventory

	2023	2022
Materials and supplies	**100**	88
Natural gas	**31**	7
Fuel	**12**	11
	143	106

Inventory recognized as an expense during the year was $101 million (2022 – $71 million). The write-down of inventory during 2023 was $2 million (2022 – $2 million). No reversals of write-downs occurred during the year (2022 – nil).

(tabular amounts in millions of Canadian dollars)

Note 16 Property, plant and equipment

	Generation	Transmission lines	Substations	Distribution systems	Other	Construction in progress	Total
Cost or deemed cost							
Balance, April 1, 2021	10 939	3 119	5 792	3 960	1 267	3 529	28 606
Additions	353	13	41	212	62	254	935
Disposals and/or retirements	(6)	-	1	(17)	(31)	-	(53)
Assets placed in service*	3 131	53	88	39	7	(3 318)	-
Transfers to (from) PP&E	1	-	(1)	-	(1)	-	(1)
Balance, March 31, 2022	14 418	3 185	5 921	4 194	1 304	465	29 487
Additions	195	29	39	211	66	195	735
Disposals and/or retirements	(6)	(6)	(36)	(31)	(35)	-	(114)
Assets placed in service*	58	44	44	41	14	(201)	-
Transfers to (from) PP&E	-	-	1	(1)	-	-	-
Balance, March 31, 2023	**14 665**	**3 252**	**5 969**	**4 414**	**1 349**	**459**	**30 108**
Accumulated depreciation							
Balance, April 1, 2021	816	157	748	562	300	-	2 583
Depreciation expense	194	44	163	114	70	-	585
Disposals and/or retirements	(9)	(2)	(6)	(10)	(30)	-	(57)
Transfers to (from) PP&E	-	-	-	-	-	-	-
Balance, March 31, 2022	1 001	199	905	666	340	-	3 111
Depreciation expense	219	45	168	119	73	-	624
Disposals and/or retirements	(10)	(2)	(25)	(28)	(36)	-	(101)
Transfers to (from) PP&E	-	-	-	-	-	-	-
Balance, March 31, 2023	**1 210**	**242**	**1 048**	**757**	**377**	**-**	**3 634**
Net book value							
Balance, March 31, 2022	13 417	2 986	5 016	3 528	964	465	26 376
Balance, March 31, 2023	**13 455**	**3 010**	**4 921**	**3 657**	**972**	**459**	**26 474**

*Represents projects that were in construction in progress at the beginning of the year.

Included in additions is interest capitalized during construction of $18 million (2022 – $81 million).

As at March 31, 2023 “Other” includes right-of-use assets related to leases of land and buildings, information technology equipment and machinery with a net book value of $6 million (2022 - $6 million). For the year ended March 31, 2023 the corporation recorded additions of $2 million (2022 – $2 million) and depreciation expense of $1 million (2022 - $2 million) related to right-of-use assets.

Assets placed in service in the prior year include assets associated with the remaining six units of the Keeyask Generating Station.

(in millions of Canadian dollars)

Note 17 Long-term investments

In November 2022, Bill 36 - *The Manitoba Hydro Amendment and Public Utilities Board Amendment Act* was granted Royal Assent. As part of Bill 36, the previous requirement for Manitoba Hydro to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31 and 4% of the balance in the sinking fund at such date was repealed. While the requirement for minimum annual payments to the sinking fund was repealed, Manitoba Hydro continued to set aside funds to meet debt service costs in fiscal 2022-23. Manitoba Hydro made sinking fund payments during the year totaling $248 million (2022 – $310 million). Interest earned on sinking fund investments is recognized in finance expense. As at March 31, 2023 sinking fund investments totaled nil (2022 – nil).

Note 18 Intangible assets

	Computer application development	Land easements	Transmission rights	Under development	Total
Cost or deemed cost					
Balance, April 1, 2021	189	193	815	17	1214
Additions	5	3	-	4	12
Retirements	(16)	-	(9)	-	(25)
Assets placed in service*	-	-	-	-	-
Revaluations	-	-	(5)	-	(5)
Transfers	-	-	-	-	-
Balance, March 31, 2022	178	196	801	21	1 196
Additions	4	10	-	5	19
Retirements	(6)	-	-	-	(6)
Assets placed in service*	3	9	-	(13)	(1)
Revaluations	-	-	-	-	-
Transfers to (from) intangibles	-	-	-	-	-
Balance, March 31, 2023	**179**	**215**	**801**	**13**	**1 208**
Accumulated amortization					
Balance, April 1, 2021	114	13	27	-	154
Amortization	21	2	20	-	43
Retirements	(15)	-	(9)	-	(24)
Balance, March 31, 2022	120	15	38	-	173
Amortization	20	3	20	-	43
Retirements	(6)	-	-	-	(6)
Balance, March 31, 2023	**134**	**18**	**58**	**-**	**210**
Net book value					
Balance, March 31, 2022	58	181	763	21	1 023
Balance, March 31, 2023	**45**	**197**	**743**	**13**	**998**

*Represents projects that were in "under development" at the beginning of the year.

Computer application development is comprised of internally developed and externally acquired intangible assets. Included in additions is interest capitalized during development of less than $1 million (2022 – less than $1 million).

(tabular amounts in millions of Canadian dollars)

Note 19 Loans and other receivables

	2023	2022
Loans to Keeyask investment entities (Note 29)	**389**	367
Loan to Wuskwatim investment entity (Note 29)	**184**	176
Contract receivables and other	**89**	91
ECL allowance (Note 30(a))	**(91)**	(72)
	571	562
Less: current portion (Note 14)	**(18)**	(19)
	553	543

The loans accrue interest at varying rates, a portion of which are fixed and a portion floating. Accrued interest related to loans receivable is included in the loan balances above and is recognized in finance income.

(in millions of Canadian dollars)

Note 20 Regulatory deferral balances

	March 31, 2022	Balances arising in the year	Recovery / reversal	**March 31, 2023**	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Electric					
DSM programs[1]	298	34	(43)	**289**	1 - 10
Site remediation	52	18	(6)	**64**	1 - 15
Change in depreciation method	288	53	-	**341**	*
Deferred ineligible overhead	145	20	(5)	**160**	1 - 34
Keeyask in-service deferral	86	-	-	**86**	*
Acquisition costs	6	-	-	**6**	8 - 11
Affordable Energy Fund	4	-	-	**4**	**
Loss on retirement or disposal of assets	67	10	-	**77**	*
Regulatory costs	2	3	(1)	**4**	1 - 5
Conawapa	329	-	(13)	**316**	25
Gas					
DSM programs	51	9	(9)	**51**	1 - 10
PGVA	-	13	-	**13**	***
Deferred taxes	12	1	(2)	**11**	6
Site remediation	1	-	-	**1**	1 - 15
Loss on retirement or disposal of assets	9	2	(4)	**7**	1 - 5
Change in depreciation method	16	2	-	**18**	*
Regulatory costs	1	1	-	**2**	1 - 5
Change in depreciation rate - meters	1	-	(1)	**-**	1
Impact of 2019 depreciation study	-	-	-	**-**	*
	1 368	166	(84)	**1 450**	
Regulatory deferral credit balances					
Electric					
DSM deferral	49	-	-	**49**	*
Bipole III deferral	97	-	(77)	**20**	1
Major capital project deferral	98	-	-	**98**	*
Gas					
PGVA	5	(364)	359	**-**	***
Impact of 2014 depreciation study	2	-	(1)	**1**	1
	251	(364)	281	**168**	
Net movement in regulatory balances		530	(365)	**165**	

[1] Included in DSM programs is the difference between actual and planned expenditures for electric DSM programs for the fiscal years 2013 to 2017.

* These amounts will be recovered or refunded in future rates in periods to be determined at a future regulatory proceeding.

** The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the provision (Note 28) is drawn down.

*** The PGVA is recovered or refunded in future rates.

(tabular amounts in millions of Canadian dollars)

	March 31, 2021	Balances arising in the year	Recovery / reversal	March 31, 2022	Remaining recovery / reversal period
					(years)
Regulatory deferral debit balances					
Electric					
DSM programs[1]	307	34	(43)	298	1 - 10
Site remediation	43	14	(5)	52	1 - 15
Change in depreciation method	240	48	-	288	*
Deferred ineligible overhead	129	20	(4)	145	1 - 34
Keeyask in-service deferral	16	70	-	86	*
Acquisition costs	6	-	-	6	9 - 12
Affordable Energy Fund	4	-	-	4	**
Loss on retirement or disposal of assets	72	(5)	-	67	*
Regulatory costs	2	1	(1)	2	1 - 5
Conawapa	342	-	(13)	329	26
Gas					
DSM programs	51	10	(10)	51	1 - 10
Deferred taxes	14	1	(3)	12	7
Site remediation	2	-	(1)	1	1 - 15
Loss on retirement or disposal of assets	10	2	(3)	9	1 - 5
Change in depreciation method	14	2	-	16	*
Regulatory costs	1	-	-	1	1 - 5
Change in depreciation rate - meters	1	-	-	1	2
Impact of 2019 depreciation study	-	-	-	-	*
	1 254	197	(83)	1 368	
Regulatory deferral credit balances					
Electric					
DSM deferral	49	-	-	49	*
Bipole III deferral	174	-	(77)	97	2
Major capital project deferral	71	27	-	98	*
Gas					
PGVA	15	(291)	281	5	***
Impact of 2014 depreciation study	3	-	(1)	2	2
Meter exchange costs	5	-	(5)	-	-
	317	(264)	198	251	
Net movement in regulatory balances		461	(281)	180	

[1] Included in DSM programs is the difference between actual and planned expenditures for electric DSM programs for the fiscal years 2013 to 2017.

* These amounts will be recovered or refunded in future rates in periods to be determined at a future regulatory proceeding.

** The Affordable Energy Fund is amortized to the consolidated statement of income at the same rate as the provision (Note 28) is drawn down.

*** The PGVA is recovered or refunded in future rates.

The balances arising in the year consist of additions to regulatory deferral balances. The recovery/reversal consists of amounts recovered from customers in rates through the amortization of existing regulatory balances or rate riders. The net impact of these transactions results in the net movement in regulatory deferral balances on the consolidated statement of income.

Balances arising in the year include $2 million (2022 – $1 million) for carrying costs on deferred taxes, the Affordable Energy Fund and the PGVA.

The regulatory deferral debit balances of the corporation consist of the following:

DSM program expenditures are incurred for energy conservation programs to encourage residential, commercial and industrial customers to use energy more efficiently. Effective April 1, 2020 Manitoba Hydro transitioned certain DSM programs to Efficiency Manitoba Inc. (Note 32) and continues to fund these programs. Expenditures related to these programs are included in this deferral balance.

Site remediation expenditures are incurred for the remediation of contaminated corporate facilities and diesel generating sites.

Change in depreciation method represents the cumulative estimated annual difference in depreciation expense between the ASL method of depreciation as applied by Manitoba Hydro prior to its transition to IFRS and the ELG method as applied by Manitoba Hydro under IFRS.

Deferred ineligible overhead is the cumulative annual difference in overhead capitalized for financial reporting purposes under IFRS and overhead capitalized for rate-setting purposes that is being deferred per PUB Order 73/15.

Acquisition costs relate to costs associated with the acquisition of Centra and Minell (July 1999) and Winnipeg Hydro (September 2002).

Keeyask in-service deferral represents the difference in depreciation expense and interest expense between the method applied by the corporation under IFRS for financial reporting purposes and the per unit of output method used for rate-setting purposes.

The Affordable Energy Fund relates to future DSM expenditures in connection with *The Winter Heating Cost Control Act*. The intent of the Affordable Energy Fund is to provide funding for projects that would not otherwise be funded by DSM programs.

Loss on retirement or disposal of assets is the net asset retirement losses for those assets retired prior to or subsequent to reaching their expected service life as determined under the ELG method of depreciation.

Regulatory costs are those incurred as a result of electric and gas regulatory hearings and other regulatory applications and compliance matters..

Conawapa relates to the one-time transfer of historical costs incurred in relation to the Conawapa Generating Station project which has been discontinued.

Purchased gas variance accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. Purchased gas variance accounts are reflected as a regulatory debit or credit depending if the amounts represent a recovery from or a refund to the customers, respectively.

Deferred taxes reflect the taxes paid by Centra (July 1999) as a result of its change to non-taxable status upon acquisition by Manitoba Hydro.

Change in depreciation rate on meters represents the difference from April 1, 2015 to March 31, 2019 in depreciation on gas meters between the 20-year rate used for financial reporting purposes and the 25-year rate used for rate-setting purposes. As per PUB Board Order 152/19, the 20-year depreciation rate was approved and the balance in the deferral account is to be amortized over 5 years commencing April 1, 2019.

Impact of 2019 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2014 depreciation study and the ASL method based on the 2019 depreciation study. The PUB requires the use of 2014 ASL depreciation rates for Centra for rate-setting purposes pending review at the next gas regulatory proceeding. The balance at March 31, 2023 is less than $1 million (2022 – less than $1 million).

The regulatory deferral credit balances of the corporation consist of the following:

DSM deferral – In Orders 43/13 and 85/13, the PUB directed that the differences between actual and planned spending on electric programs for the 2013 and 2014 fiscal years be recognized as a liability. In Order 73/15, the PUB further directed the same treatment for 2015 and 2016 spending as well as for 2017. The cumulative differences have been recorded as a regulatory deferral credit balance with an offsetting balance recorded as a regulatory deferral debit balance. In Order 59/18, the PUB directed Manitoba Hydro to discontinue the deferral of differences between actual and planned DSM spending beginning fiscal 2018.

Bipole III deferral represents amounts collected from customers set aside to mitigate rate increases when Bipole III comes into service and reflects rate increases of 1.50% approved by the PUB effective May 1, 2013, 0.75% effective May 1, 2014, 2.15% effective August 1, 2015, 3.36% effective August 1, 2016 and 3.36% effective August 1, 2017.

Major capital project deferral represents amounts collected from customers from the June 1, 2019 2.5% rate increase that is set aside to aid in mitigating future rate increases when Keeyask Generating Station and other major capital projects come into service. In Order 9/22, the PUB directed Manitoba Hydro to cease funding the major capital project deferral account effective December 31, 2021.

(in millions of Canadian dollars)

Impact of 2014 depreciation study represents the cumulative unamortized difference in depreciation between the ASL method based on the 2010 depreciation study and the ASL method based on the 2014 depreciation study. The annual difference in depreciation for ASL rates based on the 2010 and 2014 depreciation studies from 2014-15 through 2018-19 shall be amortized over 5 years commencing April 1, 2019.

Meter exchange costs represents the liability established in accordance with PUB Order 152/19. Centra Gas was directed to refund $16 million to customers related to expenditures on meter exchange costs which resulted in the establishment of a regulated liability. The cumulative balance in this account was amortized over three years commencing April 1, 2019.

Note 21 Long-term debt

	Advances from the Province	Manitoba Hydro-Electric Board Bonds	Other*	Total
Balance, April 1, 2021	23 937	121	128	24 186
Issues	1 575	-	(70)	1 505
Maturities	(951)	(3)	-	(954)
Foreign exchange adjustments	27	-	-	27
Amortization of net premiums and transaction costs	-	-	(6)	(6)
Balance, March 31, 2022	24 588	118	52	24 758
Issues	866	-	(29)	837
Maturities	(1 148)	-	-	(1 148)
Foreign exchange adjustments	116	-	2	118
Amortization of net premiums and transaction costs	-	-	(5)	(5)
	24 422	118	20	24 560
Less: current portion	(1 463)			(1 463)
Balance, March 31, 2023	**22 959**	**118**	**20**	**23 097**

*Other includes adjustments to carrying value of dual currency bonds, transaction costs and debt discounts and premiums.

During the year, the corporation issued long-term financing of $837 million (2022 – $1 505 million). The current year financing was in the form of provincial advances at fixed interest rates.

Included in the current portion of long-term debt are $1 463 million (2022 – $1 141 million) of debt maturities.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $59 million (2022 – $58 million) issued for mitigation projects.

(tabular amounts in millions of Canadian dollars)

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

Years of maturity	Canadian	Canadian yields	U.S.	U.S. yields	**2023 Total**
2024	1 190	3.1%	273	5.9%	**1 463**
2025	453	2.8%	449	3.1%	**902**
2026	450	5.9%	515	1.7%	**965**
2027	762	2.4%	332	2.5%	**1 094**
2028	1 284	2.9%	-	-	**1 284**
	4 139	3.1%	1 569	2.3%	**5 708**
2029-2033	3 507	4.3%	541	2.0%	**4 048**
2034-2038	1 080	4.5%	-	-	**1 080**
2039-2043	2 281	4.1%	-	-	**2 281**
2044-2048	2 852	3.4%	-	-	**2 852**
2049-2053	5 095	3.2%	-	-	**5 095**
2054-2121	3 476	3.2%	-	-	**3 476**
	22 430	3.4%	2 110	2.2%	**24 540**

Included in the above Canadian maturity amounts is one (2022 – one) dual currency bond with the principal amount repayable in Canadian currency and interest payments denominated in U.S. currency. The one dual currency bond matures in the 2025-26 fiscal year in the amount of $130 million Canadian (2022 – one dual currency bond matures in 2025-26 in the amount of $130 million). U.S. debt is translated into Canadian dollars at the exchange rate prevailing at the consolidated statement of financial position date, $1.00 U.S. = $1.35 Canadian (2022 – $1.00 U.S. = $1.25 Canadian).

Note 22 Accounts payable and accrued liabilities

	2023	2022
Trade and other payables (Note 3(u))	**285**	316
Employee payroll and benefit accruals	**60**	59
Taxes payable	**56**	67
Water rentals and assessments	**12**	11
	413	453

Included in accounts payable and accrued liabilities are accruals based on an estimated amount of services completed or goods and materials received but not invoiced.

(in millions of Canadian dollars)

Note 23 Notes payable

	Total
Balance, April 1, 2021	-
Issues	75
Maturities	(25)
Balance, March 31, 2022	50
Issues	649
Maturities	(649)
Balance, March 31, 2023	**50**

Notes payable at March 31, 2023 had a weighted average term to maturity of 13 days (2022 – 14 days) and a weighted average rate of 4.48% (2022 – 0.45%). *The Manitoba Hydro Act* grants the corporation the power to issue short-term promissory notes up to an aggregate amount of $500 million denominated in Canadian and/or U.S. currency which includes access to bank credit facilities that provide for overdrafts and notes payable under certain conditions.

Note 24 Other liabilities

	2023	2022
Current portion of other non-current liabilities (Note 25)	**102**	101
Fair value of derivative contracts (Note 30)	**1**	1
Current portion of deferred revenue (Note 27)	**17**	17
Current portion of provisions (Note 28)	**12**	7
	132	126

The current portion of other non-current liabilities consists of the current portions of the mitigation liability of $28 million (2022 – $26 million), major development liability of $32 million (2022 – $34 million), transmission rights liability related to the Great Northern Transmission Line of $21 million (2022 - $20 million), perpetual obligation to the City of Winnipeg for the acquisition of Winnipeg Hydro of $16 million (2022 – $16 million), refundable advances from customers of $4 million (2022 – $4 million) and the lease liability of $1 million (2022 – $1 million).

The fair value of derivative contracts represents the fair value of the U.S. dollar foreign exchange forward contracts Manitoba Hydro has purchased as well as the fair value of unsettled commodity derivative contracts.

The current portion of deferred revenue represents customer contributions in aid of construction and advance payments from customers for extraprovincial sales, software maintenance and international consulting work.

The current portion of provisions includes amounts established for the asset retirement obligation for the removal and disposal of polychlorinated biphenyl (PCB) contaminated fluid in the corporation's equipment as well as amounts related to contractual disputes that are expected to be settled in the coming year.

(tabular amounts in millions of Canadian dollars)

Note 25 Other non-current liabilities

	2023	2022
Mitigation liability	**160**	161
Major development liability	**190**	193
Perpetual obligation	**215**	215
Transmission rights liability	**215**	214
Refundable advances from customers	**95**	93
Fair value of long-term derivative contracts (Note 30)	**44**	36
Lease liability	**7**	7
Other	**2**	2
	928	921
Less: current portion (Note 24)	**(102)**	(101)
	826	820

Mitigation

Manitoba Hydro's mitigation program addresses past, present and ongoing adverse effects of historical hydroelectric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works and residual compensation, grew out of the experience of planning and development of the Lake Winnipeg Regulation and Churchill River Diversion Projects. The Northern Flood Agreement, signed December 16, 1977, created a process that addressed ongoing mitigation and compensation for adverse effects of hydroelectric development in five signatory Indigenous communities. The mitigation program was expanded to address impacts arising from all past hydroelectric developments (prior to the Wuskwatim generating station), particularly for Indigenous people residing or engaged in resource harvesting in the project areas, and it is essential for operating and future development purposes. Expenditures recorded or settlements reached to mitigate the impacts of historical hydroelectric development amounted to $32 million during the year (2022 – $31 million). Payments made during the year totaled $27 million (2022 – $28 million).

In recognition of future mitigation payments, the corporation has recorded a liability of $160 million (2022 – $161 million). The net decrease in the liability is primarily the result of payments made during the year. There are other mitigation issues, the outcomes of which are not determinable at this time.

Included in mitigation liabilities are obligations assumed on behalf of the Province of Manitoba with respect to certain northern development projects. The corporation has assumed obligations totaling $147 million for which water power rental charges were fixed until March 31, 2001. The obligation outstanding as at March 31, 2023 totaled $9 million (2022 – $8 million).

The discount rates used to determine the present value of mitigation obligations range from 2.95% to 8.50%.

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Major development

Beginning with the development of the Wuskwatim generating station, project-related adverse effects are identified and addressed during project planning (including the environmental assessment process), which is done in advance of project construction. As such, mitigation measures are built into project design where possible. The costs for these mitigation measures, as well as any residual compensation requirements, are therefore accounted for in the capital cost estimates for each individual project.

Programs and adverse effects agreements have been negotiated to mitigate and compensate for all anticipated project-related impacts for major new generation and transmission development projects including Wuskwatim, Keeyask, Bipole III and the Manitoba-Minnesota transmission line. The corporation has recorded a liability of $190 million (2022 – $193 million) to reflect these agreements. These expenditures are included in the costs of the associated projects and amortized over the life of the assets. Payments made during the year totaled $22 million (2022 – $26 million).

The discount rates used to determine the present value of the major development obligations range from 2.95% to 5.05%.

Perpetual obligation

Effective September 3, 2002, the corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

The discount rate used to determine the present value of the perpetual obligation was 7.45%.

Transmission rights liability

Pursuant to an energy sale agreement Manitoba Hydro is obligated to pay a monthly fee from June 2020 to May 2040 related to transmission rights (Note 18) obtained as a result of the in-service of the Great Northern Transmission Line.

The discount rate used to determine the present value of the obligation was 2.37%.

Refundable advances from customers

Advances from customers are required whenever the costs of extending service exceed specified construction allowances. Certain of these advances may be refunded over a limited period of time as new customers begin to receive service or other contractual obligations are fulfilled. If contractual obligations are not fulfilled, these advances are reclassified to deferred revenue.

Lease liability

The lease liability of $7 million (2022 - $7 million) relates primarily to leases for a subsidiary company head office, land, buildings, technology equipment and machinery.

In addition to the $7 million (2022 - $6 million) cash outflow recorded in operating and administrative expenses (Note 8), there is a $1 million (2022 - $2 million) cash outflow for principal and interest of lease liabilities.

(tabular amounts in millions of Canadian dollars)

Note 26 Employee future benefits

	2023	2022
Net pension liability	**469**	600
Other employee future benefits liability	**258**	282
	727	882

Pension plans

Manitoba Hydro and its employees are participating members of the Civil Service Superannuation Plan (the Plan) established under *The Civil Service Superannuation Act* (CSSA) of the Province of Manitoba. Manitoba Hydro employees are eligible for pension benefits based on years of service and on the average earnings of the five best years. As a non-matching employer, the provisions of the CSSA require the corporation to contribute approximately 50% of the pension disbursements made to retired employees. Manitoba Hydro provides its portion of pension benefits through a separately administered fund, the Manitoba Hydro Pension Fund (MHPF). Manitoba Hydro and employees make contributions based on a percentage of pensionable earnings in accordance with the CSSA. The corporation expects to pay $37 million in contributions to this defined benefit plan in fiscal 2024.

Manitoba Hydro employees with pensionable service after June 1, 2006 are eligible for an additional pension benefit under the Enhanced Hydro Benefit Plan (EHBP). The EHBP improves the pension formula used to calculate pension benefits. Manitoba Hydro funds the enhanced pension benefit through contributions based on 0.50% of pensionable earnings to a separate trust account that is managed by the Civil Service Superannuation Board (CSSB). The EHBP funds are co-mingled with the Civil Service Superannuation Fund (CSSF) assets for investment purposes. The corporation expects to pay $2 million in contributions to this defined benefit plan in fiscal 2024.

The former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The Centra curtailed pension plans are Registered Pension Trusts as defined in the *Income Tax Act (Canada)*. The Master Trust is made up of three individual plans including the Centra Gas Manitoba Inc. Pension Plan for Salaried Employees, the Centra Gas Manitoba Inc. Union Employees' Pension Plan and the Centra Gas Manitoba Inc. (Rural) Local 681 Pension Plan. Centra is required to make special payments to the plans at amounts considered necessary to ensure that the benefits will be fully provided for at retirement as determined in the actuarial valuation dated December 31, 2021. The corporation does not expect to make any special payments to these defined benefit plans in fiscal 2024. The plans are registered with the Pension Commission of Manitoba and subject to the rules and regulations of *The Pension Benefits Act* of Manitoba. The Master Trust assets are held in trust with State Street Trust Company of Canada. The CSSB acts as the investment manager.

MHUS employees are eligible for pension benefits under the Plan. As a matching employer under the CSSA, MHUS is required to match employee contributions at a prescribed rate. MHUS' pension expense is recognized at the time contributions are made. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to MHUS.

(in millions of Canadian dollars)

The former employees of Winnipeg Hydro continue to earn benefits under the Winnipeg Civic Employee Benefits Program (WCEBP), which upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the former employees of Winnipeg Hydro. The WCEBP is governed by an independent board of trustees and a trust agreement that limits Manitoba Hydro's contribution rates. The structure of the trust agreement also limits Manitoba Hydro's exposure to future unfunded liabilities. Contributions to the plan are accounted for similar to a defined contribution plan.

MHI sponsors a defined contribution group registered retirement plan. MHI matches 100% of the employee contributions at prescribed contribution rates. The cost of the pension benefits is charged to pension expense as services are rendered. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements for the MHI defined contribution plan.

An independent actuary calculates the liability for pension expense purposes as at December 31 each year with the most recent actuarial valuations being completed as at December 31, 2022. The next actuarial valuations for all plans will occur as at December 2023.

These valuations incorporate management's assumptions and take into consideration the long-term nature of the pension plans. The actuary selects the demographic assumptions. The corporation's management in consultation with the actuary determines the economic assumptions such as discount rate. The accrued benefit actuarial cost method with salary projection is used to determine the pension benefit obligation and current service cost.

The following table presents information pertaining to the Manitoba Hydro Plan, the EHBP and the Centra curtailed plans that are recognized in the consolidated financial statements:

	Manitoba Hydro Plan		EHBP		Centra curtailed pension plans		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Plan assets at fair value								
Balance at beginning of year	**1 085**	1 080	**44**	39	**139**	139	**1 268**	1 258
Return on assets	**22**	54	**(2)**	4	**3**	7	**23**	65
Employer contributions	**34**	33	**2**	2	**-**	1	**36**	36
Benefit payments and refunds	**(76)**	(82)	**(1)**	(1)	**(7)**	(8)	**(84)**	(91)
	1 065	1 085	**43**	44	**135**	139	**1 243**	1 268
Pension obligation								
Balance at beginning of year	**1 705**	1 817	**53**	53	**110**	125	**1 868**	1 995
Interest cost	**68**	60	**2**	2	**4**	4	**74**	66
Current service cost	**45**	50	**3**	3	**-**	-	**48**	53
Benefit payments and refunds	**(76)**	(82)	**(1)**	(1)	**(7)**	(8)	**(84)**	(91)
Actuarial (gains) losses arising from changes in financial assumptions	**(182)**	(140)	**(8)**	(4)	**(4)**	(11)	**(194)**	(155)
	1 560	1 705	**49**	53	**103**	110	**1 712**	1 868
Net pension (liability) asset	**(495)**	(620)	**(6)**	(9)	**32**	29	**(469)**	(600)

(tabular amounts in millions of Canadian dollars)

The total net experience losses on all pension fund assets for the fiscal year ended March 31, 2023 was $27 million (2022 – gains of $25 million). The return on pension fund assets for the MHPF for the fiscal year ended March 31, 2023 was 2.9% (2022 – 5.5% return). The return for the Centra curtailed plan fund assets for the year ended March 31, 2023 was 2.9% (2022 – 5.4% return). The weighted average term to maturity on fixed income investments is 10.1 years (2022 – 11.1 years).

The investment income earned on the EHBP funds is based on the market rate of return that is earned by the CSSF. For the year ended December 31, 2022, the CSSF earned a negative rate of return of 5.63% (2021 – 11.3% positive rate of return) on fund assets.

The most recent actuarial valuations for the pension plans for going concern funding purposes were prepared as at December 31, 2021 at which date the Manitoba Hydro Plan was 82% and the EHBP was 101% funded. Although Manitoba Hydro is required to report on the funded status of these plans, the Manitoba Hydro Plan and EHBP under *The Civil Service Superannuation Act* are exempt from the funding and solvency test funding requirements of *The Pension Benefits Act*. The Centra curtailed pension plans are subject to solvency testing for funding purposes with the latest valuation taking place as at December 31, 2021. The Centra Salaried, Union and Rural plans were 108%, 126% and 117% funded, respectively, at that date. With the plan assets sufficient to cover the accrued liabilities on a solvency basis, the next review date is not required until three fiscal years after the last review date.

The corporation has recognized experience and actuarial losses on pensions in AOCI as at March 31, 2023 totaling $155 million (2022 - $322 million).

The corporation's pension expense related to each of the pension benefit plans is as follows:

	Manitoba Hydro Plan		EHBP		Centra curtailed pension plans	
	2023	2022	**2023**	2022	**2023**	2022
Current service cost	**45**	50	**3**	3	**-**	-
Interest on assets	**(46)**	(39)	**(2)**	(2)	**(6)**	(5)
Interest on obligation	**68**	60	**2**	2	**4**	4
Administrative fees	**4**	4	**-**	-	**1**	1
	71	75	**3**	3	**(1)**	-

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP. Total contributions to the WCEBP during the year amounted to $1 million (2022 – $1 million) and reflects a blended pension rate approximating 10.00% of pensionable earnings as of September 1, 2019. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the year.
The amounts are not material. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the year. The amounts are not material.

(in millions of Canadian dollars)

Assumptions

The significant actuarial assumptions adopted in measuring the corporation's pension and other employee benefit obligations are as follows:

	2023	2022
Discount rate - pensions MH	**4.88%**	4.00%
Discount rate - pensions CG	**4.83%**	3.93%
Discount rate - other benefits	**4.75 - 4.91%**	3.75 - 4.02%
Rate of compensation increase, including merit and promotions	**0.00 - 3.04%**	0.00 - 3.33%
Long-term inflation rate	**2.30%**	1.90%

Sensitivity of assumptions

The sensitivities of the actuarial assumptions used to measure the defined benefit obligations are set out below:

Assumption	Change in assumption	Impact on Manitoba Hydro Plan	Impact on EHBP	Impact on Centra curtailed pension plans
Discount rate	+ 0.50%	(92)	(4)	(5)
	- 0.50%	103	5	5
Inflation rate	+ 0.10%	-	-	-
	- 0.10%	-	-	-
Wage rate	+ 0.10%	4	-	-
	- 0.10%	(4)	-	-

The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another.

(tabular amounts in millions of Canadian dollars)

Benefit plan asset allocation

The following is a summary of the asset mix of the plans' investments at fair value:

	MHPF		Centra curtailed pension plans	
	2023	2022	**2023**	2022
Equities	**53%**	56%	**53%**	56%
Bonds and debentures	**16%**	17%	**16%**	17%
Real estate	**14%**	14%	**14%**	14%
Infrastructure	**10%**	8%	**10%**	8%
Private credit	**6%**	4%	**6%**	4%
Short-term investments	**1%**	1%	**1%**	1%
	100%	100%	**100%**	100%

Other employee future benefits

Manitoba Hydro also provides some unfunded non-pension employee future benefits including banked incidental days, vacation days, long-term disability, workers compensation, retiree health spending, sick leave vesting and severance. The following table presents information concerning other employee future benefits:

	2023	2022
Balance at beginning of year	**282**	273
Interest cost	**8**	6
Current service cost	**9**	16
Benefit payments	**(23)**	(24)
Actuarial loss from changes in financial assumptions	**-**	13
Remeasurement gain from changes in financial assumptions	**(18)**	(2)
Benefits liability	**258**	282

(in millions of Canadian dollars)

Key management personnel

The key management personnel of the corporation have been defined as members of the Manitoba Hydro-Electric Board and Manitoba Hydro's executives. The directors' fees are authorized by the Lieutenant Governor in Council. Manitoba Hydro's executives receive a base salary, in addition to non-cash benefits, employer contributions to the corporation's post-employment defined pension plan and other post-employment benefits.

Key management personnel compensation is as follows:

	2023	2022
Salaries and other short-term employee benefits	**4**	3
Post-employment benefits	**-**	1
	4	4

Note 27 Deferred revenue

	2023	2022
Contributions in aid of construction	**635**	607
Government grants	**14**	12
Deferred revenue	**5**	5
	654	624
Less: current portion (Note 24)	**(17)**	(17)
	637	607

Contributions in aid of construction are required from customers and developers whenever the costs of extending service exceed specified construction allowances.

Revenue from contracts with customers and developers expected to be recognized in future periods related to performance obligations that are unsatisfied or partially satisfied at the reporting date are as follows:

	2024	2025	2026	2027	2028	2029 and thereafter	Total
Contributions from customers and developers	14	14	14	13	13	567	635

(tabular amounts in millions of Canadian dollars)

Note 28 Provisions

	Mitigation provisions	Asset retirement obligations	Affordable Energy Fund	Legal and other provisions	Total
Balance, April 1, 2021	29	3	4	28	64
Provisions made (Note 3(u))	5	15	-	45	65
Provisions used	-	-	-	(20)	(20)
Accretion	1	-	-	-	1
Revaluations	(2)	-	-	-	(2)
Balance, March 31, 2022	33	18	4	53	108
Provisions made	-	-	-	9	9
Provisions used	-	-	-	(3)	(3)
Accretion	1	-	-	-	1
Revaluations	(7)	-	-	(22)	(29)
Balance, March 31, 2023	**27**	**18**	**4**	**37**	**86**

	2023	2022
Analyzed as:		
Current (Note 24)	**12**	7
Non-current	**74**	101
	86	108

Mitigation

A provision has been recognized for certain mitigation related obligations arising from ongoing adverse effects of past hydroelectric development. The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the reporting date. Once a final settlement is reached, these obligations will be transferred to other long-term liabilities (Note 25).

Discount rates used to determine the present value of mitigation related provisions were 4.35% to 4.50% (2022 – 3.65% to 4.45%).

Asset retirement obligations

The corporation recognizes an asset retirement obligation for the removal and disposal of PCB contaminated fluid in equipment bushings at transmission and distribution stations. The estimated undiscounted cash flows required to settle the asset retirement obligation are approximately $1 million (2022 – $2 million), which is expected to be incurred by 2025.

(in millions of Canadian dollars)

The corporation recognizes an asset retirement obligation for the removal and disposal of PCB contaminated fluid in equipment maintained enterprise-wide by the corporation. The estimated undiscounted cash flows required to settle the asset retirement obligation are approximately $17 million (2021 – $16 million), which is expected to be incurred by 2026.

No funds are being set aside to settle the asset retirement obligations. The discount rates used to determine the fair market value of asset retirement obligations was 3.30% to 3.66% (2022 – 2.29% to 2.38%).

Affordable Energy Fund

In accordance with the requirements of *The Winter Heating Cost Control Act*, Manitoba Hydro established an Affordable Energy Fund in the initial amount of $35 million for the purpose of providing funding for projects that would not otherwise be funded by DSM programs. Expenditures of less than $1 million (2022 – less than $1 million) during the year were charged to operations with the regulatory deferral balance and the provision reduced accordingly.

Legal and other provisions

Legal and other provisions have been established for obligations, which require recognition in the financial statements due to the likelihood of settlement and the presence of an obligation, either from past events or constructive in nature. These include amounts related to contractual disputes that are expected to be settled in the coming year.

Subsequent to March 31, 2023, the corporation entered into an agreement in principle with an Indigenous Nation to address the adverse effects of existing developments and operations. The estimated present value impact of this agreement in principle is in the range of $40 million to $120 million and will be recorded as a provision in fiscal 2024.

Note 29 Non-controlling interests

	2023	2022
Wuskwatim Power Limited Partnership		
Taskinigahp Power Corporation	**43**	34
Keeyask Hydropower Limited Partnership		
Cree Nation Partners Limited Partnership	**181**	175
Fox Lake Cree Nation Keeyask Investments Inc.	**60**	58
York Factory First Nation Limited Partnership	**60**	58
	301	291
	344	325

Manitoba Hydro has entered into the WPLP with Taskinigahp Power Corporation (TPC) to carry on the business of developing, owning and operating the Wuskwatim Generating Station. TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). The generating station and associated transmission assets were placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $43 million (2022 – $34 million) is represented as a non-controlling interest within the equity section of the consolidated statement of financial position. TPC's portion of the net income of the WPLP during 2022-23 is $9 million (2022 – $5 million).

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC for investment in WPLP (Note 19). As at March 31, 2023, Manitoba Hydro has provided advances to TPC of $88 million (2022 – $88 million). In addition, Manitoba Hydro provides advances on future WPLP distributions to NCN. As at March 31, 2023, Manitoba Hydro has provided advances to NCN of $7 million (2022 – $7 million). The advances plus interest are repayable by TPC through its share of distributions from the WPLP. In exchange for forgiveness of the advances and interest, TPC has the option to put all their units back to Manitoba Hydro at any time between June 29, 2037 and June 29, 2062.

Manitoba Hydro has also entered into the KHLP with Tataskweyak Cree Nation (TCN) and War Lake First Nation (War Lake) operating as Cree Nation Partners (CNP), York Factory First Nation (York Factory) and Fox Lake Cree Nation (Fox Lake) to carry on the business of developing, owning and operating the Keeyask Generating Station. Cree Nation Partners Limited Partnership (CNPLP) is owned beneficially by TCN and War Lake through CNP, FLCN Keeyask Investments Inc. (FLCNKII) is owned beneficially by Fox Lake and York Factory First Nation Limited Partnership (YFFNLP) is owned beneficially by York Factory. The first unit of the generating station was placed in service in February 2021 with the remaining units placed in service during the year ended March 31, 2022.

The 10.5% ownership interest of CNPLP, the 3.5% ownership interest of FLCNKII and the 3.5% ownership interest of YFFNLP in the KHLP totaling $301 million (2022 – $291 million) is represented as a non-controlling interest within the equity section of the consolidated statement of financial position. The net income of the KHLP attributable to the non-controlling interests totals $8 million (2022 – loss of $16 million).

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to CNPLP, FLCNKII and YFFNLP (Note 19). As at March 31, 2023, Manitoba Hydro has provided advances to CNPLP of $186 million (2022 – $184 million), FLCNKII of $62 million (2022 – $61 million) and YFFNLP of $62 million (2022 – $61 million). The advances plus interest are repayable by CNPLP, FLCNKII and YFFNLP through distributions from the KHLP. In exchange for forgiveness of the advances and interest, CNPLP, FLCNKII and YFFNLP have the option at the final closing date (as defined in the Joint Keeyask Development Agreement) to convert their common units to preferred units based on their invested capital and return their common units to Manitoba Hydro or to put all their units back to Manitoba Hydro.

(in millions of Canadian dollars)

Summarized financial information before intercompany eliminations for WPLP and KHLP are as follows:

	2023	2022
WPLP		
Current assets	**98**	65
Non-current assets	**1 425**	1 433
Current liabilities	**23**	24
Non-current liabilities	**1 369**	1 371
Revenue	**125**	124
Net income	**28**	15
KHLP		
Current assets	**95**	24
Non-current assets	**7 449**	7 442
Current liabilities	**121**	139
Non-current liabilities	**5 701**	5 667
Revenue	**364**	160
Net income (loss)	**46**	(94)

Note 30 Financial instruments

The carrying amounts of cash and cash equivalents, trade accounts receivable and accrued revenue, trade accounts payable and accrued liabilities, loans and other receivables and long-term debt and other non-current liabilities are carried at values that approximate fair value due to the short-term nature of these financial instruments.

(tabular amounts in millions of Canadian dollars)

The carrying amounts and fair values of the corporation's non-derivative financial instruments are as follows:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Amortized cost				
Cash and cash equivalents	**1 089**	**1 089**	1 083	1 083
Accounts receivable and accrued revenue	**547**	**547**	490	490
Loans and other receivables (including current portion)	**571**	**575**	562	585
Other financial liabilities				
Accounts payable and accrued liabilities	**413**	**413**	453	453
Notes payable	**50**	**50**	50	50
Long-term debt (including current portion)	**24 560**	**23 145**	24 758	25 442 *
Mitigation liability (including current portion)	**160**	**199**	161	202
Major development liability (including current portion)	**190**	**206**	193	215
Perpetual obligation (including current portion)	**215**	**347**	215	369
Transmission rights liability	**215**	**186**	214	194

*The fair value of long-term debt is unhedged and excludes the Provincial debt guarantee fee.

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated statement of financial position date for similar instruments available in the capital market. There are nominal amounts measured at Level 3 that are based on internally developed valuation models and consistent with valuation models developed by other market participants in the wholesale power markets.

Financial risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Manitoba Hydro-Electric Board to ensure the adequacy of the risk management framework in relation to the risks faced by the corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks have not changed significantly from the prior year.

(in millions of Canadian dollars)

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to temporary investments and pension fund investments. The corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The corporation is also exposed to credit risk related to domestic and export energy sales. Credit risk related to domestic receivables is mitigated by the large and diversified electric and natural gas customer base. Customers participating in residential financing programs are subject to credit reviews and must meet specific criteria before they are approved for a residential loan or financing. Credit risk in the export power market is mitigated by establishing credit requirements, conducting standard credit reviews of all counterparties and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to further mitigate credit risk. The maximum exposure to credit risk related to domestic and export energy sales is the carrying value of the related receivables.

The values of the corporation's aged trade accounts receivable and related expected credit loss allowance are presented in the following table:

	Manitoba	Extraprovincial	ECL allowance	**2023**	2022
Under 30 days	247	22	(1)	**268**	276
31 to 60 days	24	1	(1)	**24**	22
61 to 90 days	13	-	(1)	**12**	13
Over 90 days	72	-	(33)	**39**	30
Total accounts receivable	356	23	(36)	**343**	341

The ECL allowance for trade receivables is based on an amount equal to lifetime expected credit losses.

Reconciliation between the opening and closing ECL allowance balances for trade accounts receivable is as follows:

	2023	2022
Balance, April 1	**35**	24
Loss allowance	**9**	16
Write-offs	**(9)**	(7)
Recoveries	**1**	2
Balance, March 31	**36**	35

(tabular amounts in millions of Canadian dollars)

In accordance with partnership agreements, the corporation has advanced equity loans to Indigenous partners. These loans plus interest are secured by their ownership investment units in the Wuskwatim and Keeyask Generating Stations as described in Note 29.

In 2022-23, the corporation increased the ECL allowance to $91 million (2022 – $72 million) related to loans and other receivables (Note 19).

(b) Liquidity risk

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. The corporation meets its financial obligations when due through cash generated from operations, short-term borrowings and long-term borrowings advanced from the Province of Manitoba. Cash receipts and disbursements are closely monitored as well as short-term debt balances and forecasted cash requirements.

The following is an analysis of the contractual undiscounted cash flows payable under financial and other liabilities as at the consolidated statement of financial position date:

	Carrying value	2024	2025	2026	2027	2028	2029 and thereafter
Financial liabilities							
Accounts payable and accrued liabilities	413	413	-	-	-	-	-
Notes payable	50	50	-	-	-	-	-
Long-term debt*	24 694	2 411	1 818	1 853	1 933	2 084	33 034
Mitigation liability	160	28	15	14	15	12	409
Major development liability	190	29	10	10	10	10	575
Perpetual obligation	215	16	16	16	16	16	16**
Transmission rights liability	215	21	20	20	19	18	156
Lease liability	7	2	1	1	1	1	2
	25 944	2 970	1 880	1 914	1 994	2 141	34 192

* The carrying value includes current portion and accrued interest, but excludes the Provincial debt guarantee fee
** Per year in perpetuity

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

(i) Foreign exchange risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. and through borrowing in U.S. markets. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

(in millions of Canadian dollars)

To mitigate annual net income impacts due to foreign exchange rate fluctuations, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in OCI until future hedged U.S. export revenues are realized, at which time the associated gains or losses in AOCI are recognized in finance expense. For the year ended March 31, 2023, unrealized foreign exchange translation losses of $116 million (2022 – $2 million) were recognized in OCI and net losses of $34 million (2022 – $31 million) were reclassified from OCI into net income.

The following table summarizes the corporation's hedging instruments as at March 31, 2023:

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item where the hedging instrument is located	Change in value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges:					
U.S. debt	2 110	-	2 110	Long-term debt	101
Dual currency bond interest payments	25	-	-	-	6

The following table summarizes the corporation's hedging instruments as at March 31, 2022:

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item where the hedging instrument is located	Change in value used for calculating hedge ineffectiveness
		Assets	Liabilities		
Cash flow hedges:					
U.S. debt	687	-	687	Long-term debt	20
Dual currency bond interest payments	33	-	-	-	6

The accumulated amount of fair value adjustments on the corporation's hedged item (forecast export revenues) recognized in AOCI as at March 31, 2023 was $107 million (2022 - $26 million).

In addition, the corporation utilizes foreign exchange forward contracts to hedge U.S. long-term debt balances, for which hedge accounting is not applied. The monthly foreign exchange revaluation of these U.S. long-term debt balances and the mark to market of the foreign exchange forward contracts are both recorded in finance expense. The fair value of these forward contracts of $1 million is included in other liabilities (2022 – nil) and classified as Level 2 fair value measurements. The notional amount related to these forward contracts is $274 million (2022 – nil).

In addition to economic hedging relationships, cross currency swap arrangements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As at March 31, 2023, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $3 million (2022 – $2 million), while OCI would increase (decrease) by $156 million (2022 – $55 million).

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments, floating rate short-term and long-term debt, fixed rate long-term debt maturing within 12 months, offset by the change in interest capitalization.

To mitigate the interest rate risk arising from the significant level of new capital borrowing requirements, the interest rate risk on the existing debt portfolio has been reduced by decreasing the percentage of floating rate debt within the existing debt portfolio and by selecting debt maturities that upon refinancing will not compete with new borrowing requirements.

Interest rate swap agreements transacted by the Province of Manitoba on the corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the corporation are amended by the swap.

As at March 31, 2023, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $6 million (2022 – $4 million), with no impact to OCI.

(iii) Commodity price risk

The corporation is exposed to commodity price risk on market sales and purchases of electricity and delivered natural gas purchases as a result of market price volatility. Long-term contracts are in place to reduce exposure to price variation. The corporation also mitigates electricity price risk with the limited use of derivative financial instruments.

At March 31, 2023, the corporation has unsettled commodity derivative contracts with a fair value of $1 million included in receivables (2022 – $1 million included in other liabilities) and $44 million (2022 - $36 million) included in other non-current liabilities. The derivative financial instruments are classified as Level 2 fair value measurements. For the year ended March 31, 2023, unrealized fair market value losses on fixed-price commodity derivatives of $7 million (2022 – $32 million) were recognized in OCI and less than $1 million (2022 – $1 million) of hedge ineffectiveness was reclassified from OCI to net income. As at March 31, 2023, the corporation has recognized fair market value losses on fixed-price commodity derivatives totaling $43 million (2022 – $35 million) in AOCI.

(d) Climate change risk

Manitoba Hydro's business is sensitive to weather and climate, which is projected to change in the future. Climate change risks and opportunities can be characterized as either Physical (such as increasing temperature and changing precipitation patterns) or Transitional (such as changes in policy, technology, and markets) as society shifts to a lower carbon economy. Potential impacts associated with Physical risk include changes in hydropower generation, electrical and natural gas demand, infrastructure design, and daily operations which are largely linked to environmental conditions such as temperature, wind speed, precipitation, floods, hydrologic drought, and wildfire. Potential impacts associated with Transitional risk include restrictions on the use of fossil-fuel fired electricity generation, changes in technology for producing and delivering energy, increased electrical demand (coincident with decreased natural gas demand) due to decarbonization and carbon pricing, and changes in the market cost of electricity.

Quantifying financial aspects of climate change impacts can be complex due to several factors. Acute weather events (such as a widespread snowstorm) can result in a large financial impact; however, natural variability in the climate system creates challenges in attributing individual events to climate change. In contrast, chronic changes in the climate system (such as slow onset temperature increase) may be more easily attributed to climate change but result in financial impacts that span multiple fiscal years. Additional complexities include uncertainty in future climate projections, investment in adaptation measures to increase resilience, policy uncertainty, technological uncertainty, and accounting for opportunities that may arise as a result of climate change. Manitoba Hydro continues to monitor its exposure to these risks and the related financial impact.

(tabular amounts in millions of Canadian dollars)

Note 31 Capital management

Manitoba Hydro manages its capital structure to ensure that there is sufficient equity to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for capital projects and ongoing operational requirements.

The corporation monitors its capital structure on the basis of its debt to capitalization ratio. As part of Bill 36, *The Manitoba Hydro Amendment and Public Utilities Board Amendment Act*, the rates charged by Manitoba Hydro are to provide sufficient revenues to enable the corporation to achieve a debt to capitalization ratio of 80% by March 31, 2035 and 70% by March 31, 2040. While this new provision comes into force on April 1, 2025, Manitoba Hydro has updated its debt to capitalization targets to reflect the amendments.

The corporation defines its debt to capitalization ratio as follows:

	2023	2022
Long-term debt (Note 21)	**23 097**	23 617
Current portion of long-term debt (Note 21)	**1 463**	1 141
Notes payable (Note 23)	**50**	50
Less: Cash and cash equivalents (Note 13)	**(1 089)**	(1 083)
Net debt	**23 521**	23 725
Retained earnings	**3 650**	3 012
Accumulated other comprehensive loss	**(305)**	(383)
Contributions in aid of construction (Note 27)	**635**	607
Bipole III deferral (Note 20)	**20**	97
Major capital deferral (Note 20)	**98**	98
Non-controlling interest (Note 29)	**344**	325
Total capitalization	**4 442**	3 756
Debt to capitalization ratio	**84.1%**	86.3%

Manitoba Hydro issues debt for its capital requirements under the authority of *The Manitoba Hydro Act*, *The Loan Act and The Financial Administration Act*. *The Manitoba Hydro Act* grants the corporation the power to issue up to $500 million of short-term promissory notes guaranteed by the provincial government. Manitoba Hydro submits annual requests under *The Loan Act* for the necessary borrowing authority for new capital requirements. Authority to refinance any maturing long-term debt is provided through *The Financial Administration Act*. The majority of Manitoba Hydro's long-term debt is obtained through advances from the Province of Manitoba. As specified in *The Financial Administration Act*, amounts borrowed by Manitoba Hydro must not exceed $29.3 billion.

Note 32 Related parties

Manitoba Hydro is a Crown corporation controlled by the Province of Manitoba. As a result, the corporation has a related party relationship with all entities that are controlled, jointly controlled or significantly influenced by the Province of Manitoba. However, as permitted by IAS 24 *Related Party Disclosures*, the corporation is exempt from disclosure requirements relating to transactions with the Province of Manitoba and any other entity that is a related party because the Province of Manitoba has control, joint control or significant influence over both the corporation and the other entity.

Significant transactions with the Province of Manitoba and other related provincial entities consist of:

- Long-term debt – the corporation obtains the majority of its long-term debt through advances from the Province of Manitoba (Note 21);
- Provincial debt guarantee fee – the corporation pays the Province of Manitoba an annual fee on the outstanding debt. During the year, the Province of Manitoba reduced the fee charged to Manitoba Hydro by 50% effective April 1, 2022. The Provincial debt guarantee fee of $118 million (2022 – $229 million) for the year was 0.50% (2022 – 1.00%) of the corporation's total outstanding debt guaranteed by the Province of Manitoba;
- Water rentals – amounts are paid to the Province of Manitoba for the use of water resources in the operation of the corporation's hydroelectric generating stations. During the year, the Province of Manitoba reduced the rate charged to Manitoba Hydro for the use of water in generating electricity by 50% effective April 1, 2022. Water rental rates during the year were $1.67 per MWh (2022 – $3.34 per MWh) totalling $71 million (2022 – $89 million);
- Taxes – amounts are paid to the Province of Manitoba for corporate capital tax, payroll tax (Note 11) and provincial sales tax, all of which are incurred in the normal course of business;
- Sale of electricity and natural gas – energy sales to related parties; and
- Payments to Efficiency Manitoba Inc. for DSM programs (Note 20).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Note 33 Commitments and contingencies

Manitoba Hydro has energy purchase commitments of $1 721 million (2022 – $1 821 million) that relate to future purchases of wind generated electricity, natural gas (including transportation and storage contracts) and electricity. Commitments are primarily for transmission right access which expire in 2041, wind and solar purchases which expire in 2040 and natural gas purchases which expire in 2039. In addition, other outstanding commitments principally for construction are approximately $1 905 million (2022 – $1 690 million).

As at March 31, 2023, total future minimum lease payments committed under property leases without a right-of-use asset and corresponding lease liability amounted to $1 million (2022 – less than $1 million).

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal, environmental and operational matters are pending. Management believes that any settlements related to these matters will not have a material adverse effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro may provide guarantees to counterparties for natural gas purchases. At March 31, 2023, there is an outstanding guarantee totaling $40 million (2022 – $40 million) which matures October 31, 2023. Letters of credit in the amount of $77 million (2022 – $74 million) have been issued for construction and energy related transactions with maturities until 2049.

Note 34 Segmented information

Operating segments are reported consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the President and Chief Executive Officer. The corporation is managed as three segments, electricity operations, natural gas operations and other, based on how financial information is produced internally for the purposes of making operating decisions.

Segment descriptions

Electric Operations

Electric operations derives its revenue from the sale of electricity in both Manitoba and to the export markets. Manitoba Hydro's electric operations also includes subsidiaries WPLP, KHLP and 6690271 Manitoba Ltd. Electricity is sold in Manitoba to residential, commercial and industrial customers while extraprovincial sales of electricity are to the U.S. and Canadian markets. Domestic electricity sales are regulated by the PUB.

Natural Gas Operations

The operations of Centra make up the entire natural gas operations segment. Centra is regulated by the PUB and generates revenue through the sale and distribution of natural gas to residential, commercial and industrial customers throughout Manitoba.

Other Segment

The other segment includes the operations of all other subsidiaries of the corporation, including MHI, MHUS, Minell and Teshmont.

MHI derives its revenue by providing professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry. In February 2021, Manitoba Hydro commenced a reorganization of MHI. As part of the reorganization the international consulting business of MHI continues to wind down as current contracts expire and the telecom services business may be impacted by the agreements associated with the rural broadband expansion project.

MHUS generates revenue by providing meter reading, interactive voice response systems and contracted services primarily to Manitoba Hydro and Centra.

Minell operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba and is regulated by the Canada Energy Regulator. Revenues are derived through the rentals of Minell's gas transmission facilities to Centra as they are used solely for the transportation of natural gas on behalf of Centra.

Teshmont is a holding company established to acquire a 40% ownership of Teshmont Consultants Limited Partnership (TCLP). The corporation is currently in the process of winding up Teshmont following TCLP's sale of its operating assets in September 2020.

(in millions of Canadian dollars)

Segmented results

Results by operating segment for the years ended March 31, 2023 and 2022 are shown below. Intersegment eliminations are presented to reconcile segment results to the corporation's consolidated totals. Eliminations have been made for intersegment transactions and balances.

	Electric operations		Natural gas operations		Other segment		Eliminations		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Revenues										
External revenue	**3 065**	2 450	**657**	545	**113**	45	**-**	-	**3 835**	3 040
Intersegment revenue	**-**	-	**2**	1	**8**	10	**(10)**	(11)	**-**	-
	3 065	2 450	**659**	546	**121**	55	**(10)**	(11)	**3 835**	3 040
Expenses										
Finance expense	**988**	1 027	**27**	23	**(1)**	-	**17**	18	**1 031**	1 068
Operating and administrative	**609**	579	**73**	70	**15**	16	**(3)**	(5)	**694**	660
Depreciation and amortization	**623**	572	**31**	29	**3**	3	**1**	1	**658**	605
Cost of gas sold	**-**	-	**523**	405	**-**	-	**-**	-	**523**	405
Water rentals and assessments	**84**	101	**-**	-	**-**	-	**-**	-	**84**	101
Fuel and power purchased	**138**	394	**-**	-	**-**	-	**-**	-	**138**	394
Capital and other taxes	**157**	160	**18**	18	**-**	1	**-**	-	**175**	179
Other expenses	**68**	59	**11**	11	**25**	26	**(6)**	(5)	**98**	91
Finance income	**(52)**	(24)	**-**	-	**(4)**	-	**-**	-	**(56)**	(24)
Corporate allocation	**7**	8	**12**	12	**-**	-	**(19)**	(20)	**-**	-
	2 622	2 876	**695**	568	**38**	46	**(10)**	(11)	**3 345**	3 479
Net income (loss) before net movement in regulatory deferral balances	**443**	(426)	**(36)**	(22)	**83**	9	**-**	-	**490**	(439)
Net movement in regulatory deferral balances	**147**	166	**18**	14	**-**	-	**-**	-	**165**	180
Net Income (Loss)	**590**	(260)	**(18)**	(8)	**83**	9	**-**	-	**655**	(259)
Net income (loss) attributable to:										
Manitoba Hydro	**573**	(249)	**(18)**	(8)	**83**	9	**-**	-	**638**	(248)
Non-controlling interests	17	(11)	-	-	-	-	**-**	-	17	(11)
	590	(260)	**(18)**	(8)	**83**	9	**-**	-	**655**	(259)
Total assets before regulatory deferral balances	**29 333**	29 143	**844**	782	**202**	129	**(419)**	(284)	**29 960**	29 770
Total regulatory deferral debit balances	**1 347**	1 277	**103**	91	**-**	-	**-**	-	**1 450**	1 368
Total liabilities	**27 076**	27 409	**764**	666	**20**	20	**(307)**	(162)	**27 553**	27 933
Total regulatory deferral credit balances	**167**	244	**1**	7	**-**	-	**-**	-	**168**	251
Retained earnings	**3 398**	2 825	**61**	79	**191**	108	**-**	-	**3 650**	3 012

Financial statistics

For the year ended March 31					IFRS					CGAAP
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
					dollars are in millions					
Revenues										
Domestic Electric	**1 903**	1 834	1 714	1 702	1 707	1 464	1 419	1 399	1 424	1 405
Gas	**656**	542	416	388	365	343	342	353	427	413
Extraprovincial	**1 131**	585	611	468	430	437	460	415	384	402
Other	**145**	79	80	71	74	86	106	91	81	72
	3 835	3 040	2 821	2 629	2 576	2 330	2 327	2 258	2 316	2 292
Expenses										
Finance expense	**1 031**	1 068	846	838	778	641	645	620	551	470
Operating and administrative	**694**	660	608	579	576	586	608	614	614	558
Depreciation and amortization	**658**	605	563	512	496	430	402	394	378	442
Cost of gas sold	**523**	405	277	238	212	196	183	181	266	252
Water rentals and assessments	**84**	101	128	126	113	126	131	126	125	125
Fuel and power purchased	**138**	394	184	98	136	130	132	117	129	140
Capital and other taxes	**175**	179	167	163	155	146	135	123	115	117
Other expenses	**98**	91	80	104	130	548	104	114	77	36
Finance income	**(56)**	(24)	(24)	(43)	(31)	(23)	(17)	(23)	(26)	-
	3 345	3 479	2 829	2 615	2 565	2 780	2 323	2 266	2 229	2 140
Net income (loss) before net movement in regulatory balances	**490**	(439)	(8)	14	11	(450)	4	(8)	87	152
Net movement in regulatory balances	**165**	180	125	85	107	479	55	47	38	-
Net Income (Loss)	**655**	(259)	117	99	118	29	59	39	125	152
Net income (loss) attributable to:										
Manitoba Hydro	**638**	(248)	119	99	121	37	71	49	136	174
Non-controlling interests	**17**	(11)	(2)	-	(3)	(8)	(12)	(10)	(11)	(22)
	655	(259)	117	99	118	29	59	39	125	152
Assets										
Property, plant and equipment	**26 474**	26 376	26 023	25 190	23 627	21 979	19 757	17 208	15 222	13 627
Sinking fund investments	**-**	-	-	-	-	-	-	-	114	111
Current and other assets	**3 486**	3 394	3 438	2 937	2 672	2 146	2 015	2 085	1 821	1 901
Regulatory deferral debits	**1 450**	1 368	1 254	1 179	1 132	1 044	566	486	410	-
	31 410	31 138	30 715	29 306	27 431	25 169	22 338	19 779	17 567	15 639
Liabilities and Equity										
Long-term debt	**23 097**	23 617	23 065	21 950	21 303	18 200	16 102	14 201	12 303	10 460
Current and other liabilities	**3 819**	3 709	3 731	3 744	2 686	3 671	3 157	2 799	2 603	1 913
Deferred revenue	**637**	607	579	549	522	769	642	535	459	381
Regulatory deferral credits	**168**	251	317	367	405	76	77	52	23	-
Non-controlling interests	**344**	325	323	302	254	205	170	140	120	73
Retained earnings	**3 650**	3 012	3 260	3 141	3 042	2 936	2 899	2 828	2 779	2 716
Accumulated other comprehensive income (loss)	**(305)**	(383)	(560)	(747)	(781)	(688)	(709)	(776)	(720)	96
	31 410	31 138	30 715	29 306	27 431	25 169	22 338	19 779	17 567	15 639
Cash Flows										
Operating activities	**1 068**	135	248	327	82	(229)	508	489	438	691
Financing activities	**(314)**	599	1 067	1 647	2 244	2 868	1 866	2 120	1 569	1 125
Investing activities	**(748)**	(793)	(1 099)	(1 948)	(2 068)	(2 643)	(2 682)	(2 148)	(1 655)	(1 706)
Financial Indicators										
Debt to capitalization ratio [1]	**84%**	86%	86%	86%	86%	85%	84%	83%	83%	76%

[1] The calculation for the debt to capitalization ratio is disclosed in Note 31 of the consolidated financial statements.

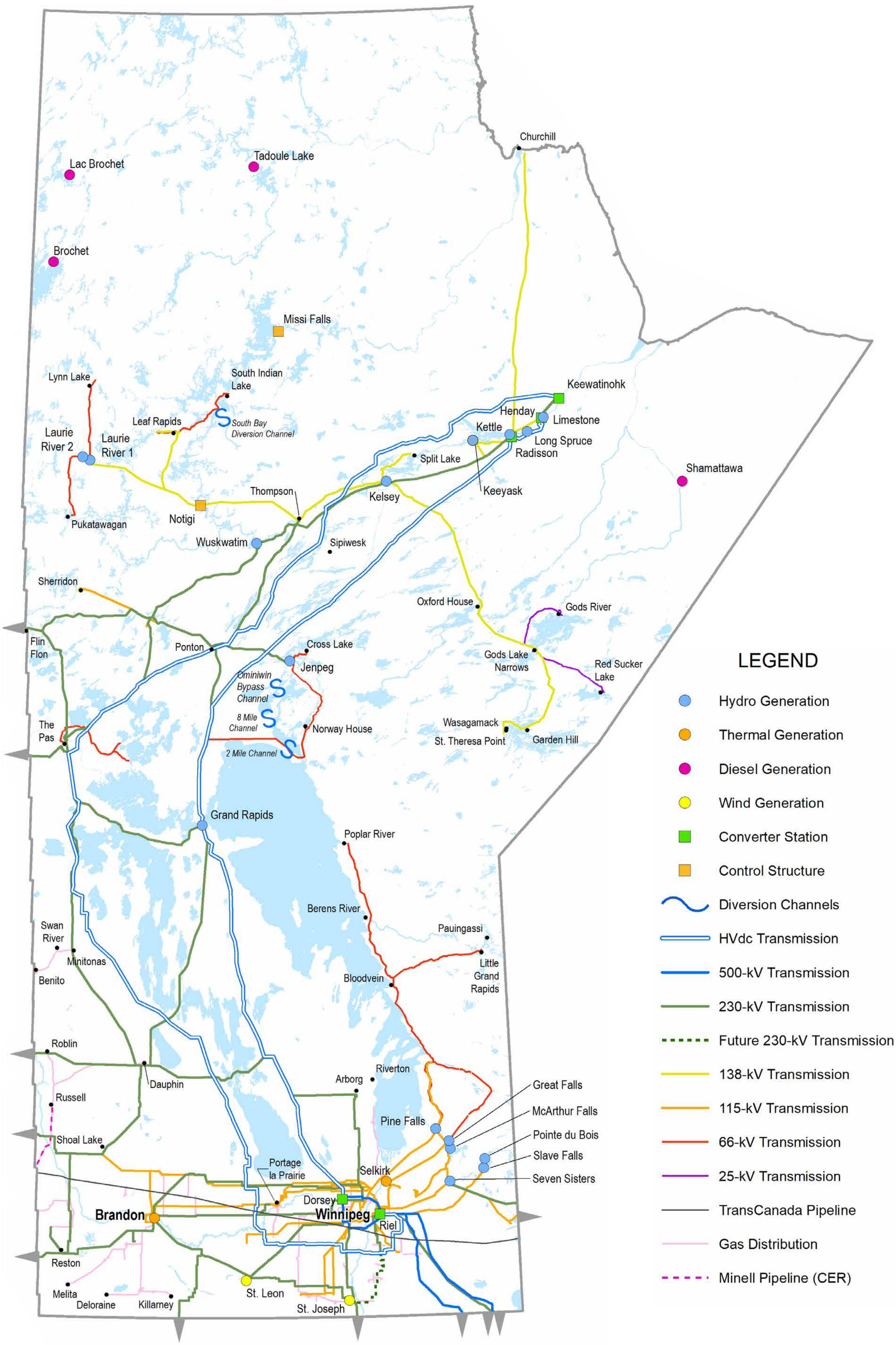
Operating statistics

For the year ended March 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Electric System Capability										
Capability (000 kW)	**6 054**	5 860	5 608	5 615	5 561	5 648	5 679	5 680	5 691	5 715
Manitoba firm peak demand (000 kW)	**4 761**	4 785	4 888	4 692	4 911	4 735	4 801	4 460	4 688	4 720
Percent change	**(0.5)**	(2.1)	4.2	(4.5)	3.7	(1.4)	7.6	(4.9)	(0.7)	4.1
Electric System Supply										
Total energy supplied (millions of kWh)										
Generation	**39 534**	26 628	35 189	34 542	30 928	34 613	36 433	34 990	35 044	35 392
Isolated systems	**17**	17	16	15	15	14	15	14	15	14
	39 551	26 645	35 205	34 557	30 943	34 627	36 448	35 004	35 059	35 406
Electric Load at Generation (millions of kWh)										
Integrated system	**26 064**	25 711	24 706	25 097	25 750	25 644	25 144	24 566	25 399	25 510
Isolated system	**17**	17	16	15	15	14	15	14	15	14
	26 081	25 728	24 722	25 112	25 765	25 658	25 159	24 580	25 414	25 524
Percent change	**1.4**	4.1	(1.6)	(2.5)	0.4	2.0	2.4	(3.3)	(0.4)	3.5
Electric System Deliveries (millions of kWh)										
Energy delivered in Manitoba										
Residential	**8 203**	8 226	8 019	7 695	8 001	7 636	7 250	7 181	7 788	7 888
Commercial / Industrial	**14 464**	14 347	13 682	14 307	14 769	14 869	14 716	14 473	14 670	14 450
	22 667	22 573	21 701	22 002	22 770	22 505	21 966	21 654	22 458	22 338
Extraprovincial	**13 325**	6 205	10 908	9 629	6 267	9 448	11 272	10 281	9 811	10 537
	35 992	28 778	32 609	31 631	29 037	31 953	33 238	31 935	32 269	32 875
Gas Deliveries (millions of cubic metres)	**2 225**	2 111	2 059	2 147	2 229	2 048	1 986	1 846	2 071	2 280
Electric Customers										
Residential	**542 268**	535 212	528 391	521 498	515 354	509 465	503 167	497 699	492 275	486 654
Commercial / Industrial	**74 021**	73 342	72 600	71 992	71 441	70 797	70 271	69 935	69 594	69 106
	616 289	608 554	600 991	593 490	586 795	580 262	573 438	567 634	561 869	555 760
Gas Customers	**296 138**	293 256	290 502	287 714	284 996	281 990	279 268	276 858	274 817	272 228
Full Time Equivalent (FTE) [1]	**5 143**	4 962	4 954	5 393	5 475	5 998	6 411	6 410	6 483	6 556

[1] FTEs include all permanent, seasonal and part-time staff, as well as employees of subsidiaries. It is derived by calculating total straight time hours paid in the year divided by 1 916 hours per FTE.

Major electric & natural gas facilities



Sources of electrical energy generated & purchased

For the year ended March 31, 2023

Nelson River	**80.74**	%
Billion kWh generated	**33.0**	
Limestone	23.96	%
Kettle	21.45	%
Long Spruce	17.50	%
Keeyask	11.71	%
Kelsey	5.04	%
Jenpeg	1.08	%
Winnipeg River	**8.34**	%
Billion kWh generated	**3.4**	
Seven Sisters	2.54	%
Great Falls	2.00	%
Pine Falls	1.56	%
Pointe du Bois	0.42	%
Slave Falls	0.90	%
McArthur	0.93	%

Saskatchewan River	**4.03**	%
Billion kWh generated	**1.6**	
Grand Rapids	4.03	%
Laurie River	**0.13**	%
Billion kWh generated	**0.1**	
Laurie River 1	0.06	%
Laurie River 2	0.07	%
Burntwood River	**3.53**	%
Billion kWh generated	**1.4**	
Wuskwatim	3.53	%

Thermal	**0.01**	%
Billion kWh generated	**0.0**	
Brandon	0.01	%
Selkirk	0.00	%
Purchases (excl. wind)	**0.89**	%
Billion kWh purchased	**0.4**	
Wind	**2.33**	%
Billion kWh purchased	**0.9**	

Manitoba Hydro generating stations & capabilities

Interconnected Capabilities			
Station	Location	Number of units	Net Capability (MW)
Hydraulic			
Great Falls	Winnipeg River	6	**137**
Seven Sisters	Winnipeg River	6	**164**
Pine Falls	Winnipeg River	6	**88**
McArthur	Winnipeg River	8	**55**
Pointe du Bois	Winnipeg River	16	**34**
Slave Falls	Winnipeg River	8	**60**
Grand Rapids	Saskatchewan River	4	**480**
Keeyask	Nelson River	7	**555**
Kelsey	Nelson River	7	**294**
Kettle	Nelson River	12	**1220**
Jenpeg	Nelson River	6	**86**
Long Spruce	Nelson River	10	**1010**
Limestone	Nelson River	10	**1400**
Laurie River (2)	Laurie River	3	**10**
Wuskwatim	Burntwood River	3	**206**
Thermal			
Brandon		2	**244**
Selkirk*		2	**0**
Isolated Capabilities			
Diesel			
Brochet			**3**
Lac Brochet			**2**
Shamattawa			**4**
Tadoule Lake			**2**
Total Generating Capability			**6 054**

*Station was taken off-line in April 2021 to be decommissioned.

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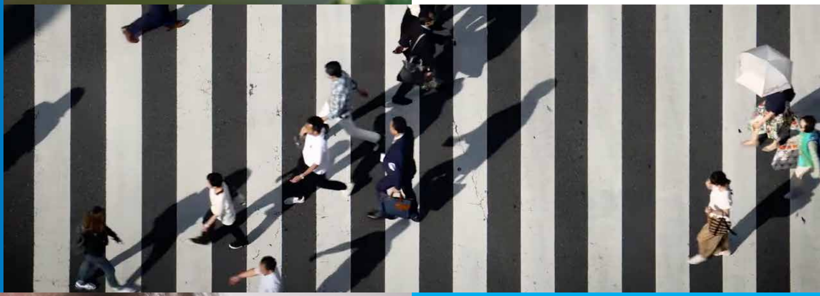

Available in accessible formats upon request.
16-08-2023