

**Manitoba Hydro Undertaking #123**

**Please file any directives issued by the President with respect to cost constraint measures from 2009.**

Please see attached memos dated 2009 03 19 and 2009 05 01.

**MANITOBA HYDRO**  
INTEROFFICE MEMORANDUM

FROM R.B. Brennan  
President and Chief Executive Officer

TO Vice-Presidents  
Division Managers

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DATE 2009 03 19

FILE

SUBJECT **OPERATING, MAINTENANCE & ADMINISTRATION (OM&A) EXPENSE**

For some time now, I have been concerned about the substantial increases to Manitoba Hydro's Operating, Maintenance & Administrative (OM&A) expense. For the 11-month period ended February 28, 2009, OM&A expense has increased by over 8% at the Corporate level with even greater year-over-year increases in some Divisions. Increases in this order of magnitude are especially troublesome during these difficult economic times for industry, our customers, and other stakeholders.

I appreciate that Manitoba Hydro is facing increasing cost pressures due to more stringent environmental and business regulation, an aging infrastructure requiring higher maintenance, increased emphasis on employee safety and system reliability, and higher numbers of trainees being hired to meet our succession planning requirements. Nevertheless, all these factors were considered when Operating Budgets were approved in the fall of 2008. It is not acceptable for Operating Budgets to be over-expended to the extent we are seeing in fiscal year 2008/09.

As we will soon be embarking on a new fiscal year, all senior management should be aware that each Division will be expected to manage within their approved 2009/10 Operating Budget. Should an unforeseen event occur, specific approval of Executive Committee will be required to incur costs not included in approved budgets. Consequences of unapproved overspending in 2009/10 will include imposed restrictions on discretionary expenditures.

I am requesting that each Vice-President meet with their respective Division Managers to confirm Operating Budget forecasts for 2009/10 (within currently approved Business Unit budgets). The updated budgets should reflect the new organization structure. Following the Divisional meetings, I will meet with each Vice-President to reaffirm their approved Budget for 2009/10.

Thank you for your cooperation.



RBB/gt

**MANITOBA HYDRO**  
INTEROFFICE MEMORANDUM

**FROM** R.B. Brennan  
President and Chief Executive Officer

**TO** See Below

**DATE** 2009 05 01

**FILE**

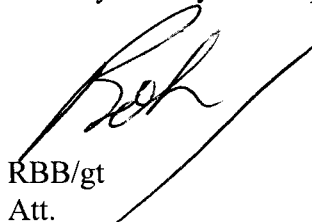
**SUBJECT** **RESTRICTIONS ON OPERATING & ADMINISTRATIVE EXPENSES**

In my memo to you dated March 19, 2009, I conveyed my concerns regarding the substantial increases being experienced in Operating, Maintenance & Administration (OM&A) expense. A schedule summarizing increases in OM&A over the past four years is attached for your reference. Since my March 19 memo, the economic situation in Canada and the United States continues to deteriorate and it is now clear that there will be negative impacts on Manitoba Hydro's domestic and export revenues in 2009/10. In recognition of the current economic situation, the following restrictions on operating expenses are being implemented effective immediately:

- a) Out-of-province travel will be limited to essential travel only. Management discretion will be used to determine what travel is considered to be "essential," but I am requesting that every request that is advanced for approval be fully justified and that the consequences of travel not being approved be provided. Until further notice, all requests for out-of-province travel will require my approval. Please be certain that only essential travel requests are advanced for my approval. (This will not affect travel bookings and commitments that have been made at this date.)
- b) Costs for promotion, awards, sponsorships and miscellaneous office expense will be curtailed to the absolute minimum level necessary.

Other restrictions on discretionary expenditures and hiring may be necessary as we determine the full impacts of the economic recession. Any such additional restrictions, however, will not be in areas that could compromise public and employee safety or the integrity of Manitoba Hydro's energy supply and delivery system.

Thank you for your cooperation during these difficult economic times.

  
RBB/gt  
Att.

**SAME MEMORANDUM TO:**

K.R.F. Adams	G.W. Rose	T.E. Tymofichuk
E.R. Kristjanson	A.M. Snyder	V.A. Warden
G.B. Reed	K.M. Tennenhouse	C.E. Wray

**BUSINESS UNITS**  
**OPERATING, MAINTENANCE & ADMINISTRATIVE (OM&A)**  
*for the years ended March 31*

*(in millions of \$)*

	2006	% Incr. (decr.)	2007	% Incr. (decr.)	2008	% Incr. (decr.)	Preliminary 2009	% Incr. (decr.)
President & CEO	\$ 17.0	7.6%	\$ 18.1	6.5%	\$ 17.4	(3.9%)	\$ 18.5	6.1%
Corp. Relations	10.0	28.2%	10.2	2.0%	10.3	1.0%	10.5	2.0%
Finance & Admin.	88.2	1.8%	92.5	4.8%	90.5	(2.2%)	94.2	4.1%
Power Supply	117.4	3.3%	123.6	5.3%	127.8	3.4%	142.4	11.4%
T&D	104.8	(0.2%)	109.6	4.6%	112.5	2.6%	122.2	8.6%
CS&M	117.6	5.1%	115.4	(1.9%)	116.8	1.2%	121.5	4.0%
	<b>\$454.9</b>	<b>3.2%</b>	<b>\$469.3</b>	<b>3.2%</b>	<b>\$475.4</b>	<b>1.3%</b>	<b>\$509.4</b>	<b>7.2%</b>