

MANITOBA HYDRO
2012/13 & 2013/14 GENERAL RATE APPLICATION

VOLUME I

CORPORATE OVERVIEW

INDEX

13	3.0	Overview of Tab 3	1
14	3.1	Corporate Strategic Plan	1
15	3.2	Current Organization	2
16	3.3	Management Cost Control Process	9
17			
18			
19	<i>Appendices</i>		
20	3.1	2011/12 Corporate Strategic Plan	

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36

MANITOBA HYDRO
2012/13 & 2013/14 GENERAL RATE APPLICATION

VOLUME I

CORPORATE OVERVIEW

3.0 OVERVIEW OF TAB 3

Tab 3 outlines Manitoba Hydro's Corporate Strategic Plan, organizational structure, and management control processes. Section 3.1 provides an overview of Manitoba Hydro's Corporate Strategic Plan, Section 3.2 discusses Manitoba Hydro's current organization and provides a description of its business units and the key activities associated with each business unit, and Section 3.3 discusses Manitoba Hydro's management cost control process.

3.1 CORPORATE STRATEGIC PLAN

The Corporate Strategic Plan ("CSP") sets out Manitoba Hydro's vision, mission, goals and strategies across both electric and natural gas operations. The CSP describes Manitoba Hydro's operating principles as well as strategies, targets and measures in respect of the nine organizational goals which are:

1. Improve safety in the workplace.
2. Provide exceptional customer value.
3. Strengthen working relationships with Aboriginal peoples.
4. Maintain financial strength.
5. Extend and protect access to North American energy markets and profitable export sales.
6. Attract, develop and retain a highly motivated workforce that reflects the demographics of Manitoba.
7. Protect the environment in everything we do.
8. Promote cost effective energy conservation and innovation.
9. Be recognized as an outstanding corporate citizen and a supporter of economic development in Manitoba.

1 Using the CSP as a guide, Manitoba Hydro's business units develop supporting business
2 plans that establish priorities and clarify for staff how their efforts contribute to the
3 overall success of the Corporation.
4

5 A copy of Manitoba Hydro's 2011/12 Corporate Strategic Plan is provided as Appendix
6 3.1 to this Tab. The CSP is updated annually with input from and approval by the
7 Manitoba Hydro-Electric Board ("MHEB").
8

9 **3.2 CURRENT ORGANIZATION**

10
11 Manitoba Hydro's current organization structure of one Corporate Group and six
12 business units is depicted in Figure 3.2.1.
13

14 Corporate Group

15
16 The Corporate Group includes the Office of the President & Chief Executive Officer,
17 General Counsel & Corporate Secretary, Public Affairs Division, Internal Audit,
18 Research and Development, Corporate Planning & Strategic Review, and Subsidiary
19 Operations.
20

21 The President & Chief Executive Officer leads the Corporation, provides overall policy
22 administration, and oversees the fulfillment of its mandate and mission.
23

24 The General Counsel & Corporate Secretary area provides legal, insurance, corporate
25 security, regulatory, intellectual property and compliance services.
26

27 The Public Affairs Division provides the Corporation with media relations and customer
28 communication, Internet and Intranet communications, creative writing and graphics,
29 photography and audio/visual services, forms management, and policies and procedures
30 administration.
31

32 Internal Audit provides an independent, objective assurance and consulting function,
33 designed to add value and improve the Corporation's operations. Internal Audit has a
34 direct reporting relationship to the Audit Committee of the Board and reports
35 administratively to the President & CEO.

1 Research and Development is responsible for allocating, managing and administering the
2 corporate research and development investments in accordance with corporate needs and
3 priorities. The primary driver of the program is to support research and development that
4 generates direct operational and/or economic benefits for the Corporation including
5 projects with outcomes that increase efficiency, reduce costs, or improve quality of
6 service to customers.

7
8 The Human Rights and Respectful Workplace Advisor acts in an independent, objective
9 role and provides advice to employees, management and the Human Resources Division
10 in relation to human rights and respectful workplace issues. Responsibilities also include
11 educational training, resolution of disputes, investigation of complaints of discrimination
12 or harassment and representation of the Corporation on complaints to outside agencies
13 such as the Manitoba Human Rights Commission.

14
15 The Corporate Planning & Strategic Review Division includes the Corporate Analysis,
16 Corporate Environmental Management, Corporate Planning & Development, Corporate
17 Review, Economic Analysis, and Economic Development Coordination functions. The
18 Division brings together several planning and coordinating functions to perform
19 corporate level examinations of subjects or issues that are strategically significant to
20 Manitoba Hydro.

21
22 Subsidiary Operations is responsible for Manitoba Hydro International Ltd. (MHI), a
23 wholly-owned Subsidiary company that provides products and services to domestic and
24 international clients. MHI is comprised of four divisions: International Utility Services,
25 the Manitoba HVDC Research Centre, W.I.R.E. Services and Manitoba Hydro Telecom.

26 27 Corporate Relations

28
29 The Corporate Relations Business Unit is responsible for building and maintaining
30 relationships with Aboriginal communities and the Provincial government. The Business
31 Unit consists of the Aboriginal Relations Division and the Government Relations and
32 Current Issues Department.

33
34 The Aboriginal Relations Division is the focal point for Manitoba Hydro's management
35 of all internal and external Aboriginal issues. The Government Relations and Current

1 Issues Department is responsible for liaising with the office of the Minister responsible
2 for Manitoba Hydro.

3
4 Finance & Administration

5
6 The Finance & Administration Business Unit promotes fiscal responsibility throughout
7 the Corporation and provides professional services to other Business Units and to
8 external stakeholders. The Finance & Administration Business Unit consists of eight (8)
9 divisions and one department as follows: Corporate Controller, Human Resources,
10 Corporate Safety & Health, Information Technology Services, Rates & Regulatory
11 Affairs, Gas Supply, Treasury, Corporate Services, and the Corporate Risk Management
12 Department.

13
14 A number of services are provided by the Business Unit including:

- 15 – Management and financial accounting, budgeting and financial forecasting,
16 controllership, and the management of the International Financial Reporting
17 Standards (“IFRS”) project;
- 18 – Employee relations, employee compensation, learning and development, employment
19 equity and human resource services;
- 20 – Employee safety and health, and technical training;
- 21 – Development, maintenance and enhancement of Information Technology Systems for
22 employee, customer, engineering and integrated systems, infrastructure and
23 operations, client services, and document services;
- 24 – Development of rates and policies which includes rate design, cost of service, load
25 research and business investment policy, and regulatory services;
- 26 – Gas procurement, broker relations, and gas pricing administration;
- 27 – Financial market, debt and investment, cash management, and corporate banking
28 services; and
- 29 – Purchasing, materials management, property management, fleet services and
30 corporate facilities management.

31
32 The Finance & Administration Business Unit is also responsible for corporate risk
33 management, recommending and monitoring the Corporation’s financial targets, external
34 financial reporting, and supporting and providing policy guidance to other Business
35 Units, and subsidiaries of the Corporation.
36

1 Power Supply

2
3 The Power Supply Business Unit provides for the current and future supply of electricity
4 to Manitobans, as well as to export customers in both Canada and the United States.
5 Power Supply is also responsible for optimizing the use of its facilities within the
6 interconnected, international electricity market to achieve the lowest cost for Manitoba
7 electricity consumers, giving due regard to environment, safety and reliability.

8
9 The Business Unit consists of the following nine (9) divisions: Generation South,
10 Generation North, HVDC, Power Planning, Power Projects Development, Portfolio
11 Projects Management, Power Sales & Operations, Engineering Services and New
12 Generation Construction.

13
14 The Business Unit plans, designs, builds, operates, and maintains hydraulic and thermal
15 generating stations and HVDC converter stations capable of producing and delivering
16 approximately 5,500 MW of electricity to the AC Transmission System. The Power
17 Supply Business Unit is also responsible for marketing and selling electricity in
18 extraprovincial markets.

19
20 There are currently 14 operating hydraulic generating stations with a 15th scheduled to go
21 in service in 2012, two thermal generating plants, three HVDC converter stations, and
22 eight major water control structures. On average 30 billion kilowatt-hours of electricity
23 are generated annually. In a normal water year, exports amount to approximately one-
24 third of electricity produced. Manitoba Hydro is registered to the ISO 14001
25 Environmental Management Standards.

26
27 Transmission

28
29 The Transmission Business Unit designs, constructs and maintains transmission facilities
30 throughout the province. Supporting the transmission facilities and operations,
31 Transmission provides licensing and environmental assessment services, and detailed
32 system planning analysis. Transmission is also responsible for the installation and
33 maintenance of electrical apparatus in transmission and distribution stations, on
34 distribution lines and within customer-owned facilities. They also maintain four remote
35 diesel sites serving the communities of Shamattawa, Tadule Lake, Lac Brochet and
36 Brochet.

1 The Transmission Business Unit is comprised of four (4) divisions: Transmission
2 Planning and Design, Transmission Construction and Line Maintenance, Transmission
3 Systems Operations, and Apparatus Maintenance.
4

5 Transmission is also responsible for monitoring, controlling and regulating the flow of
6 electrical energy into, out of, and throughout the province via the System Control Centre.
7 The Winnipeg-based System Control Centre utilizes a computerized Energy Management
8 System with a strong telecommunications network allowing system control operators to
9 automatically and remotely regulate and adjust the flow of energy to provide a high
10 degree of reliability and meet the requirements of Manitoba Hydro's provincial and
11 export customers.
12

13 Through a network of transmission lines, the Transmission Business Unit takes delivery
14 of alternating current (AC) electrical energy directly from Manitoba Hydro's generating
15 stations and connection points located on the provincial borders shared with the United
16 States, Ontario and Saskatchewan. Direct current (DC) is delivered from the high voltage
17 direct current (HVDC) converter stations via two 500,000 volt DC transmission lines,
18 Bipole I and II, within the province. The AC electrical energy is transported throughout
19 the province at high voltage levels (ranging from 115,000 volts to 500,000 volts) via an
20 extensive network of 11,272 kilometres (7,000 miles) of transmission lines. The
21 transmission lines end at interconnection points at provincial boundaries and distribution
22 stations within Manitoba.
23

24 Customer Service & Distribution

25

26 The Customer Service & Distribution Business Unit provides Manitoba customers safe
27 and reliable energy products and services through the engineering, construction,
28 operation and maintenance of Manitoba Hydro's electrical and natural gas distribution
29 networks. Its key functions range from the development and maintenance of distribution
30 facilities for effective system capacity and performance, to meeting the specific energy
31 requirements of residential and commercial customers in a cost efficient, safe and
32 environmentally considerate manner. The Business Unit is also the key response
33 provider to customer outages and emergencies.
34

35 The Customer Service & Distribution Business Unit is comprised of four (4) divisions
36 and one department: the Distribution Engineering & Construction Division Winnipeg, the
37 Distribution Engineering & Construction Division Rural, the Customer Service

1 Operations Division Winnipeg & North Region, the Customer Service Operations
2 Division South Region, and the Business Unit Support Services Department.

3
4 The Customer Service & Distribution Business Unit's key responsibility is to take
5 delivery of electricity from Manitoba Hydro's transmission system at 66 or 69 kilovolt
6 (kV) stations and natural gas from the TransCanada Pipeline, and distribute that energy to
7 approximately 537,000 electric customers and 266,000 natural gas customers within the
8 province.

9
10 Customer Care & Marketing

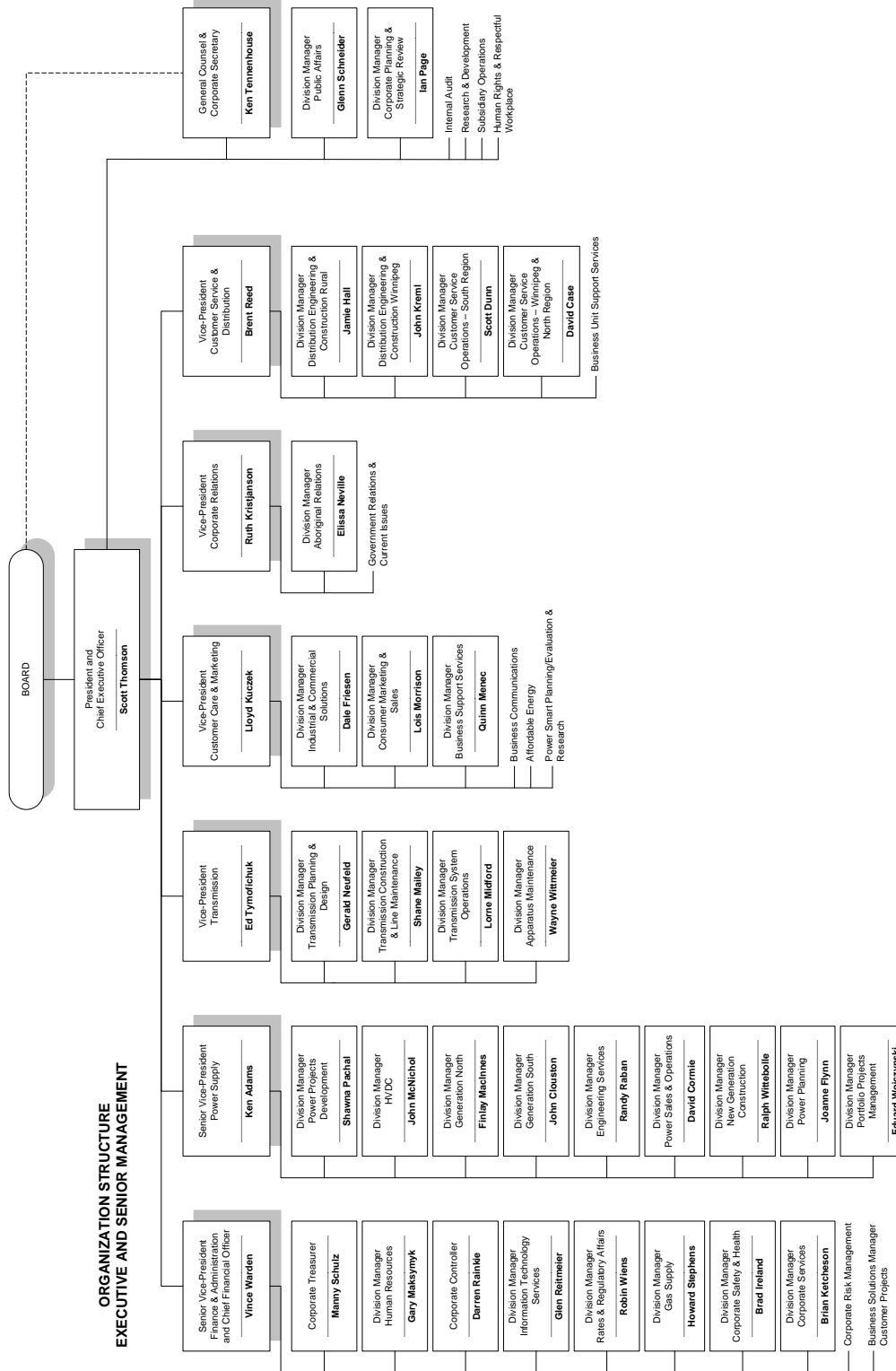
11
12 The Customer Care & Marketing Business Unit is the contact between Manitoba Hydro
13 and its domestic customers. It is responsible for corporate marketing, energy use
14 optimization, customer relationships, billing and collections. The Business Unit consists
15 of three (3) divisions as well as related support functions. The three divisions are
16 Consumer Marketing & Sales, Industrial & Commercial Solutions, and Business Support
17 Services. The organizational structure of the Business Unit is customer centric with
18 dedicated staff who provide customer service to Key Accounts, Major Accounts, Energy
19 Services & Sales Accounts and to core customers at large. The Business
20 Communications, Power Smart Planning, Evaluation & Research, and Affordable Energy
21 Departments are also part of this Business Unit.

22
23 A variety of services are offered to both electric and natural gas customers including
24 Customer Contact services, meter reading, billing, collections, customer care, 24-hour
25 emergency response, electrical inspections, service extensions and modifications, and
26 public safety and education programs throughout the province.

27
28 The Customer Care & Marketing Business Unit is also responsible for Manitoba Hydro's
29 Power Smart demand side management programs.

30
31
32
33

1 **Figure 3.2.1 - Organizational Chart**
2



1 **3.3 MANAGEMENT COST CONTROL PROCESS**

2
3 Management cost control is continuous through the planning/budgeting and operating
4 cycle. Cost control encompasses establishing a plan or standard and monitoring results
5 against that plan. The formalized management cost control process consists of a planning
6 and budgeting process, monthly reporting and variance analysis to ensure that costs
7 incurred and resource allocations are consistent and in line with operating and capital
8 plans. Management cost control also encompasses ongoing process controls that ensure
9 that expenditures and staffing decisions are appropriate and properly authorized. In
10 addition to ensuring that costs are kept to reasonable levels, the processes allow
11 management to:

- 12
13 – Prioritize programs and projects;
14 – Manage changing conditions;
15 – Provide changes in corporate direction;
16 – Establish communication on performance; and
17 – React to unforeseen conditions on a timely basis.

18
19 Operating, Maintenance and Administrative Costs

20
21 Manitoba Hydro establishes an overall forecast for its operating and administrative
22 expenses by taking into consideration the following factors;

- 23
24 – Costs of providing ongoing services;
25 – Special or non-recurring maintenance projects;
26 – Current and expected economic conditions;
27 – Changing business requirements;
28 – Accounting changes and other items significant to the process; and
29 – Productivity improvements.

30
31 The overall forecast is apportioned to each of the business units and for the electric and
32 gas operations. This apportionment is based on previously approved staffing levels and
33 costs for each year with consideration given to the specific business, economic and other
34 factors that affect each of the business units or utilities. The Vice-President in charge of
35 each business unit oversees the approved operating expenditures among the programs,

1 division and utility operations for which they are responsible. Detailed departmental
2 budgets support the approved business units budgets.

3
4 The operating forecasts and detailed budgets form the basis for the operating,
5 maintenance and administrative expense forecasts included in the Integrated Financial
6 Forecast, which is presented to the MHEB for approval on an annual basis.

7
8 Capital Expenditures

9
10 The Capital Expenditure Forecast (“CEF”) for the current year and subsequent ten year
11 period is submitted annually to the MHEB for approval. Since capital construction
12 projects typically span several years, each year’s CEF is presented to the MHEB as a
13 revision to the previous year’s approved CEF. In addition to the identification of new
14 projects, changes to previously approved projects are also identified.

15
16 Business units initiate capital expenditure proposals to meet energy load growth demands
17 within the Province, to respond to specific customer service extension requirements, to
18 improve the efficiency and reliability of the energy delivery system or to take advantage
19 of revenue generating opportunities in the export market. Once the need for a capital
20 project is identified, a Capital Project Justification (“CPJ”) is prepared by the initiating
21 department. The CPJ contains detailed information relative to each project such as system
22 load growth statistics, business case analysis, risk assessment, and other pertinent details.
23 The requirement and justification for the project is reviewed at the department, division
24 and business unit level before the CPJ is forwarded to the Executive Committee for
25 approval. Depending on the nature and complexity of the project, the CPJ may also be
26 advanced to Manitoba Hydro’s Planning Review Committee prior to submission to the
27 Executive Committee.

28
29 CPJs are reviewed by the Executive Committee to confirm the need for the project based
30 on the following criteria: system reliability, safety, customer service, environmental
31 impacts and corporate efficiency. Further consideration is given to the priority of
32 proposed projects and whether projects of lesser priority can be displaced so overall
33 funding levels remain within the MHEB approved CEF limits. Risks of not proceeding
34 with the project are also assessed based on information provided with the CPJ. All
35 projects are assessed for environmental impacts.

36

1 During the year, actual expenditures on projects are reported monthly to the Executive
2 Committee. Variance explanations are provided for any significant variances from the
3 approved CEF. This information is also reported to the MHEB at their regularly
4 scheduled meetings.

5
6 Each Vice-President oversees the approved capital projects for which they are
7 responsible. When detailed capital project budgets exceed annual capital spending
8 targets, contingency accounts (business unit or corporate target adjustments) are
9 established and managed through deferrals of capital projects until reflected in the
10 detailed forecasts.

11 Integrated Financial Forecast

12
13
14 The Integrated Financial Forecast (“IFF”) is Manitoba Hydro’s primary planning
15 document for projecting the future financial direction of the Corporation. It is also the
16 basis for recommending any rate changes that may be necessary for the Corporation to
17 attain its financial targets and objectives.

18
19 The IFF is based on various component forecasts from across the Corporation including:

- 20
- 21 – Economic Outlook
- 22 – Energy Price Outlook
- 23 – Electricity Export Price Forecast
- 24 – Power Smart Plan
- 25 – Electric Load Forecasts
- 26 – Domestic Revenue Forecast
- 27 – Power Resource Plan
- 28 – Generation Cost & Interchange Revenue Forecast
- 29 – Capital Expenditure Forecast
- 30 – Operating, Maintenance & Administrative Expense Forecast
- 31 – Existing Debt, Sinking Fund and Finance Expense
- 32 – Depreciation on Existing Assets and the latest Depreciation Study
- 33
- 34
- 35
- 36

1 Monthly Reporting and Variance Analysis

2
3 Operating and capital expenditures are recorded and compared to the amounts budgeted
4 on a monthly basis. Variance analyses are then prepared and provided to management to
5 assist them in controlling costs and in meeting their planned objectives and targets.

6
7 Process Controls

8
9 Controls are in place to ensure that all operating and capital expenditures are
10 appropriately authorized, executed, recorded and reported. The controls include:

- 11
12 – Policies that delegate authority for making purchasing and resourcing decisions to
13 appropriate levels within the organization;
14 – Purchasing and payment processes that provide for stringent procedural requirements
15 that are specific to the nature and costs of the materials or services being sought; and
16 a standardized accounting framework and methodology that provide for thorough,
17 accurate and consistent recording, classification and reporting of operating and capital
18 expenditures.
19 – Labour approval processes that authorize the payment to hourly employees and
20 payment of overtime costs. This process also includes the approval of time allocation
21 to capital and operating projects/programs.