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SAFETY  
CUSTOMERS  
ABORIGINAL RELATIONS  
FINANCIAL STRENGTH

THE CORPORATE STRATEGIC PLAN 2007-2008 • MANITOBA HYDRO'S VISION OF THE FUTURE

EXPORT POWER  
MOTIVATED WORKFORCE  
ENVIRONMENT  
CORPORATE CITIZEN  
BUSINESS DEVELOPMENT  
ENERGY CONSERVATION



## INTRODUCTION

I'm very pleased to present Manitoba Hydro's Corporate Strategic Plan (CSP) for 2007-2008 – the foundation of Manitoba Hydro's business planning process. The CSP is the Executive and the Board of Manitoba Hydro's main means of establishing and putting forth corporate priorities. The plan helps us to ensure that we remain a leader in the North American energy utility industry and that we meet the needs and expectations of our customers.

The CSP is created with a very important audience in mind: our employees. As always, this strategic and comprehensive plan involves everyone in the corporation – we all play an important role in the success of Manitoba Hydro.

Please familiarize yourself with the plan and then use it to establish your own work objectives and those of your work group.

**Bob Brennan, FCA**

President and Chief Executive Officer



INTRODUCTION

## VISION

To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction, and environmental leadership, and to always be considerate of the needs of customers, employees, and stakeholders.

## MISSION

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply, and end use of energy.

## OPERATING PRINCIPLES

Work together for the success of the organization as a whole, recognizing that all our activities are interrelated.

Establish long-term cooperative relationships with all employees, customers, suppliers, and other stakeholders aimed at achieving our shared Vision.

Create a working environment that removes barriers to safe and effective performance and which fosters mutual respect, trust, and open communication.

Provide opportunities for all employees to develop their full potential, recognizing people's inherent desire to do their best.

Measure outcomes, develop an understanding of the causes of variation from planned performance, and take appropriate action.

Practise continuous improvements through ongoing coaching, learning, and innovation focused on the needs and wants of internal and external customers.

## GOALS

Improve safety in the work environment.

Provide customers with exceptional value.

Be a leader in strengthening working relationships with Aboriginal peoples.

Improve corporate financial strength.

Maximize export power net revenues.

Attract, develop and retain a highly motivated workforce that reflects the demographics of Manitoba.

Be proactive in protecting the environment and the leading utility in promoting sustainable energy supply and service.

Be an outstanding corporate citizen.

Proactively support agencies responsible for business development in Manitoba.

Be a national leader in implementing cost-effective energy conservation and alternative energy programs.



VISION / MISSION  
OPERATING PRINCIPLES / GOALS

# IMPROVE SAFETY IN THE WORK ENVIRONMENT



SAFETY



## STRATEGIES

- Imbed safety culture in all corporate activities
- Reinforce management, supervisory, and worker accountability for a safe and healthy workplace
- Implement safety reporting protocols that incorporate thorough investigation and timely communication of all safety-related incidents

## MEASURES

High-risk accidents

## TARGETS

0

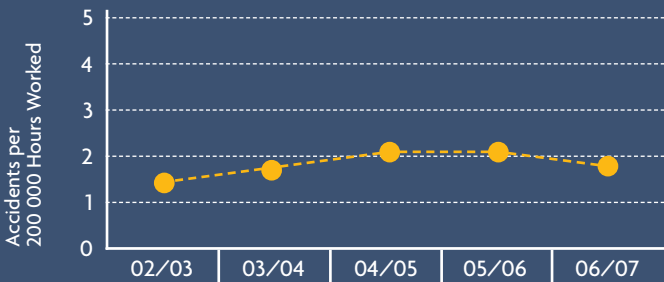
Accident severity rate

< 16 days per 200 000 hours worked

Accident frequency rate

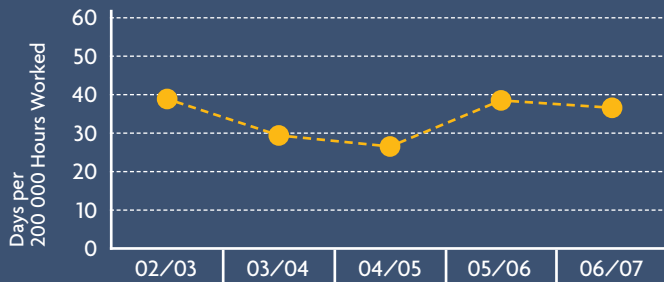
< 0.80 accidents per 200 000 hours worked

### ACCIDENT FREQUENCY RATE



TARGET: < 0.80 Accidents

### ACCIDENT SEVERITY RATE



TARGET: < 16 Days

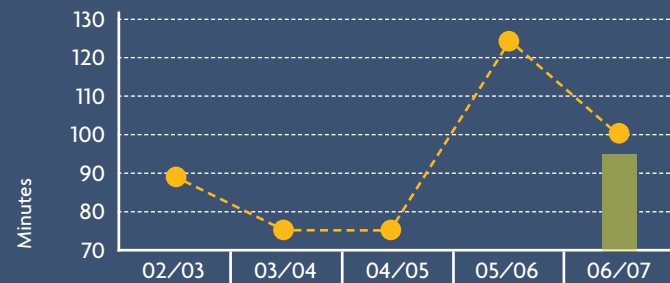


# PROVIDE CUSTOMERS WITH EXCEPTIONAL VALUE

## CUSTOMERS

### SYSTEM AVERAGE INTERRUPTION DURATION

ELECTRIC OPERATIONS

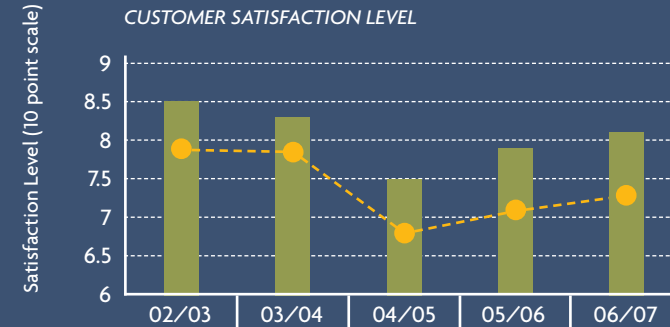


**TARGET: ≤ 92 Minutes (5-year avg. 2004 – 2008)**

● Fiscal year end actual    ■ Fiscal 5-year avg.

### CEA CUSTOMER SERVICE INDEX

CUSTOMER SATISFACTION LEVEL



**TARGET: Best in Canada**

■ Manitoba Hydro    ● CEA Composite

### NATURAL GAS MARKET SHARE

VOLUME OF COMMODITY SALES



**TARGET: ≥ 60%**



### STRATEGIES

- Review and update marketing plans for 2007-2008, including energy options
- Develop natural gas commodity pricing products
- Continue to deliver effective and innovative public safety programs that target electricity and natural gas safety issues
- Develop and implement initiatives which reinforce employee understanding of the impact their work has on customer needs
- Implement a plan to improve the reliability of the transmission and distribution systems

### MEASURES

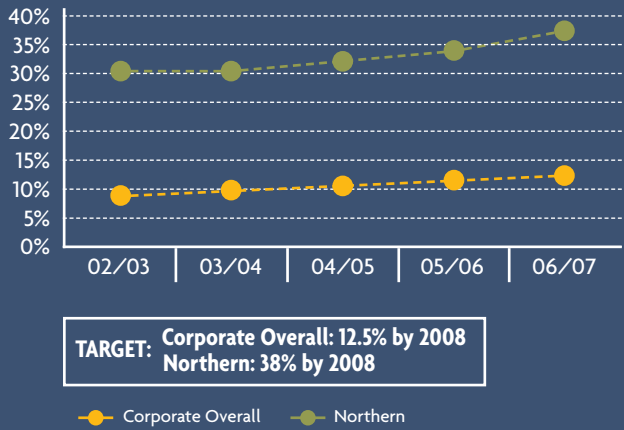
### TARGETS

Retail rates: electricity	Lowest in North America
Retail distribution rates: natural gas	Among the lowest in North America
System average interruption duration	≤ 92 minutes
System average interruption frequency	≤ 1.3 per year
Canadian Electricity Association (CEA) Customer Service Index	Best in Canada
Public contacts — natural gas and electric	20% injury reduction
Natural gas market share	100% of new franchises ≥ 60% of commodity sales

# BE A LEADER IN STRENGTHENING WORKING **RELATIONSHIPS** WITH **ABORIGINAL** PEOPLES



### PERCENTAGE ABORIGINAL EMPLOYMENT



### STRATEGIES

- Resolve and manage ongoing obligations from past development
- Increase employment and career opportunities at Manitoba Hydro for Aboriginal people
- Continue to enhance training and support programs for Aboriginal employees
- Promote and pursue business relationships with Aboriginal companies

### MEASURES

Percentage of impacted Aboriginal communities with a workable management framework

### TARGETS

100%

Percentage Aboriginal employment

All targets by March 2008

- Corporate overall
- Northern
- Management
- Professional

12.5%  
38%  
5.5%  
6%

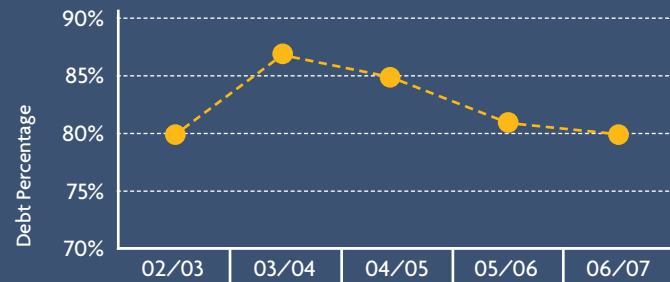




# IMPROVE CORPORATE FINANCIAL STRENGTH

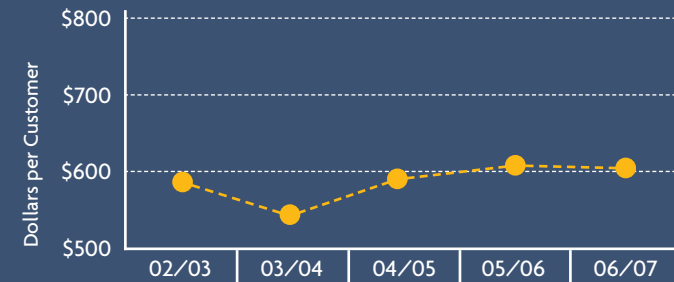
## FINANCIAL STRENGTH

### DEBT/EQUITY RATIO



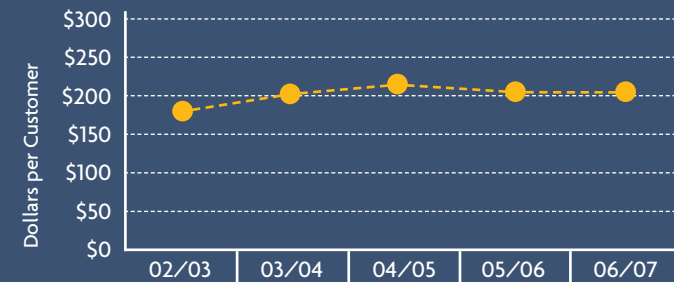
TARGET: 75% by 2011/2012

### OM&A COST PER ELECTRIC CUSTOMER



TARGET: \$640 per Customer by March 2008

### OM&A COST PER NATURAL GAS CUSTOMER



TARGET: \$213 per Customer by March 2008



### STRATEGIES

- Continue to reduce the relative proportion of debt to fixed assets
- Leverage technology to reduce costs
- Strengthen long-term financial structure while maintaining energy price stability
- Develop corporate and business unit performance measures
- Improve capital investments decision support process
- Improve capital expenditure reporting and accountability

### MEASURES

### TARGETS

Interest coverage	> 1.2
Debt/equity ratio	75/25 by the year 2011-2012
Capital financing ratio	> 1
Operation Maintenance and Administration (OM&A) Cost per customer – electric	\$640 per customer (March 2008)
OM&A Cost per customer – natural gas	\$213 per customer (March 2008)



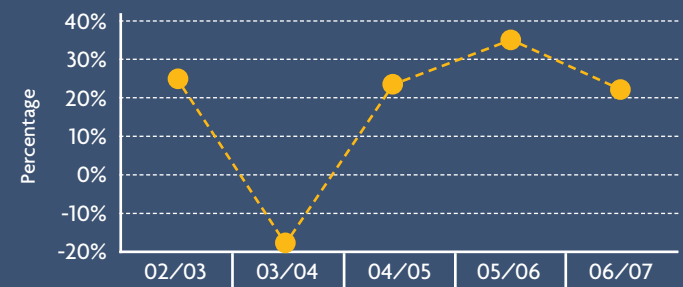
# MAXIMIZE EXPORT POWER NET REVENUES

EXPORT POWER



## NET EXPORT REVENUE

AS A PERCENTAGE OF TOTAL ELECTRIC REVENUE



TARGET: 25% — 2007/2008 through 2016/2017  
40% by 2019

## STRATEGIES

- Aggressively pursue a balanced portfolio of export sales
- Aggressively pursue supply-side initiatives and power purchases
- Continue being a Canadian leader in U.S. market access
- Expand the transmission capacity and protect transmission rights to support access to extra-provincial and U.S. export markets
- Influence national and international industry restructuring and maintain flexibility to adapt as appropriate
- Promote new hydro and/or transmission as part of the Canadian solution to climate change
- Actively participate in the development of regulatory frameworks for electricity reliability standards

## MEASURES

Net export revenue as a percentage of total electric revenue

## TARGETS

25% — 2007/08 through 2016/17  
40% by 2019

# ATTRACT, DEVELOP AND RETAIN A HIGHLY **MOTIVATED WORKFORCE** THAT REFLECTS THE DEMOGRAPHICS OF MANITOBA



**MOTIVATED WORKFORCE**

## STRATEGIES

- Continue staff development to cover leadership and key operational positions
- Provide a work environment that allows employees to have a balanced approach to family, work, and community
- Implement programs for employees to further develop their understanding of the energy business
- Promote Manitoba Hydro as an employer of choice

## MEASURES

Percentage of non-entry positions filled by external applicants

Percentage of designated group members in Manitoba Hydro workforce

- Women
- Women in management
- Women professionals
- Persons with a disability
- Visible minorities

## TARGETS

Range 8% — 12%

All targets by 2008

26%  
16%  
32%  
4.6%  
4.25%



BE PROACTIVE IN PROTECTING THE **ENVIRONMENT** AND BE THE LEADING UTILITY IN PROMOTING SUSTAINABLE ENERGY SUPPLY AND SERVICE



ENVIRONMENT



**STRATEGIES**

- Maintain ISO 14001 corporate registration
- Communicate Manitoba Hydro's environmental achievements
- Provide input to the development of new environmental regulatory requirements and implement best management practices to address emerging environmental concerns
- Complete climate change action plan
- Improve employee knowledge of environmental issues
- Promote new hydro and/or transmission as part of the Canadian solution to climate change
- Conduct environmental research and monitoring programs that address both public expectations and the impact of climate change on hydrological resources

**MEASURES**

- Environmental component of CEA Customer Service Index
- Corporate Citizenship Index – environmental component
- Net greenhouse gas emissions
  - Overall
  - Electricity generation
  - Natural gas operations
  - Fleet, buildings (natural gas), diesel generation & SF<sub>6</sub>

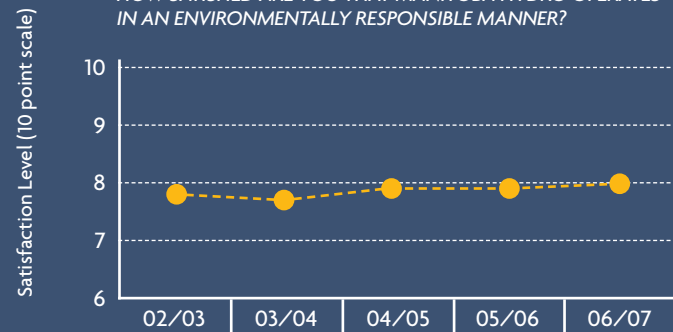
**TARGETS**

- ≥ 8.5
- ≥ 8.4
- < 0.520 megatonnes\*
- < 0.461 megatonnes\*
- < 0.017 megatonnes\*
- < 0.042 megatonnes\*

\* Net cumulative annual average 1991-2007 6% below 1990 levels CO<sub>2</sub> equivalent for electric and natural gas operations

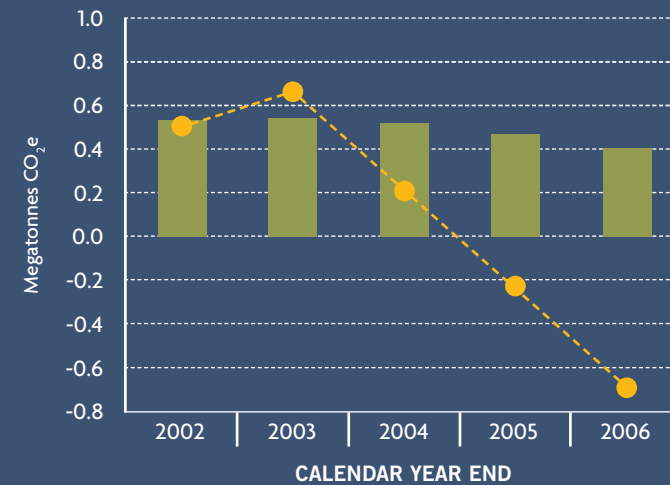
**CORPORATE CITIZEN INDEX ENVIRONMENTAL COMPONENT**

HOW SATISFIED ARE YOU THAT MANITOBA HYDRO OPERATES IN AN ENVIRONMENTALLY RESPONSIBLE MANNER?



TARGET: ≥ 8.4

**GREENHOUSE GAS EMISSIONS**



TARGET: < 0.520

■ Average Net Emissions since 1991  
● Net Annual Emissions

# BE AN OUTSTANDING CORPORATE CITIZEN

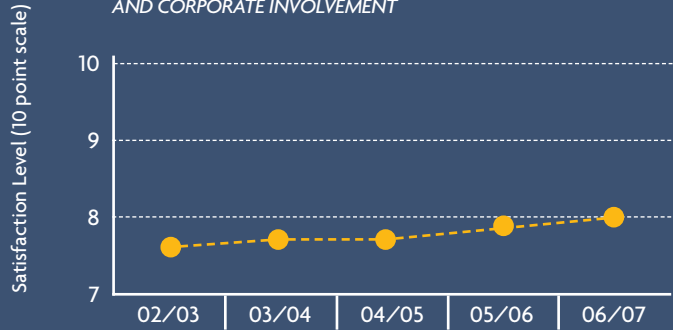


CORPORATE CITIZEN



### CORPORATE CITIZEN INDEX

COMPOSITE OF AVERAGE CUSTOMER SATISFACTION WITH PUBLIC SAFETY, ENVIRONMENTAL BEHAVIOUR, AND CORPORATE INVOLVEMENT



TARGET: ≥ 8.2

### STRATEGIES

- Continue to take a leadership role in community activities and support programs
- Encourage and support staff participation in community activities
- Continue to deliver effective and innovative public education and safety programs

### MEASURES

CEA Public Attitude Index

### TARGETS

≥ 8.5

Manitoba Hydro Corporate Citizenship Index

≥ 8.2



# PROACTIVELY SUPPORT AGENCIES RESPONSIBLE FOR **BUSINESS DEVELOPMENT** IN MANITOBA



**BUSINESS DEVELOPMENT**

### STRATEGIES

- Be proactive in working with economic development agencies to maximize wealth and jobs in Manitoba for each new megawatt of industrial demand
- Work with customers to reduce their energy costs to improve their productivity and competitiveness
- Influence industrial developers to optimize the use of existing electric and gas infrastructure

### MEASURE

Agency satisfaction

### TARGET

100% satisfied

# BE A NATIONAL LEADER IN IMPLEMENTING COST-EFFECTIVE ENERGY CONSERVATION AND ALTERNATIVE ENERGY PROGRAMS



ENERGY CONSERVATION

## STRATEGIES

- Aggressively promote Power Smart\* programs
- Promote a transition to a rate structure that delivers more transparent price signals to encourage the efficient use of energy
- Work with potential Independent Power Producers and customers to encourage development of economic alternative energy sources
- Continue to research and monitor technological and economic developments in all energy-related technologies
- Integrate wind energy in a cost-effective manner while considering other relevant criteria

## MEASURES

Demand Side Management (DSM) — electric energy saved

DSM — electric capacity saved (at winter peak)

DSM — natural gas energy saved

Alternative capacity installed (or delivered)

## TARGETS

1 350 gigawatt-hours (GWh) per year by March 2008  
2 695 GWh per year by 2017-2018

564 megawatts (MW) by March 2008  
848 MW by 2017-2018

28 million cubic metres per year by March 2008  
101 million cubic metres per year by 2017-2018

400 MW by 2011

\*Manitoba Hydro is a licensee of the Trademark and Official Mark.