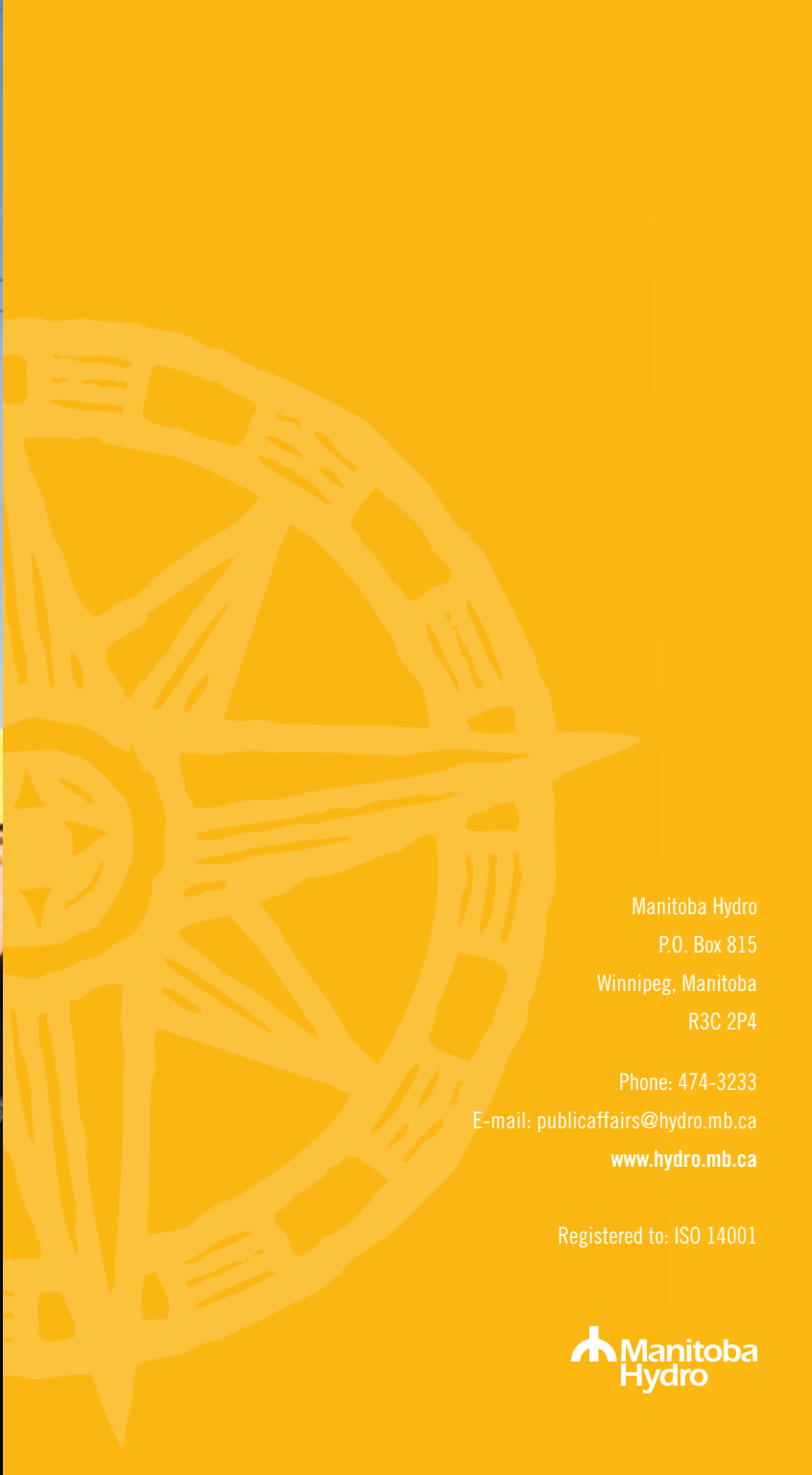




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SAFETY
CUSTOMERS
ABORIGINAL RELATIONS
FINANCIAL STRENGTH

THE CORPORATE STRATEGIC PLAN 2008/09 • MANITOBA HYDRO'S VISION OF THE FUTURE

EXPORT POWER
MOTIVATED WORKFORCE
ENVIRONMENT
CORPORATE CITIZEN
BUSINESS DEVELOPMENT
ENERGY CONSERVATION



INTRODUCTION

By identifying and communicating goals, strategies, and measures, the Corporate Strategic Plan (CSP) focuses the abilities and creativity of our employees on realizing the vision for Manitoba Hydro – to be the best utility in North America.

The CSP is central to the business planning activities of each business unit, division, and department. It guides individual and work group decisions and priorities and presents measures to evaluate progress. These measures not only establish what we've achieved, but also identify where action may be required.

In 2008/09, there is certainly much to be proud of at Manitoba Hydro. The Canadian Gas Association recently recognized the corporation as having the best overall safety record among gas utilities and we continue to achieve top ranking in satisfaction among electric utility customers. And, with another strong financial performance this past year, we continue to make progress towards our financial targets.

These successes reflect the quality and efforts of our workforce. I believe they also show the value of our business planning processes and the direction provided by the CSP.

I encourage all employees to review the CSP and consider how it relates to your work area and how you can help Manitoba Hydro to be the best utility in North America.

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

Staff at the Apparatus Maintenance Shop, including Dwayne Dosch, recently developed a sander that helps refinish hotsticks more efficiently and safely.



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

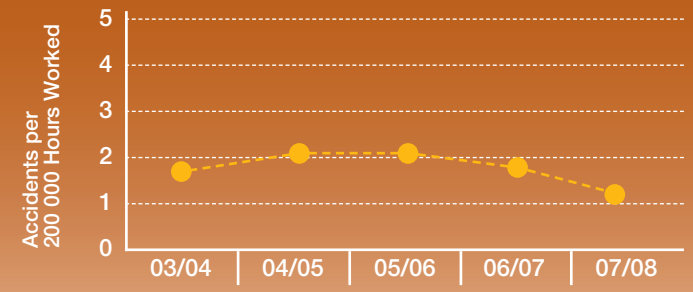
MEASURES

- High-risk accidents
- Accident severity rate
- Accident frequency rate

TARGETS

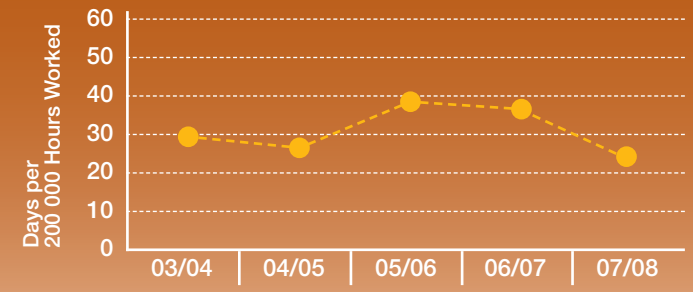
- 0
- < 16 days per 200 000 hours worked
- < 0.80 accidents per 200 000 hours worked

ACCIDENT FREQUENCY RATE



TARGET: < 0.80 Accidents

ACCIDENT SEVERITY RATE



TARGET: < 16 Days



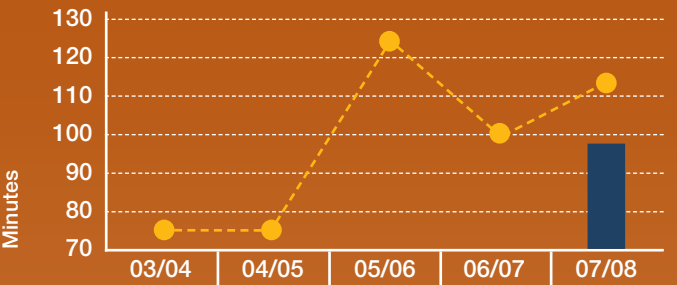


PROVIDE CUSTOMERS WITH EXCEPTIONAL VALUE

CUSTOMERS

SYSTEM AVERAGE INTERRUPTION DURATION

ELECTRIC OPERATIONS

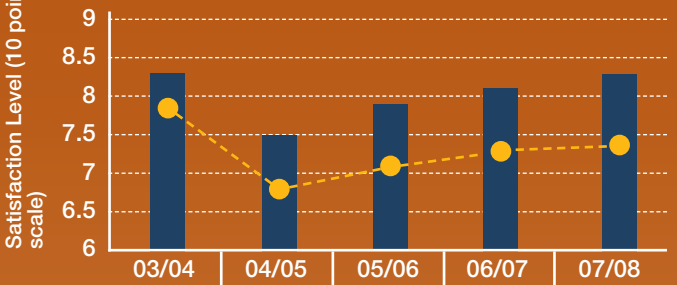


TARGET: ≤ 92 Minutes (5-year avg. 2005 — 2009)

— Fiscal year end actual — Fiscal 5-year avg.

CEA CUSTOMER SERVICE INDEX

CUSTOMER SATISFACTION LEVEL

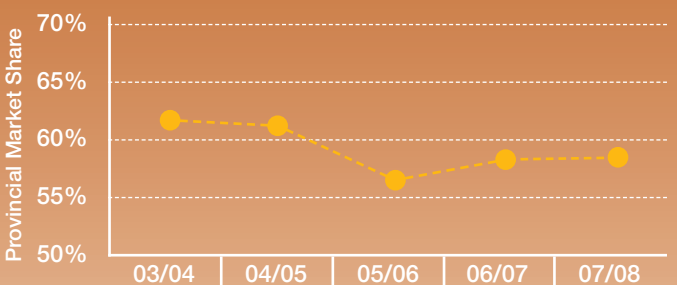


TARGET: Best in Canada

■ Manitoba Hydro — CEA Composite

NATURAL GAS MARKET SHARE

VOLUME OF COMMODITY SALES



TARGET: ≥ 60%



STRATEGIES

- Review and update marketing plans for 2008/09, including energy options
- Provide alternative energy 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

Opposite page: Burt Shewfelt is one of the many district staff who help maintain and update billboards used throughout Manitoba to promote public safety messages. The successful billboard campaign which started in 1997 is a joint effort by Manitoba Hydro and IBEW Local 2034.



BE A LEADER IN STRENGTHENING WORKING RELATIONSHIPS WITH ABORIGINAL PEOPLES

ABORIGINAL RELATIONS



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%

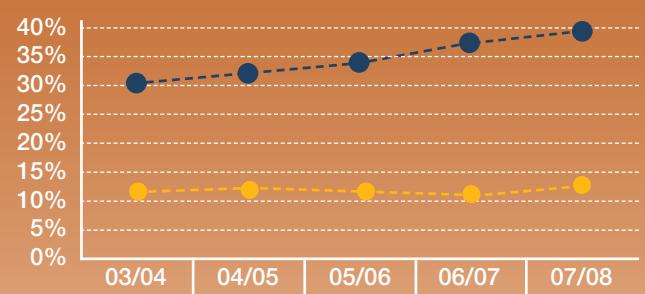
Percentage Aboriginal employment

- Corporate overall
- Northern
- Management
- Professional

All targets by March 2009

15%
43%
5.5%
6%

PERCENTAGE ABORIGINAL EMPLOYMENT

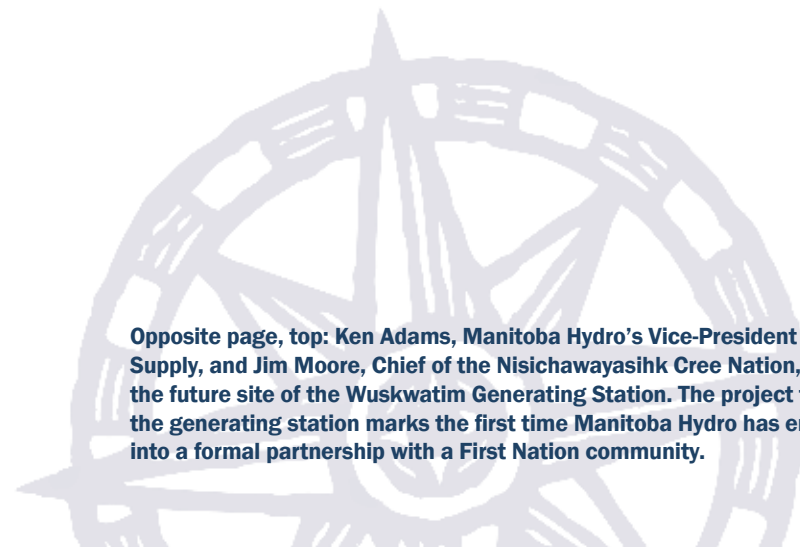


TARGET: Corporate Overall: 15% by 2009
Northern: 43% by 2009

— Corporate Overall — Northern

Since implementing strategies focused on recruitment and retention, Manitoba Hydro has experienced a significant improvement in our ability to develop and retain Aboriginal employees.

Opposite page, top: Ken Adams, Manitoba Hydro's Vice-President of Power Supply, and Jim Moore, Chief of the Nisichawayasihk Cree Nation, stand at the future site of the Wuskwatim Generating Station. The project to build the generating station marks the first time Manitoba Hydro has entered into a formal partnership with a First Nation community.

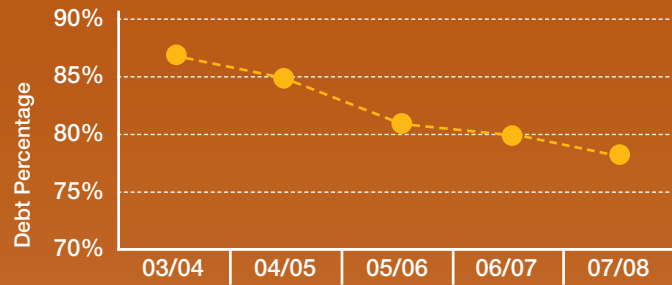




IMPROVE CORPORATE FINANCIAL STRENGTH

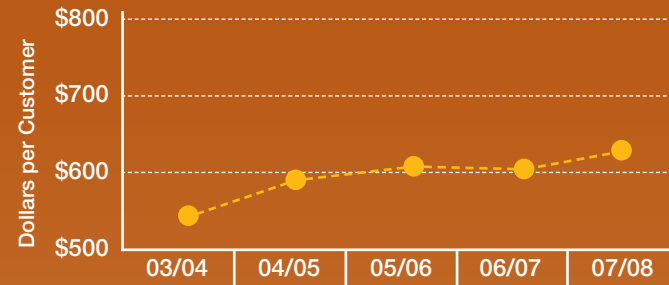
FINANCIAL STRENGTH

DEBT/EQUITY RATIO



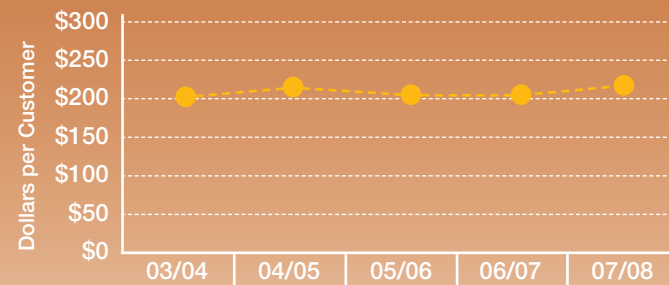
TARGET: 75% by 2011/12

OM&A COST PER ELECTRIC CUSTOMER



TARGET: \$665 per Customer by March 2009

OM&A COST PER NATURAL GAS CUSTOMER



TARGET: \$220 per Customer by March 2009

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

Interest coverage

Debt/equity ratio

Capital financing ratio

Operation Maintenance and Administration (OM&A) Cost per customer – electric

OM&A Cost per customer – natural gas

TARGETS

> 1.2

75/25 by the year 2011/12

> 1

\$665 per customer (March 2009)

\$220 per customer (March 2009)



Opposite page: Doug Bestvater is project engineer on the Kelsey Re-Runnering Project aiming to increase the station's capacity by approximately 80 megawatts thanks to design improvements, including installing more powerful turbine runners.



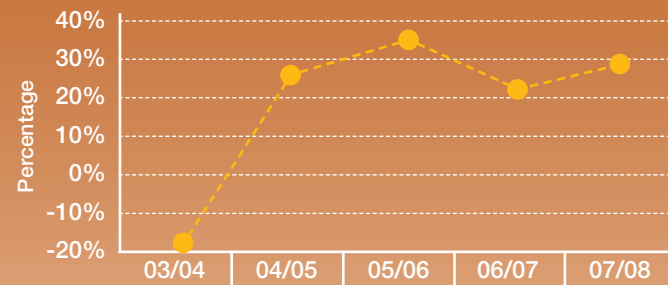
MAXIMIZE EXPORT POWER NET REVENUES

EXPORT POWER



NET EXPORT REVENUE

AS A PERCENTAGE OF TOTAL ELECTRIC REVENUE



TARGET: 25% — 2008/09 through 2016/17
40% by 2024

Manitoba Hydro has an agreement to purchase power from the 99-megawatt St. Leon Wind Farm for up to 25 years.

STRATEGIES

- Aggressively pursue a balanced portfolio of export sales
- Aggressively pursue supply-side initiatives and power purchases when appropriate
- 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 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% — 2008/09 through 2016/17
40% by 2024

Opposite page, top: Bob Brennan, Manitoba Hydro's President & CEO, speaks with media after announcing the signing of a term sheet with Wisconsin Public Service to provide up to 500 megawatts of hydroelectricity over 15 years starting in 2018.

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



Manitoba Hydro's Acquired Brain Injury program helps those who have suffered a brain injury re-integrate into the workplace. Byron Prince is one of six people currently in successful placements in the company.



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 2009

26%

17%

34%

5.7%

4.9%

MOTIVATED WORKFORCE



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



ENVIRONMENT

As the Environmental Supervisor for the Wuskwatim Construction Department, Gord Dumas oversees activities to ensure environmental protection practices are implemented.

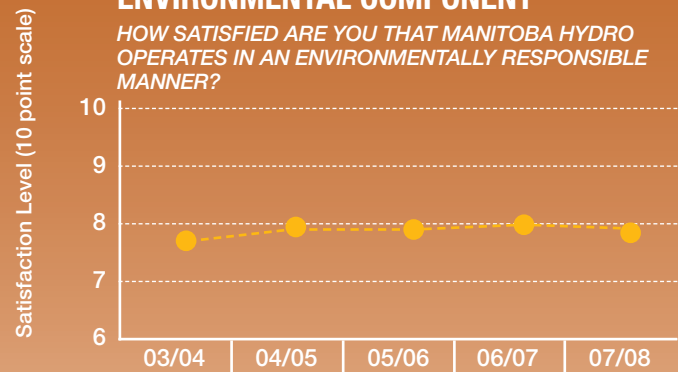


STRATEGIES

- Take all necessary steps to maintain ISO 14001 corporate registration
- Communicate Manitoba Hydro's environmental performance and achievements
- Provide input to the development of new environmental regulatory requirements and implement best management practices to address emerging environmental concerns
- Maintain climate change action plan
- Promote employee understanding of the potential interaction of their job and the corporation's activities with the environment
- Promote new hydro and/or transmission as part of the solution to climate change
- Conduct environmental research and monitoring programs that address both public expectations and the impact of climate change on hydrological resources

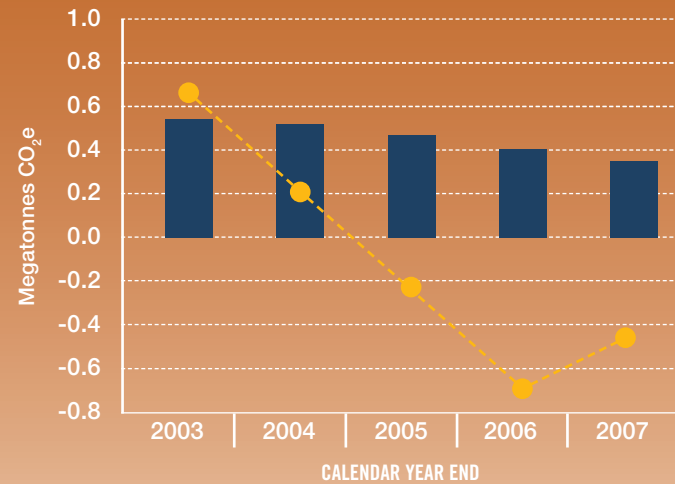
CORPORATE CITIZEN INDEX ENVIRONMENTAL COMPONENT

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



TARGET: ≥ 8.4

GREENHOUSE GAS EMISSIONS



TARGET: < 0.520

● Net Annual Emissions
■ Average Net Emissions since 1991

MEASURES

Environmental component of CEA Customer Service Index

Corporate Citizenship Index – environmental component

Greenhouse gas emissions

- Overall (net)
- Electricity generation
- Natural gas operations
- Fleet, buildings (natural gas), diesel generation & SF₆

TARGETS

≥ 8.5

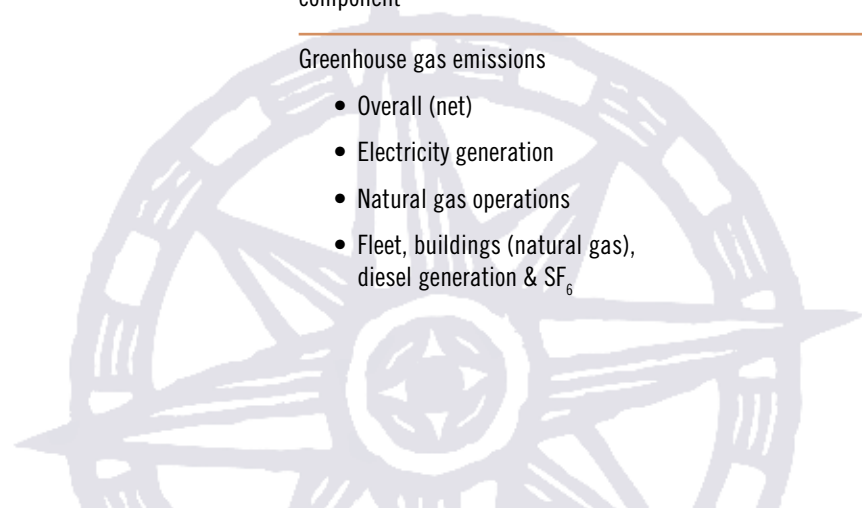
≥ 8.4

< 0.520 megatonnes

< 0.461 megatonnes

< 0.017 megatonnes

< 0.042 megatonnes





BE AN OUTSTANDING CORPORATE CITIZEN

CORPORATE CITIZEN

The volunteer efforts of Manitoba Hydro employees, such as Kathy Day, are one of the keys to the ongoing success of the Power Smart®/Winnipeg Jaycees Santa Claus Parade.



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

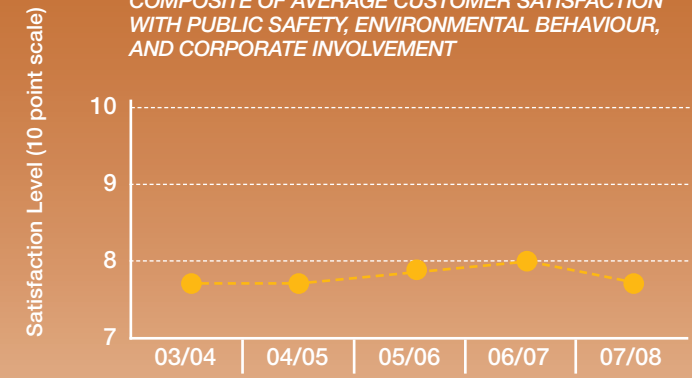
- CEA Public Attitude Index
- Manitoba Hydro Corporate Citizenship Index

TARGETS

- ≥ 8.5
- ≥ 8.2

CORPORATE CITIZEN INDEX

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



TARGET: ≥ 8.2

Opposite page, top: Members of Manitoba Hydro's Forest Enhancement Program Steering Committee, including Trent Hreno at far left, get a closer look at some of the trees planted at Toilers Park in Winnipeg as part of a project funded by the program. The Forest Enhancement Program has supported over 600 community projects that planted in excess of 125 000 trees across Manitoba.

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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

Opposite page: Manitoba Hydro is continuing to partner with Global Television to produce *It's Bigger Than You Think*, a series of one-minute vignettes highlighting Manitoba industries that employ energy efficient technologies and practices in partnership with Power Smart.



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



ENERGY CONSERVATION



The Small Changes Add Up television campaign was designed to help Manitoba homeowners identify low or no cost energy saving opportunities in their home.



STRATEGIES

- Aggressively develop, implement, and promote Power Smart programs
- 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

1 530 gigawatt-hours (GWh) per year by March 2009
2 695 GWh per year by 2017/18

601 megawatts (MW) by March 2009
848 MW by 2017/18

36 million cubic metres per year by March 2009
101 million cubic metres per year by 2017/18

400 MW by 2011

Opposite page, top: Manitoba Hydro's Research and Development section is supporting research by the University of Manitoba into the feasibility of small-scale combined heat and power systems that use biomass such as cattails.