

MANITOBA HYDRO
2010/11 & 2011/12 GENERAL RATE APPLICATION

CORPORATE OVERVIEW

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CORPORATE OVERVIEW

3.0 OVERVIEW

Tab 3 outlines Manitoba Hydro's Corporate Strategic Plan and organization. Section 3.1 provides an overview of Manitoba Hydro's Corporate Strategic Plan ("CSP").

Section 3.2 reviews Manitoba Hydro's current organization and a description of its Business Units and the key activities associated with each Business Unit.

Section 3.3 reviews Manitoba Hydro's management cost control process.

Appendix 3.1 provides the Corporate Strategic Plan for 2009/10.

3.1 CORPORATE STRATEGIC PLAN

The Corporate Strategic Plan ("CSP") sets out the Corporation's vision, mission, goals and strategies. The CSP is approved annually by the Manitoba Hydro-Electric Board. A copy of Manitoba Hydro's 2009/10 Corporate Strategic Plan is contained in Appendix 3.1. It describes Manitoba Hydro's operating principles as well as strategies, targets and measures in respect of the ten organizational goals which are:

1. Improve safety in the work environment.
2. Provide customers with exceptional value.
3. Be a leader in strengthening working relationships with Aboriginal peoples.
4. Improve corporate financial strength.
5. Maximize export power net revenues.

- 1 6. Attract, develop and retain a highly motivated workforce that reflects the
2 demographics of Manitoba.
- 3
- 4 7. Be proactive in protecting the environment and be the leading utility in promoting
5 sustainable energy supply and service.
- 6
- 7 8. Be an outstanding corporate citizen.
- 8
- 9 9. Proactively support agencies responsible for business development in Manitoba.
- 10
- 11 10. Be a national leader in implementing cost-effective energy conservation and
12 emerging energy systems.
- 13

14 **3.2 CURRENT ORGANIZATION**

15

16 Since the August 1, 2007 General Rate Application, Manitoba Hydro has realigned its
17 business unit structure. Manitoba Hydro's current organization structure of one
18 Corporate Group and seven Business Units is depicted on Figure 3.2.1.

19

20 Corporate Group

21

22 The Corporate Group includes the Office of the President & Chief Executive Officer,
23 General Counsel & Corporate Secretary, Public Affairs Division, Internal Audit,
24 Research and Development and Subsidiary Operations.

25

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

28

29 The General Counsel & Corporate Secretary area provides legal, insurance, corporate
30 security, regulatory and intellectual property services.

31

32 The Public Affairs Division provides the Corporation with media and customer relations,
33 Internet and Intranet communications, creative writing and graphics, photography and
34 audio/visual services, forms management, and policies and procedures administration.

35

36 Internal Audit is an independent, objective assurance and consultant activity designed to
37 add value and improve the Corporation's operations. Internal Audit has a direct reporting

1 relationship to the Audit Committee of the Board and reports administratively to the
2 President & CEO.

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 as follows: Corporate Controller, Human Resources, Corporate Safety &
10 Health, Information Technology Services, Rates & Regulatory Affairs, Gas Supply,
11 Treasury, and Corporate Services.

12
13 A number of services are provided by the Business Unit including:

- 14
15 – Management and financial accounting, budgeting and financial forecasting, the
16 International Financial Reporting Standards (“IFRS”) project, are within the
17 Corporate Controller’s Division;
- 18 – Employee relations, employee compensation, learning and development, employment
19 equity and human resource services are within the Human Resources Division;
- 20 – Employee safety and health, and technical training are in the Corporate Safety &
21 Health Division;
- 22 – Development, maintenance and enhancement of employee, customer, engineering and
23 integrated systems, infrastructure and operations, client services, and document
24 services are in the Information Technology Services Division;
- 25 – Rates and policies which includes rate design, cost of service, load research and
26 business investment policy, and regulatory services are in the Rates & Regulatory
27 Affairs Division;
- 28 – Gas procurement, derivative management, broker relations, and gas pricing
29 administration are in the Gas Supply Division;
- 30 – Financial market, debt and investment, cash management, and corporate banking
31 services are in the Treasury Division; and
- 32 – Purchasing, materials management, property, fleet services and corporate facilities are
33 in the Corporate Services Division.

34
35 The Finance & Administration Business Unit is also responsible for corporate risk
36 management, recommending and monitoring the Corporation’s financial targets, external

1 financial reporting, and supporting and providing policy guidance to other Business
2 Units, and subsidiaries of the Corporation.

3 4 Power Supply

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

11
12 The Business Unit plans, designs, builds, operates, and maintains hydraulic and thermal
13 generating stations and HVDC converter stations capable of producing and delivering
14 approximately 5,500 MW of electricity to the AC Transmission System. The Power
15 Supply Business Unit is also responsible for marketing and selling electricity in
16 extraprovincial markets.

17
18 There are currently 14 hydraulic generating stations, two thermal generating plants, three
19 HVDC converter stations, and eight major water control structures. On average 30 billion
20 kilowatt-hours of electricity are generated annually. In a normal water year exports
21 amount to approximately one-third of electricity produced. Manitoba Hydro is registered
22 to the ISO 14001 Environmental Management Standards.

23
24 The Business Unit consists of the following eight (8) divisions: Generation South,
25 Generation North, HVDC, Power Planning, Power Projects Development, Power Sales &
26 Operations, Engineering Services and New Generation Construction.

27 28 Transmission

29
30 The responsibility of the Transmission Business Unit is to provide the management of
31 functions related to transmission facilities and operations. The Business Unit focus is on
32 system reliability, the efficient operation and maintenance of Manitoba Hydro's
33 transmission system, maintaining transmission access to markets outside of the province,
34 and providing transmission interconnection services for new Manitoba Hydro or third
35 party generators.
36

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

5 The Business Unit is responsible for monitoring, controlling and regulating the flow of
6 electrical energy into, out of, and throughout the province via two System Control
7 Centres located in Winnipeg. The System Control Centres utilize computerized Energy
8 Management Systems which allows system control operators to automatically and
9 remotely regulate and adjust the flow of energy to meet the requirements of Manitoba
10 Hydro's provincial and export customers.
11

12 The Business Unit takes delivery of alternating current (AC) electrical energy directly
13 from Manitoba Hydro's generating stations, its high voltage direct current (HVDC)
14 converter stations and the various interconnection points (when importing energy) at the
15 provincial borders with the United States, Ontario and Saskatchewan. The AC electrical
16 energy is transported throughout the province at high voltage levels (ranging from
17 24,000 volts to 500,000 volts) via an extensive network of over 18,500 kilometres
18 (11,500 miles) of transmission lines to the interconnect points at the provincial borders
19 (for delivery to export markets) and to a network of distribution stations and distribution
20 lines for delivery to customers within the province.
21

22 Customer Care & Marketing

23

24 The Customer Care & Marketing Business Unit is responsible for corporate marketing,
25 energy conservation, customer relationships and energy use optimization. The Business
26 Unit consists of three (3) Divisions as well as related support functions. The three
27 Divisions are Consumer Marketing & Sales, Industrial and Commercial Solutions, and
28 Business Support Services. The design of the organizational structure is customer focused
29 with staff dedicated to provide customer service to Key Accounts, Major Accounts,
30 Energy Services & Sales Accounts and to core customers at large. The Business
31 Communications, Gas Markets – Policy, Administration and Development, Market Issues
32 and Affordable Energy Departments are also part of this Business Unit.
33

34 This Business Unit offers a variety of services to both electric and natural gas customers
35 including Customer Contact services, meter reading, billing, customer care, 24-hour
36 emergency response, inspections relating to applicable codes, service extensions and
37 modifications, and public safety and education programs throughout the province.

1
2 The Customer Service & Marketing Business Unit is also responsible for Manitoba
3 Hydro's Power Smart demand side management programs.
4

5 Corporate Relations

6
7 The Corporate Relations Business Unit includes the Aboriginal Relations Division, the
8 Government Relations & Current Issues Department, and the Business Issue's support
9 function.
10

11 The Aboriginal Relations Division has primary responsibility for Manitoba Hydro's
12 management of Aboriginal issues.
13

14 The Government Relations and Current Issues Department is responsible for the
15 coordination of government relations and to interface with the government's Energy
16 Development Initiative (EDI) staff as well as the Minister's Office.
17

18 Customer Service & Distribution

19
20 The new Customer Service and Distribution Business Unit is responsible to provide for
21 the management and execution of functions related to customer service and the
22 distribution of energy (natural gas and electric). The Business Unit focus is to provide
23 customers with energy services while ensuring the safe, reliable, efficient,
24 environmentally considerate and cost effective operation of Manitoba Hydro's
25 distribution systems.
26

27 The Business Unit takes delivery of electricity from the transmission system at 66 kV
28 (and some 69 kV) stations where it is distributed to approximately 527,000 electric
29 customers and 263,000 natural gas customers within the province of Manitoba. Natural
30 gas is delivered via the TransCanada Pipeline.
31

32 Key activities for this Business Unit include customer service operations, distribution
33 planning and design, and distribution construction. The Business Unit is also responsible
34 for customer service extension, billing enquiry and collections, system maintenance, and
35 emergency response activities.
36

1 The Business Unit consists of four (4) Divisions: Customer Service Operations – South
2 Region, Customer Service Operations – Winnipeg & North Region, Distribution Planning
3 & Design, and Distribution Construction.

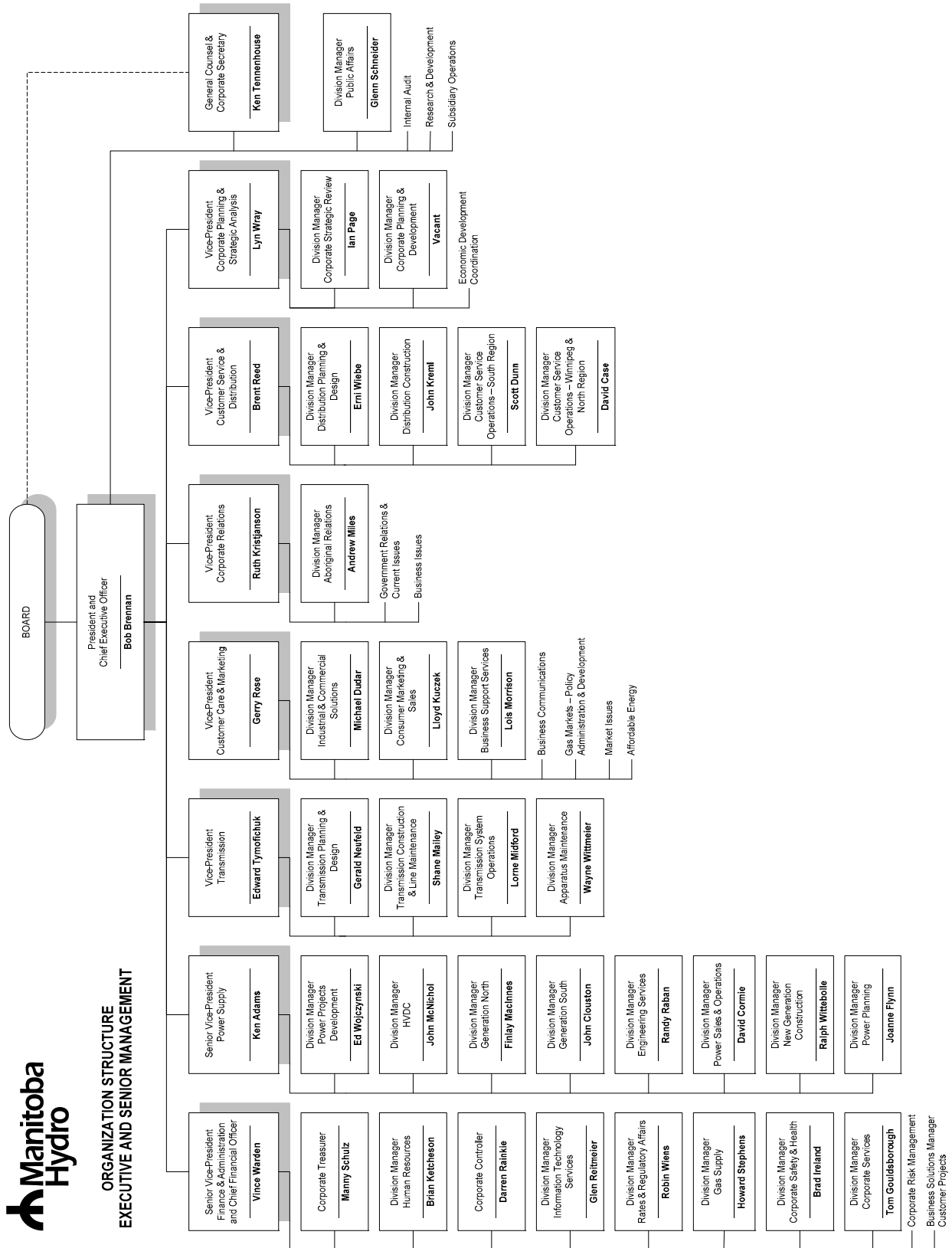
4
5 Corporate Planning & Strategic Analysis

6
7 The new Corporate Planning & Strategic Analysis Business Unit includes the Corporate
8 Planning & Development Division and the Corporate Strategic Review Division which
9 includes the Economic Analysis and Economic Development Coordination Departments.

10 The Corporate Strategic Review Division performs corporate level examinations of
11 subjects or issues that are strategically significant to Manitoba Hydro.

12

1 **Figure 3.2.1 - Organizational Chart**
2



3

3.3 MANAGEMENT COST CONTROL PROCESS

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

- Prioritize programs and projects;
- Manage changing conditions;
- Provide changes in corporate direction;
- Establish communication on performance; and
- React to unforeseen conditions on a timely basis.

Operating, Maintenance and Administrative Costs

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

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

The overall forecast is apportioned to each of the Business Units and for the electric and gas operations. This apportionment is based on previously approved staffing levels and costs for each year with consideration given to the specific business, economic and other factors that affect each of the Business Units or utilities. The Vice-President in charge of each Business Unit oversees the approved operating expenditures among the programs, division and utility operations for which they are responsible. Detailed departmental budgets support the approved Business Units budgets. To the extent that detailed

1 departmental budgets (i.e. bottom-up) do not exactly reconcile approved budgets at the
2 Corporate level (i.e. top-down), temporary contingency accounts are established and
3 managed until such contingency accounts can be specifically allocated within detailed
4 budgets.

5
6 The operating forecasts and detailed budgets form the basis for the operating,
7 maintenance and administrative expense forecasts included in the Integrated Financial
8 Forecast, which is presented to the Manitoba Hydro Board of Directors for approval on
9 an annual basis.

10 11 Capital Expenditures

12
13 The Capital Expenditure Forecast (“CEF”) is updated annually to provide a current
14 projection of capital expenditures for new and replacement facilities to meet the
15 electricity requirements in the Province of Manitoba, as well as to meet firm sale
16 commitments outside the province. Expenditures included in the CEF are only those
17 necessary to provide a safe and reliable supply of energy in the most efficient and
18 environmentally responsible manner.

19
20 The CEF consists of a number of Major Items and a Domestic Item (numerous smaller
21 capital projects) for each Business Unit. Normally, Major Item projects exceed \$2 million
22 in total project costs and have a construction duration exceeding one year. Manitoba
23 Hydro’s justification for capital expenditures falls into seven categories: capacity, load,
24 safety, reliability, service, efficiency and other.

25
26 Proposed capital expenditure projects are initiated by planning studies and market
27 evaluations. A Capital Project Justification (“CPJ”) framework assists staff in
28 summarizing technical, economic and financial information for a project that is being
29 proposed or revised for inclusion in the upcoming capital program. Information relative
30 to each project such as a business case, risk assessment, resourcing requirements and
31 other pertinent details are presented in the CPJ. Proposed capital expenditure projects
32 (CPJ’s) are reviewed and approved by the Executive Committee prior to their inclusion in
33 the CEF.
34

1 Integrated Financial Forecast

2
3 The Integrated Financial Forecast (“IFF”) is Manitoba Hydro’s primary planning
4 document for projecting the future financial direction of the Corporation. It is also the
5 basis for recommending any rate changes that may be necessary for the Corporation to
6 attain its financial targets and objectives.

7
8 The IFF is based on various component forecasts from across the Corporation including:

- 9
10 – The System Load Forecast;
11 – The Power Resource Plan;
12 – Generation Costs & Interchange Revenue;
13 – Power Smart Resource Options;
14 – Economic Outlook;
15 – Operating, Maintenance & Administrative Expense Forecast; and
16 – Capital Expenditure Forecast.

17
18 Monthly Reporting and Variance Analysis

19
20 Operating and capital expenditures are recorded and compared to the amounts budgeted
21 on a monthly basis. Variance analyses are then prepared and provided to management to
22 assist them in controlling costs and in meeting their planned objectives and targets.

23
24 Process Controls

25
26 Controls are in place to ensure that all operating and capital expenditures are
27 appropriately authorized, executed, recorded and reported. The controls include:

- 28
29 – Policies that delegate authority for making purchasing and resourcing decisions to
30 appropriate levels within the organization;
31 – Purchasing and payment processes that provide for stringent procedural requirements
32 that are specific to the nature and costs of the materials or services being sought; and
33 a standardized accounting framework and methodology that provide for thorough,
34 accurate and consistent recording, classification and reporting of operating and capital
35 expenditures.