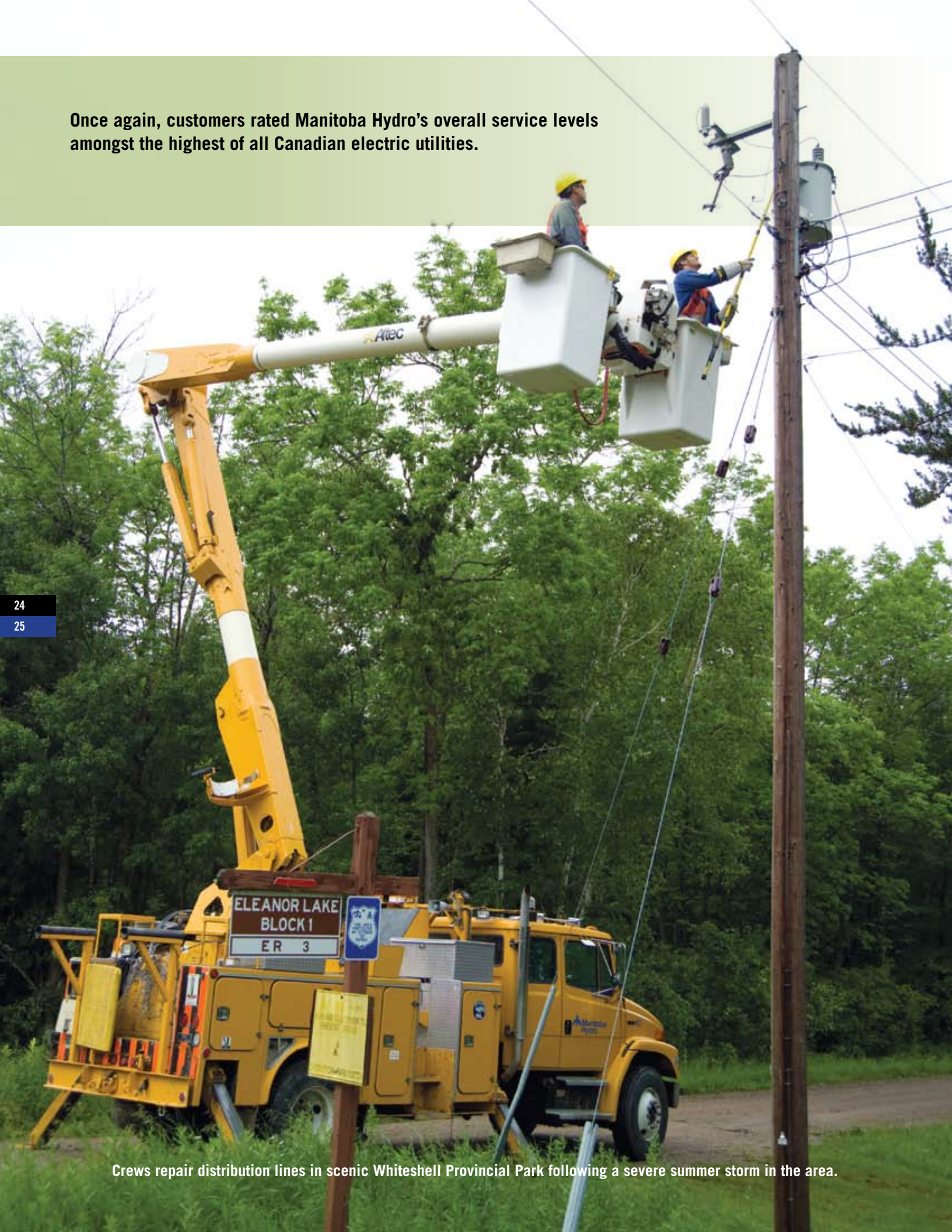


Once again, customers rated Manitoba Hydro's overall service levels amongst the highest of all Canadian electric utilities.



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Crews repair distribution lines in scenic Whiteshell Provincial Park following a severe summer storm in the area.



Manitoba Hydro ranked highest in customer satisfaction in J.D. Power report

In a study released by J.D. Power and Associates in August 2007, Manitoba Hydro ranked highest overall in satisfying residential electric utility customers. This 2007 Canadian Electric Utility Residential Customer Satisfaction Study measured customer satisfaction based on responses from customers served by the 14 largest retail electric utility companies in Canada, which collectively represent more than 10 million residential customers.

Advanced metering pilot assessed

The benefits experienced from a sample group of customers using advanced metering technology are currently being assessed. The pilot program, which started in 2007, includes the use of advanced meters for 5 000 electricity and 1 000 natural gas customers in various Winnipeg neighbourhoods as well as 200 electricity customers in the Landmark area.

The potential benefits being explored include improved system reliability, accuracy in metering and billing, and enhanced energy conservation. The meters are also anticipated to provide the capability of additional new services, such as flexible rate plans, time-of-use information, in-home energy use display, and faster response times for power outages and restorations.

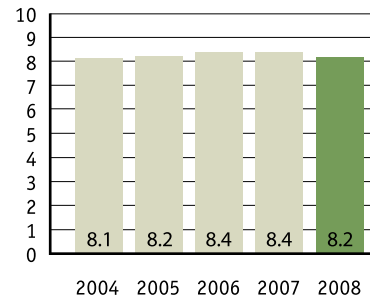
Natural gas service

The corporation distributes natural gas to approximately 260 000 customers located in various communities throughout Manitoba. Rates for natural gas are adjusted quarterly, based on the same price that Manitoba Hydro pays to purchase natural gas from Alberta.

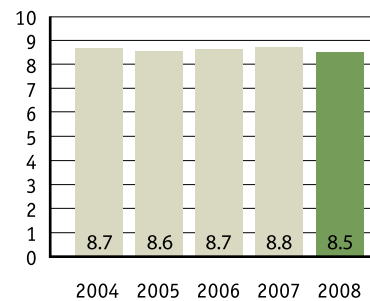
The corporation helps lessen the impact of gas price volatility through the use of a hedging strategy, gas storage, as well as through the quarterly adjustment of gas rates.

Through the derivatives hedging strategy, natural gas volatility was reduced by 43 per cent during the year. In addition, the following quarterly adjustments to natural gas prices were implemented: May 2007 (4.5 per cent increase); August 2007 (1.8 per cent decrease); November 2007 (3.4 per cent decrease); February 2008 (1.2 per cent increase). All percentages are based on an average annual increase or decrease for residential natural gas customers.

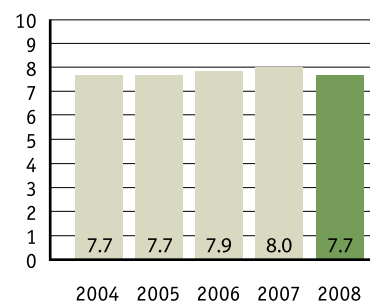
Customer satisfaction with overall service
(Source: MH quarterly Customer Satisfaction Tracking Study)



Customer satisfaction with system reliability (electricity)
(Source: MH quarterly Customer Satisfaction Tracking Study)



Corporate citizenship index
(Source: MH quarterly Customer Satisfaction Tracking Study)



Summer storm creates widespread damage

Severe spring and summer storms are not unusual in Manitoba but the weekend of June 22, 2007 was of a magnitude rarely seen by the most experienced customer service staff.

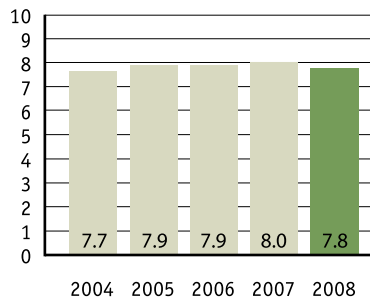
Extensive damage caused by a tornado just west of Winnipeg left thousands of customers without electricity. Roughly 200 wood poles and several transmission towers were knocked down in the Elie and Oakville area alone. In spite of the damage left in the tornado's path, all electrical service was restored by Manitoba Hydro crews in two days. The event marked the first Level 5 tornado ever recorded in Canada.

Damage to a host of towns and communities further west from a separate storm system was even more severe, leaving many more thousands of customers without power for longer periods.

On the same weekend, a large area of the Whiteshell Provincial Park was also affected by extremely high winds which knocked over distribution poles and brought down powerlines—primarily at Betula Lake. A concentrated effort by line crews in the recreational area had service to all cottage-owners completely restored by the following weekend.

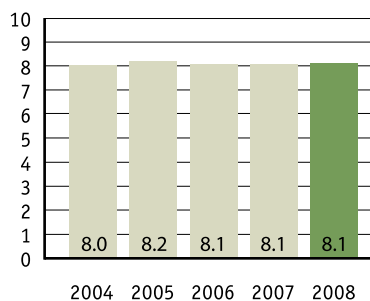
Corporate citizenship (environmental component)

(Source: MH quarterly Customer Satisfaction Tracking Study)



Corporate image index

(Source: MH quarterly Customer Satisfaction Tracking Study)





A Level 5 tornado—the first ever recorded in Canada—flattened buildings and the electrical infrastructure near the towns of Elie and Oakville in June 2007.