

MANITOBA HYDRO'S

ENTERPRISE PLAN

FY 2023/24



Available in accessible formats upon request.

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TERRITORIAL LAND ACKNOWLEDGEMENT

Manitoba Hydro has a presence right across Manitoba, on Treaty 1, Treaty 2, Treaty 3, Treaty 4 and Treaty 5 lands – the original territories of the Anishinaabe, Cree, Anishinew, Dakota, and Dene peoples and the homeland of the Red River Métis. We acknowledge these lands and pay our respects to the ancestors of these territories. The legacy of the past remains a strong influence on Manitoba Hydro's relationships with Indigenous communities today, and we remain committed to establishing and maintaining strong, mutually beneficial relationships with Indigenous communities.



PRESIDENT & CEO'S MESSAGE

Like many utilities around the world, Manitoba Hydro is in a period of great change spurred by external forces. Continued growth in digital technologies, paired with more industry-specific trends toward decarbonization, decentralized energy infrastructure, and democratization of information and choice for utility customers, means Manitoba Hydro must adapt its operations.

Charting our long-term course for Manitoba Hydro began with the development of a 20-year strategy for the utility – Strategy 2040 – that reflects our reason for being: serving our customers. Our strategy illustrates a vision of a responsive, technologically advanced utility that customers can trust to serve them with safe, reliable, and cost-effective energy each and every day: the Manitoba Hydro of the future.

This Enterprise Plan, developed using Strategy 2040 as its guide, outlines the steps our utility is taking this fiscal year as we start to make that vision a reality. It lays out the objectives and deliverables we hope to achieve, in fiscal year 2023-24 as we continue our journey to position ourselves for a strong energy future and fulfill our brand promise to provide Energy for Life to all Manitobans.

Beyond market research, surveys, and other methods for learning from our customers, we are also making progress by recognizing a simple fact: our employees are our most important asset. The initiatives throughout this plan require significant employee input and collaboration, continually improving employee experience that will translate to an improved experience for our customers.

With that context in mind, I am proud and excited to present this Enterprise Plan. The plan outlined in this document represents some of the most important work we are undertaking as we position Manitoba Hydro to provide Energy for Life to our customers now and well into the future.








Jay Grewal
President & CEO



EXECUTIVE SUMMARY

Four key factors – digitalization, decarbonization, decentralization, and democratization – are shaping the future of the energy sector and are driving energy utilities to rethink how to best serve their customers.

To respond to this evolving energy landscape, Manitoba Hydro's long-term direction is set out in five strategic pillars – promises to our customers that form the basis of our long-term strategy, Strategy 2040.

PILLAR 1 	PILLAR 2 	PILLAR 3 	PILLAR 4 	PILLAR 5 
Provide safe, reliable energy that responsibly meets the evolving energy needs of Manitobans	Serve customers efficiently, responsively, and digitally	Help all Manitobans understand their energy options and make informed choices	Ensure Manitobans get maximum value from their clean, dependable energy infrastructure	Keep energy prices as low as possible, while providing the level of service Manitobans expect

The five pillars guiding our long-term strategy translate into objectives, initiatives and deliverables in 2023-24, which are outlined in this plan.

Building a Manitoba Hydro that can deliver on the promises of Strategy 2040 is multi-year journey – and small steps are taken every day. Our employees deliver everyday excellence by operating efficiently and effectively, and innovating wherever possible as we work to center the customer in all aspects of our business.

The annual budget and assumed rate increases are consistent with those proposed in the General Rate Application submitted to the Public Utilities Board in November 2022.

These rate increases are among the lowest average increases projected by Manitoba Hydro in decades, providing rate stability and predictability for our customers while also improving our long-term financial health.

To execute on the FY 2023/24 Enterprise Plan, Manitoba Hydro is focused on putting the right people in the right places at the right times. This includes strengthening our core workforce and replenishing critical front-line staff like trades trainees and customer engagement centre groups, as well as creating new critical positions and capabilities that have emerged through a review of our business model.

ABOUT MANITOBA HYDRO

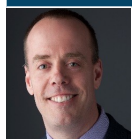
Manitoba Hydro's Mission Statement

Help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage, while ensuring safe, clean, reliable energy at the lowest possible cost.



EXECUTIVE LEADERSHIP TEAM

ASSET PLANNING & DELIVERY • Hal Turner, VP



Integrated
Resource
Planning

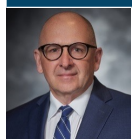
Asset
Management

Engineering

Construction

Project Management

CFO • Aurel Tess, VP & CFO



Corporate
Controller

Treasury

Internal Audit

Rates &
Regulatory

Manitoba Hydro
International

Supply Chain

CUSTOMER SOLUTIONS & EXPERIENCE • Alex Chiang, VP



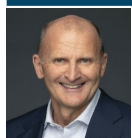
Sales,
Marketing
& Product
Development

Customer Care

Customer
Strategy &
Experience

Energy Markets

DIGITAL & TECHNOLOGY • Ian Fish, VP



Information
Technology

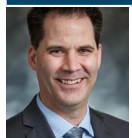
Digital

Cyber
Security &
Architecture

Value
Management
Office

Digital & Technology
Business
Partnerships

ENTERPRISE EXCELLENCE • Ryan McCormack, Sr. Director



Enterprise
Enablement
Change

Enterprise
Transformation
Communications

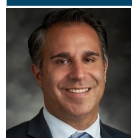
Enterprise
Alignment

Enterprise
Improvement

Strategy & Enterprise
Planning

Enterprise
Risk
Management

EXTERNAL, INDIGENOUS RELATIONS & COMMUNICATIONS • Jeffrey Betker, VP



General
Counsel &
Corporate
Secretary

Indigenous &
Community
Relations

Stakeholder
Relations

Corporate
Communications

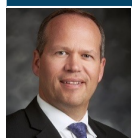
HUMAN RESOURCES & SAFETY, HEALTH & ENVIRONMENT • Jamie Hanly, VP



Safety,
Health &
Environment

Human
Resources

OPERATIONS • Shane Mailey, VP



System
Operations

Generation
Operations &
Maintenance

Transmission
Operations &
Maintenance

Distribution
Operations &
Maintenance
(Rural)

Distribution
Operations &
Maintenance (WPG)

Operations
Business
Solutions &
Services

CASE FOR CHANGE (4D'S)

Manitoba Hydro's Case for Change is represented through "The 4 Ds" - Digitalization, Decarbonization, Decentralization, and Democratization. These key trends affect global changes for the energy sector and are driving all energy utilities to rethink how best to serve customers. Manitoba Hydro monitors the pace of these trends to assess potential impacts for Manitobans. Several of these assumptions are inputs to the Integrated Resource Plan, which will enhance Manitoban's understanding of potential impacts to the demand and supply of energy in Manitoba.

The degree and pace of change is uncertain, and the evolving energy landscape is increasing the business/operation risks that Manitoba Hydro is exposed to.



DIGITALIZATION

- Technology and connectivity are advancing at a rapid pace, which is changing customer preferences and expectations for how they interact with their energy provider.
- Data is the fuel that enables and empowers utility business transformation. With data as the foundation of digitalization, cloud-enabled platforms, the adoption of machine learning, big data, artificial intelligence, and advanced analytics are mega trends for both customer and utility.

Opportunities:

- Meet rising customer expectations by increasing Manitoba Hydro's suite of digital products and channels to enhance the way it engages with customers.
- By leveraging digital technologies and digitized data, Manitoba Hydro can increase productivity and efficiency, reduce costs, transform business processes, and generate new value for consumers.
- The adoption of digital trends and tools creates new opportunities to modernize utility planning and operations, enhance asset management, and meet the evolving needs of consumers.
- Digitalization is not possible with technology alone; it also requires adapting processes and business practices to harness the power of new technology and data.

Challenges:

- Increasing electrification demands will require modernization of and investment in the distribution grid.
- As customer expectations for access to data and digital services continue to grow with the evolution of global technology, Manitoba Hydro will need to continuously expand its digital services and offerings to keep pace.
- Internal technology debt requires significant catch-up investment in digital and technology system architecture to enable system integration and customer solutions.

CASE FOR CHANGE (4D'S)



DECARBONIZATION

- The focus on reducing greenhouse gas emissions (GHG) globally is accelerating the pace of electrification worldwide. This will only increase the demand for renewable, dependable energy.
- Vehicle manufacturers are decreasing investments in internal combustion engines (ICEs) and switching to electric, along with public transit authorities embracing new electric technologies for buses and other mass transit.

Opportunities:

- Focus on reducing greenhouse gas emissions has accelerated the pace of electrification creating opportunities to plan for the expected increase in energy demand.
- Increase in demand for renewable, dependable, green energy puts Manitoba Hydro in an advantageous position, which can be further leveraged by building its brand.
- Integrated planning of natural gas and electric business lines provides opportunity to optimize energy services for Manitobans while meeting GHG commitments.

Challenges:

- Evolution of energy policy by the Province will have a significant impact on the energy landscape for which Manitoba Hydro will need to plan its response.
- Need for sufficient charging infrastructure to deal with increase in electrification of transportation.
- Increased generation capacity required to meet electrification demand in the future.
- Manitoba's cold climate reduces viability and efficiency of non-emitting options to replace natural gas heating and would further contribute to winter electricity peak.
- Global, federal and provincial GHG commitments create uncertainty for gas business.

CASE FOR CHANGE (4D'S)



DECENTRALIZATION

- The cost of self-generation such as rooftop solar and localized energy storage, is falling, and Manitobans may soon choose to generate some of their own electricity at similar costs to buying their power from Manitoba Hydro.
- The emerging new energy value chain is distributed, open and dynamic.
- A connected devices and services market is emerging “behind the meter” for customers who may become “prosumers” (producers + consumers) in the future.

Opportunities:

- Opportunity to leverage decades of energy expertise to become trusted energy advisors to Manitobans by building advisory capabilities and partnering to help Manitobans navigate their energy choices.
- Take advantage of federal funding to meet investment requirements.
- Connectivity and Internet of Things (IoT) create opportunities for automation and bundling of services behind-the-meter.

Challenges:

- Increase in self-generation could result in decreased revenue and stranded assets.
- Enabling the grid to support bi-directional flow of energy could drive up costs.
- Large investments in battery technology development could lead towards grid defection.
- Cost of service to become more complex as customers become prosumers; fixed system costs to be distributed equitably.
- Regulatory model will have to evolve to enable new customer options, behaviours and rate structures.

CASE FOR CHANGE (4D'S)



DEMOCRATIZATION

- As customers become more tech-savvy and energy knowledge increases they will want a more open system, with visibility and access to their data, to become active participants in a dynamic energy ecosystem.
- Customers, communities, businesses, and other stakeholders are developing their own energy plans and want greater input into the decisions made on their behalf.
- New entrants to the energy sector, including technology service providers, retailers, and generators can share data and insights to help shape energy sector decisions and generate new value for consumers.

Opportunities:

- Strengthen our trusted relationship with government and stakeholders to shape the energy landscape in the best interest of Manitobans.
- Gain insight from customers and other stakeholders to enhance decision making.
- Create a platform for all energy sector participants to share information and shape the emerging market.

Challenges:

- Forecasts, assumptions, and perspectives vary greatly across stakeholders, leading to challenges within regulatory processes.
- Robust stakeholder management requires significant time and energy and takes experts away from their duties.
- If participation is low, the opinions of a few voices may outweigh the needs of the many.

PREPARING FOR THE FUTURE

Translating Strategy into Action

Strategy 2040 guides our long-term direction based on our assumptions for the evolving energy landscape. Long term planning such as asset management, Integrated Resource Planning (IRP) and the Digital Roadmap are integral parts of strategy development and deployment to prepare Manitoba Hydro's energy systems for the future. The world around us is changing quickly, and our strategy and plans need to be dynamic to stay relevant.

Translating Strategy 2040 into actionable steps, the Enterprise Plan outlines how each Pillar is achieved through objectives and strategic initiatives. Business Units and cross-enterprise teams develop plans for the strategic initiatives to achieve the deliverables to be completed in FY 23/24.

Everyday Excellence

Based on commitments made in Strategy 2040, we will continue to improve and operate the core of our business – providing energy for life to our customers.

Every day, Manitoba Hydro sets out to meet our customers' needs. Our electric and natural gas operations provide safe and reliable energy to our customers – keeping us warm all winter and power on with minimal disruption.

Everyone plays an important role in an integrated gas and electric system as complex as ours. While our front-line teams provide direct customer service, our behind-the-scene teams provide the business support to plan and coordinate resources and keep our operations running smoothly.






Our indigenous and community relations provide leadership and foster consistency in the engagement of Indigenous peoples, communities, businesses, and employees to proactively build and maintain meaningful relationships, and to honor agreement commitments and other obligations arising from Manitoba Hydro's projects and operations.

We transparently collaborate with government and the Public Utilities Board to evolve legislative and regulatory frameworks in the best interest of Manitobans.



STRATEGY 2040

As a commitment to customers in the 5 pillars of Strategy 2040, Manitoba Hydro will:

PILLAR 1	PILLAR 2	PILLAR 3	PILLAR 4	PILLAR 5
				
Provide safe, reliable energy that responsibly meets the evolving energy needs of Manitobans	Serve customers efficiently, responsively, and digitally	Help all Manitobans understand their energy options and make informed choices	Ensure Manitobans get maximum value from their clean, dependable energy infrastructure	Keep energy prices as low as possible, while providing the level of service Manitobans expect
Energy powers your life and your business – Manitoba Hydro will ensure your energy is safely, responsibly, and reliably produced and delivered to you	You expect responsive service, and to be able to deal with your energy provider the way you want – Manitoba Hydro will modernize its customer service to deliver digitally, and to improve responsiveness	Your home and business energy choices are expanding and becoming a lot more complex – Manitoba Hydro will help you understand your energy options and make informed choices that are right for you	All Manitobans have a tremendous asset that is becoming even more valuable as the world moves to price and reduce the use of carbon. Manitoba Hydro will help protect and maximize the value of these assets for all Manitobans	Whether at home or in your business, your energy costs are important to you – Manitoba Hydro will take all responsible measures to keep costs low, while making necessary investments to serve the needs of Manitobans

PILLAR 1

PROVIDE SAFE, RELIABLE ENERGY THAT RESPONSIBLY MEETS THE EVOLVING ENERGY NEEDS OF MANITOBANS



EVERYDAY EXCELLENCE

Each day, all employees at Manitoba Hydro contribute to delivering safe, efficient, and reliable energy to Manitobans. Our Operations staff work across the province, even in the worst of weather, to safely operate and maintain our energy systems to keep the lights on and the gas flowing for our customers. System Operations ensures our supply is matched to demand in real time. Our construction crews work to build out the system to meet new energy needs in a growing province. The Indigenous & Community Relations team works collaboratively to strengthen and improve our relationships with Indigenous communities. Other business support groups such as HR, Supply Chain, IT, Communications, Safety, Health & Environment and General Counsel & Corporate Secretary ensure that our operating groups have the resources and support they need to provide the excellent customer service Manitobans have come to expect.

OBJECTIVE

1.1

Ensure sufficient supply of energy to meet demand in the Province of Manitoba

INITIATIVES

1.1.1 Understand the evolving energy needs of Manitoba and Manitobans

Design and execute research initiatives to identify and measure behavioral, attitudinal, and aspirational evolving trends around current and future energy needs for both our residential and commercial and industrial customers. This consistent ongoing research will be a scientifically validated input into Manitoba Hydro's future energy planning process (e.g., Integrated Resource Plan (IRP)) and ensure investments are aligned with Strategy 2040's core customer-centricity foundation.

INITIATIVES

1.1.3 Develop an Integrated Resource Plan (IRP) and supporting processes

To help us better understand these drivers and their effect on providing Manitobans safe, reliable, and low-cost power, we embarked on our first Integrated Resource Plan (IRP). An Integrated Resource Plan results in a roadmap and near-term actions for making sure Manitoba Hydro's electricity and natural gas supply and delivery systems meet the needs of customers for the next 20 years and beyond.

As part of the IRP, key inputs were developed to represent the changes that may have a significant impact and uncertainty on future energy needs in Manitoba. These inputs included economic growth, decarbonization policy, electric vehicles, natural gas changes, and customer self-generation. Four future scenarios were developed using combinations of the key inputs and represent a range of the potential pace of change of our biggest drivers (decarbonization and decentralization). Both scenarios and inputs were developed with feedback from engagement participants.

OBJECTIVE

1.2

Ensure energy is safely, efficiently, and reliably delivered for our customers

OBJECTIVE

1.3

Strengthen our role as a good corporate and environmental citizen, continuing to advance relationships with stakeholders and Indigenous People

PILLAR 1 · FY 23/24 DELIVERABLES

1.1.1 Understand the evolving energy needs of Manitoba and Manitobans

Provide scientific, reliable research-based insights:

- To understand Manitobans current and future energy needs as it relates to AML. Including identifying use cases and evaluation of pilot programs.
- From existing programs, and net new programs to support the multiple phases of IRP.
- To understand Manitobans current and future energy needs and evaluations as it relates to Grid Modernization.
- To guide grid reliability target setting, ensuring targets meet customer expectations.
- To understand customers' current and future digital self-serve needs including evaluations of current offerings.
- To identify, define, and measure Brand Trust with all Manitobans.

Initiate research programs with Commercial and Industrial customers to better understand their perceptions and evaluations of their current energy experiences as well as identify future energy needs and expectations.

1.1.3 Develop an Integrated Resource Plan (IRP) and supporting processes

- Develop and review IRP analysis and documentation of potential future scenarios and impacts on customer needs with stakeholders.
- Develop strategies to evolve the electric and natural gas systems to meet future customer needs.
- Prepare and publish final IRP Report.
- Prepare recommendation for next IRP approach with consideration of regulations and policy as available.
- Prepare project plan to execute next IRP.

PILLAR 2

SERVE CUSTOMERS EFFICIENTLY, RESPONSIVELY, AND DIGITALLY



EVERYDAY EXCELLENCE

Manitoba Hydro is always working to leverage Manitoba's significant investments in our clean, dependable, energy system. We operate and maintain Manitoba Hydro assets to maximize value to all Manitobans. Power Trading and System Operations work to ensure reliable and cost-effective operations twenty-four hours a day. Clean, reliable surplus energy is exported when not needed at home to reduce Manitobans' energy bills. We are working to further optimize and integrate total energy system planning and operations to continue to operate the electricity and natural gas systems to be maximum benefit of Manitobans.

OBJECTIVE

2.1

Continually redefine how Manitoba Hydro engages and serves Manitobans

INITIATIVES

2.1.1 Significantly expand digital customer service

In order to serve customers efficiently, responsively and digitally, Manitoba Hydro is leveraging new Contact Handling Technology (CHT) to expand the digital self-serve options, simplify Interactive Voice Response (IVR) system and introduce a multi-channel contact approach for our customers. This will be accomplished by looking at data from our customer touchpoints to constantly evolve the platform by adding options i.e., an easy-to-use self-serve portal and chatbot functionality to give a more personalized, customized, and efficient user experience.

OBJECTIVE

2.2

Develop and implement an integrated customer strategy/customer experience

OBJECTIVE

2.3

Be responsive to customers' current and evolving expectations

INITIATIVES

2.3.1 Continuously improve customer responsiveness and satisfaction

Continuously improve customer responsiveness and satisfaction by constantly seeking ways to understand, predict, and design for our customer's satisfaction and needs. Through activities such as journey mapping, research, and customer advocacy we will understand the root causes of current customer perceptions and work to design new experiences that will be responsive and drive customer satisfaction.

INITIATIVES

2.3.2 Energy for Life brand & marketing strategy

Establish a cohesive brand/narrative to serve as a basis for deliberate, proactive communication with customers and employees. Brand narrative's purpose is to communicate Manitoba Hydro's brand promise of reliability, relevance, responsiveness, and a trusted advisor to its customers. All our key initiatives across the enterprise would be reflected through the lens of Energy for Life.



PILLAR 2 · FY 23/24 DELIVERABLES

2.1.1 Significantly expand digital customer service

- Finalize Information Architecture of our external main website www.hydro.mb.ca and launch updated, responsive, intuitive and mobile friendly website that addresses customer pain points identified through research.
- Implement chatbot functionality within self-serve portal and mobile app.
- Implement enhanced self-serve options.
- Implement simplified IVR.
- Engage an Advanced Metering Infrastructure (AMI) expert to provide recommendations to optimize implementation, considering savings from an operational perspective as well as enabling expansion of additional digital self-service options for customers. This study will determine pace, technology, scope and execution strategy of an AMI solution for Manitoba Hydro.
- Finalize plans for AMI pilot project launch based on outcome of the AMI business case study.

2.3.1 Continuously improve customer responsiveness and satisfaction

- Customer Journey Optimization – Phase 1 (Account Moves, Billing and Outage Communication journeys) – Execution
- Customer Journey Optimization – Phase 2 Underground Residential (Subdivision) Servicing & New Residential U/G Service Connections – Execution
- Develop automated dashboards to monitor key journey and performance metrics, ensuring real-time, meaningful insight to identify improvement opportunities
- Customer Advocacy & Escalation - New enterprise reporting PowerBI process to drive visibility and collaboration
- Customer Advocacy & Escalation
 - Phase 1** - Customer Feedback Registry user enhancements- quicker, easier, more accurate for reporting
 - Phase 2** – Root Cause Analysis – Self service RCA process built within registry for more in-depth results from logged complaints, Root Cause Analysis insights sharing with correlating departments.
- Implement Customer Satisfaction studies for Major Accounts customers.
- Continue evolution of our Voice of the Customer program to measure customer satisfaction and effort across important journeys.
- Development of customer segments & personas to ensure products and services, communications, policies and advice, are tailored to meet the current and future needs of our customers.
- Enable and implement new customer policy framework to reduce employee effort, improve responsiveness and align to Strategy 2040 objectives
- Redesign the Equal Payment Plan based on customer research insights of improvement opportunities for existing program
- Develop automated reporting on customer satisfaction and customer effort measures for both residential and commercial and industrial customers.
- Improve Customer Engagement Center metrics (I.e. Service Levels, Average Handling Time etc.) Enhance call handling technology system to introduce better-serve options reducing customer effort.

2.3.2 Energy for Life brand & marketing strategy

- Develop and execute Customer Persona research plan to develop a scientifically solid understanding of our customers to inform strategies for product development, digital self-serve capabilities enhancements and communications.
- Annual marketing campaign calendar focusing on our key themes of Safety, Reliability, Responsiveness, Economic Development and Recruitment.
- Customer narrative around IRP to generate awareness and build a better understanding of how Manitoba Hydro will serve customer's evolving needs.
- Upgradation & modernization of our corporate website and launch of Chatbot as tangible proof point of the brand promise via Energy for Life.
- To build employee awareness & understanding of Energy for Life, hold employee engagement roadshows in partnership with Culture and Communications teams.



PILLAR 3

HELP ALL MANITOBANS UNDERSTAND THEIR ENERGY OPTIONS AND MAKE INFORMED CHOICES



EVERYDAY EXCELLENCE

As the needs of Manitobans evolve, Manitoba Hydro is there to anticipate, plan, engage, and act to meet those needs. Integrated Resource Planning and Asset Management identify the need for new generation resources or parts of the distribution system, Indigenous & Community Relations will work with Indigenous communities to understand their evolving energy needs and seek to provide customer service that reflects this understanding and Stakeholder Relations will promote coordination and enable proactive engagement with key stakeholders and Engineering and Construction to design and build it. We work with major customers to provide engineering support for new developments or upgrades to businesses across Manitoba. We also provide expert guidance to all levels of government including provincial neighbors and the federal government in areas like in managing water resources, stewardship of marine life, climate change, and energy sustainability. Business Solutions & Services work with gas customers to ensure they get what they need, when they need it, in the most cost-effective manner.

OBJECTIVE

3.1

Support the Province of Manitoba in the development and effective implementation of an Energy Policy

INITIATIVES

3.1.0 Support the Province of Manitoba in the development and effective implementation of an Energy Policy

Provincial energy policy is the responsibility of the Manitoba Government and is an important tool to manage and plan for an energy transition to minimize costs and ensure reliability for Manitoba Hydro customers. Provincial energy policy will impact Manitoba Hydro's planning and operations and its customers. Manitoba Hydro will proactively engage with the Province of Manitoba, contributing expertise, data and insights to support development of evidence-based Energy Policy. Manitoba Hydro will support communicating the need for, and implications of, an Energy Policy and related policies, programs, and funding to Manitoba Hydro and its customers.

OBJECTIVE

3.2

Assist Manitobans to understand and navigate their expanding energy choices

INITIATIVES

3.2.2

Become a trusted advisor helping Manitobans understand their energy options and make informed choices

Transform Manitoba Hydro to become a customer-centric and responsive trusted energy advisor. Manitoba Hydro will provide personalized, timely and relevant advice to help customers understand their energy options.

INITIATIVES

3.2.4

Explore potential new product and services offerings

Explore new front-of-the-meter products and services that will meet the evolving energy needs of customers. These products and services will be identified through evaluation studies of Manitoba Hydro's natural gas and electric systems and market perception studies to develop the value proposition to the customer. Following completion of the market perception studies, viable products and services will be identified, assessed, developed and launched.

OBJECTIVE

3.4

Coordinate with new energy players to ensure costs and benefits of energy assets are balanced for all Manitobans

INITIATIVES

3.4.1

Pursue relationships with new energy entrants (e.g., charging infrastructure providers) to ensure Manitobans have the infrastructure and/or services they need

Develop and maintain relationships with new entrants (e.g., Renewable Natural Gas (RNG) producers, electric vehicle charging infrastructure providers, distributed generation and storage providers, etc.) to ensure that customer's evolving energy needs are met.

PILLAR 3 • FY 23/24 DELIVERABLES

3.1.0 Support the Province of Manitoba in the development and effective implementation of an Energy Policy

- Support the development and effective implementation of a Manitoba Energy Policy, by communicating its role and benefits within Manitoba Hydro and to its customers.
- Provide analysis, advice and feedback related to provincial energy policy consultant's work.
- After Manitoba consultant's work is complete, support development of a Manitoba Energy Policy by providing data-driven insights and analysis.
- Inform the development of near-term implementation actions such as policy, programs, and/or funding related to Manitoba's Energy Policy.
- Develop a recommendation or approach for ongoing support including ensuring that Manitoba's Energy Policy is reflected in Manitoba Hydro's Planning.

3.2.2 Become a trusted advisor helping Manitobans understand their energy options and make informed choices

- Further develop the customer relationship training to include (but not limited to) critical thinking, building partnerships, and effective communication to increase the energy service advisor's advocacy capabilities to identify solutions to customer needs (e.g. revised/new customer policies, new products or services, advice to the customer, etc). Identify and develop further improvement opportunities based on brand trust study and customer persona research being conducted under initiative 1.1.1.
- Respond and resolve customer complaints in a timely manner, within established service level agreements (SLAs), including unconventional and conventional complaints.

3.2.4 Explore potential new product and services offerings

- Gain approval for the modified Large General Service natural gas service by the Public Utility Board (PUB) to meet the unique needs of grain dryer customers on capacity-constrained portions of the natural gas system.
- Develop an initial product roadmap for the enterprise considering inputs from Renewable Natural Gas (RNG), E-Mobility and Demand Response (DR) market perception studies and relevant insights related to the customer pipeline.
- Develop the product management practice.

3.4.1 Pursue relationships with new energy entrants (e.g., charging infrastructure providers) to ensure Manitobans have the infrastructure and/or services they need

- Complete a Renewable Natural Gas strategy to enable project advancement in Manitoba.
- Finalize the RNG strategy in FY 24/25 dependent on the release of the Energy Policy.

PILLAR 4

ENSURE MANITOBANS GET MAXIMUM VALUE FROM THEIR CLEAN, DEPENDABLE ENERGY INFRASTRUCTURE



EVERYDAY EXCELLENCE

Manitoba Hydro is always working to leverage Manitoba's significant investments in our clean, dependable, energy system. We operate and maintain Manitoba Hydro assets to maximize value to all Manitobans. Power Trading and System Operations work to ensure reliable and cost-effective operations twenty-four hours a day. Clean, reliable surplus energy is exported when not needed at home to reduce Manitobans' energy bills. We are working to further optimize and integrate total energy system planning and operations to continue to operate the electricity and natural gas systems to be maximum benefit of Manitobans.

OBJECTIVE

4.1

Support provincial economic development objectives by leveraging Manitoba's clean, dependable electricity system

INITIATIVES

4.1.1

Shape/support the provincial economic development plan in the context of the evolving energy landscape through targeted economic development

Proactively work with and support Manitoba Economic Development & Training Department and regional economic development agencies to pursue opportunities that bring economic growth to the Province, by focusing support to targeted industries and sectors.

OBJECTIVE

4.3

Support the Province of Manitoba in achieving GHG targets

OBJECTIVE

4.4 Maximize the value of surplus energy

INITIATIVES

4.4.1 Reshape excess electricity strategy

Reshape Manitoba Hydro's strategy for excess electricity to focus on opportunities supporting growth within Manitoba and participate in markets with parties outside the Province, to maximize revenues for Manitoba Hydro. This will be achieved in alignment with Integrated Resource Planning (IRP).

PILLAR 4 • FY 23/24 DELIVERABLES

4.1.1 Shape/support the provincial economic development plan in the context of the evolving energy landscape through targeted economic development

- In cooperation with the Manitoba Economic Development Office and its regional partner agencies, develop economic development KPI's to support key sectors/industries that align with the Province's strategies and leverage Manitoba Hydro's clean energy advantage.
- Support the Province in incorporating its Energy Policy objectives into a targeted economic development plan.
- Develop a customer pipeline to drive insights to evolving energy needs of customers in Manitoba.
- Develop an economic development presentation to demonstrate the unique advantage Manitoba Hydro provides to the province.
- Develop a recommendation for cryptocurrency customers considering the best value for Manitobans.

4.4.1 Reshape excess electricity strategy

- Create decision framework to assess and prioritize future opportunities. Finalize the framework in FY 24/25.



PILLAR 5

KEEP ENERGY PRICES AS LOW AS POSSIBLE, WHILE PROVIDING THE LEVEL OF SERVICE MANITOBBANS EXPECT



EVERYDAY EXCELLENCE

Meeting the energy needs of Manitobans while maximizing service value is core to Manitoba Hydro's work. The Finance team works collaboratively with all business units to promote fiscal responsibility and ensure financial systems and processes provide relevant management information on spending and staffing levels. Across the organization we assess and monitor risks to plan and prepare for meeting the needs of the future. Operations prioritizes work and resources, through application of work management principles, to maximize value for Manitobans. Our Supply Chain group ensures the business has what it needs, when it needs it, by procuring contracts for billions of dollars in products and services, and identifying cost optimization opportunities. Rates and Regulatory work to evolve regulatory requirements and frameworks to ensure costs are appropriately applied to our customers. We are applying technology in innovative ways and gaining efficiencies through modernization of systems and applications.

OBJECTIVE

5.1

Responsibly manage all costs (deferring and minimizing where appropriate)

INITIATIVES

5.1.1 Develop appropriate tools to manage and shape demand as a means of optimizing investment

Understand the influence of market changes on customer demand for energy services and develop rate options/ tools to respond to these changes to shape demand and optimize investments.

5.1.2 Mature the asset management system to optimize lifecycle costs (capital + operations)

The Asset Management System is the set of people, processes, technology and other resources involved in asset acquisition, operation, maintenance, refurbishment/replacement and decommissioning to maximize value for customers. Maturing the Asset Management System will allow Manitoba Hydro to target system performance and risk levels aligned to customer's expectations at the lowest possible life cycle cost.

5.1.4 Be an advocate for efficient and effective regulatory reform

Support Government and other external stakeholders, and advocate for an efficient and effective regulatory framework that will keep rates as low as possible for customers, and provide rate predictability for customers, while ensuring the financial health of Manitoba Hydro.

OBJECTIVE

5.2

Leverage opportunities to access capital to finance new investments and optimize debt

INITIATIVES

5.2.1 Secure third-party capital funding to minimize costs and prepare for the evolving energy landscape

As Manitoba Hydro works to address debt levels and prepare its balance sheet for the evolving energy landscape, efforts will be made to minimize borrowing costs, keep rates low for customers and invest in our system for the future. This initiative will continue to mature our capability of identifying and accessing various sources of funding available (federal, provincial, and third party). The initiative aims to match long-term capital needs with potential funding sources and ultimately benefit customers by keeping rates low.

OBJECTIVE

5.3

Transform business model and culture to deliver our strategy

INITIATIVES

5.3.1 Embed a culture of Enterprise Excellence to support business transformation

Design and improve systems to enable ongoing operational problem-solving, innovation, and improvement at all levels of the organization. A culture of continuous evaluation and improvement that engages the hearts, hands, and minds of every level of Manitoba Hydro's talents will help the Enterprise continue to meet the organizations evolving needs to become the Manitoba Hydro of the Future.

5.3.2 Ensure a safe, healthy, and engaged workforce with the capabilities required to deliver our strategy

Develop an agile and engaged workforce that consistently demonstrates the business acumen and strong leadership skills required to transition the Enterprise to the Manitoba Hydro of the Future.

5.3.3 Leverage automation and digital technologies to drive Enterprise value including efficiency, safety, and effectiveness

A technology modernization roadmap will be created to incrementally deploy the new customer-centric, integrated, and secure digital and data capabilities required for the Manitoba Hydro of the Future.

PILLAR 5 • FY 23/24 DELIVERABLES

5.1.1 Develop appropriate tools to manage and shape demand as a means of optimizing investment

- Continue working with customers to understand their potential and interest in participating in demand response programming where the required infrastructure is in place.
- Develop recommendations to manage the demand associated with cryptocurrency operations.
- Leverage findings from the IRP to prioritize the sequencing and development of rate options and other mechanisms for managing demand.

5.1.2 Mature the asset management system to optimize lifecycle costs (capital + operations)

- Re-calibrate the Corporate Value Framework (Manitoba Hydro's investment decision support tool) for the natural gas and electric distribution, transmission and generation systems. This will allow the investments in these systems to be compared against each other to ensure the optimum level of investment in each system.
- Develop an Asset risk assessment framework.
- Evolve the Asset Information Management System.

5.1.4 Be an advocate for efficient and effective regulatory reform

- Work with PUB in planning the upcoming regulatory calendar, including timing of next Gas General Rate Application, and identifying and implementing efficiencies in the regulatory process.
- Continue engagement with PUB to develop the plan/process for filing future electric & gas General Rate Applications as a combined application.
- Support Government in the development of regulations required under the new regulatory framework.

5.2.1 Secure third-party capital funding to minimize costs and prepare for the evolving energy landscape

- Develop investment framework to assess the inputs required for understanding future capital needs in the evolving energy landscape.
- Catalogue, Identify, prioritize, and maximize sources of available federal grant funding opportunities that meet current Enterprise requirements.
- Incorporate catalogue of funding opportunities into Capital planning decision making.

5.3.1 Embed a culture of Enterprise Excellence to support business transformation

- Establish Enterprise Program Management Office (ePMO) capabilities to monitor, maintain, and support the progress of the Enterprise transformation roadmap initiatives, key results, and key behaviors.
- Develop a standardized decision-making and governance model to enable consistent risk-informed decision making at all levels of the organization.
- Develop and implement a standardized Enterprise Improvement System including principles, methods, and tools.
- Develop and implement an Enterprise Change Management system to widely embed change management principles and methods.
- Define a consistent set of organizational cultural principles and behaviours to support Strategy 2040.
- Develop and implement an organizational culture roadmap of initiatives and key systems to support Strategy 2040..

5.3.2 Ensure a safe, healthy, and engaged workforce with the capabilities required to deliver our strategy

- Carryout and report on Safety Culture Assessment & Develop a Safety Culture Plan to enable and support a strong safety culture within Manitoba Hydro.
- Develop a succession planning (SP) framework through consultation with ELT and management Leadership Development Program.
- Develop a prototype for a revised Performance and Development program

5.3.3 Leverage automation and digital technologies to drive Enterprise value including efficiency, safety, and effectiveness

- Develop a target Enterprise architecture and design that builds on utility industry best-practices and provides the principles and standards that will align technology decisions with Enterprise business objectives.
- Address technical deficit and create new technology delivery capacity by rationalizing whether to retain, re-platform, refresh or retire (decommission) the 700+ applications within the Digital & Technology (D&T) portfolio.
- Stand-up Microsoft Azure Cloud data platform and pilot new automation and analytic capabilities a cross Enterprise.
- Working together with the Business Units and Enterprise Excellence, develop a roadmap for the SAP Cloud for Utilities project by focusing on the value-case, readiness assessment (people, process, technology, data), SAP design blueprint and detailed multi-year project plan.
- Digitally transform our ways of working through; Modern Digital Workplace (Microsoft 365, Power Platform, RPA), Agile Delivery Practice, Advanced Automation (Innovation).
- Develop an enterprise D&T Intake and Portfolio Management Process.
- Develop a roadmap to mature our cyber security posture to reflect a modern framework of security by design.

ROADMAP

While the focus of this Enterprise Plan is on FY23/24, many of the initiatives have multi-year timeframes and will continue to be updated in future annual Enterprise Plans.


		FY 23/24				FY 24/25				FY 25/26				FY 26/27			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1.1.1	Understand the evolving energy needs of Manitoba and Manitobans	●	●	●													
1.1.3	Develop an Integrated Resource Plan and supporting processes	●	●	●	●	●	●	●	●								
2.1.1	Significantly expand digital customer service	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
2.3.1	Continuously improve customer responsiveness and satisfaction	●	●	●	●	●	●	●	●								
2.3.2	Energy for Life brand & marketing strategy	●	●	●	●	●	●	●	●								
3.1.0	Support the Province of Manitoba in the development of an Energy Policy	●	●	●	●	●	●	●	●								
3.2.2	Become a trusted advisor helping Manitobans	●	●	●	●												
3.2.4	Explore potential new product and services offerings	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
3.4.1	Pursue relationships with new energy entrants	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
4.1.1	Shape/support the provincial economic development plan	●	●	●	●	●	●	●	●	●	●	●	●				
4.4.1	Reshape excess electricity strategy	●	●	●	●	●	●	●	●								
5.1.1	Develop appropriate tools to manage and shape demand	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
5.1.2	Mature the asset management system to optimize lifecycle costs	●	●	●	●	●	●	●	●	●	●	●	●				
5.1.4	Be an advocate for efficient and effective regulatory reform	●	●	●	●	●	●	●	●								
5.2.1	Secure third-party capital funding to minimize costs	●	●	●	●	●	●	●	●								
5.3.1	Embed a culture of Enterprise Excellence to support business transformation	●	●	●	●	●	●	●	●	●	●	●	●				
5.3.2	Ensure a safe, healthy, and engaged workforce	●	●	●	●	●	●	●	●	●	●	●	●				
5.3.3	Leverage automation and digital technologies	●	●	●	●	●	●	●	●								


FINANCIAL PLAN: KEY HIGHLIGHTS

2023/24 Proposed Budget Overview

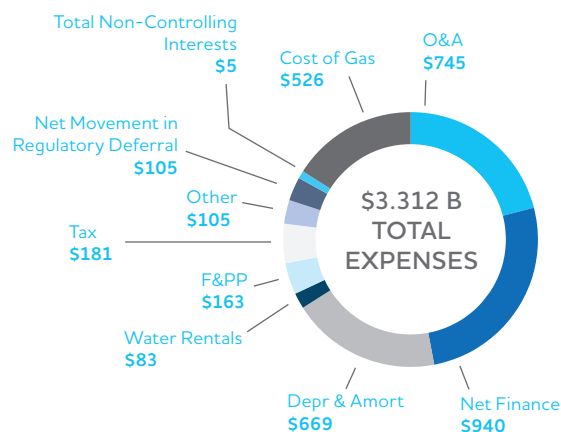
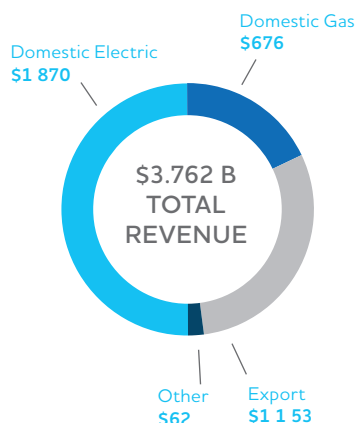
83% DEBT RATIO
\$0 NEW BORROWING
\$30.7 B TOTAL ASSETS
2.20 EBITDA INTEREST COVERAGE
\$450 M CASH FLOW SURPLUS (DEFICIT)
\$22.9 B NET DEBT
30% INTEREST PAID AS A % OF TOTAL REVENUE NET OF COST OF GAS
159% SELF-FINANCING RATIO
\$324 M PAYMENTS TO THE PROVINCE

NET INCOME/(LOSS)
\$450M

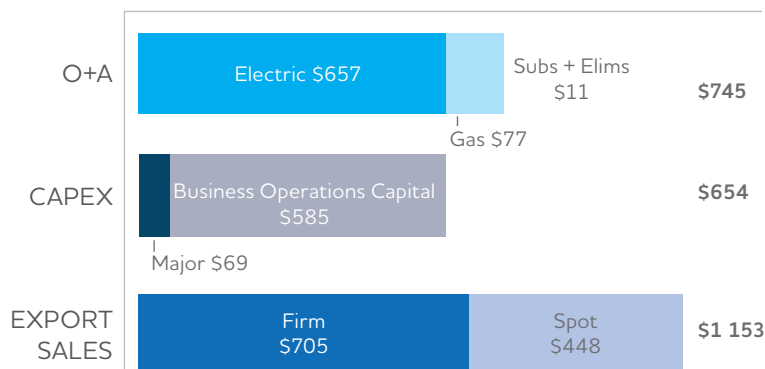

2.00% ELECTRIC RATE INCREASE
EFFECTIVE SEPTEMBER 1, 2023


7.50% NON-GAS RATE INCREASE
EFFECTIVE FEBRUARY 1, 2024

Proposed budget reflects \$26 M of additional revenue from proposed rates and \$64 M of revenue from January 1, 2022, 3.6% interim electric rate increase.



SUM OF COSTS & REVENUES



Millions of dollars

DRIVERS OF BUDGET

As outlined below, there is a direct link between the proposed 2023/24 budget and Strategy 2040. The proposed 2023/24 budget incorporates costs related to various strategic initiatives under way or to be started in the 2023/24 fiscal year and incorporates on-going efforts to meet Manitoba Hydro's long-term strategic objectives:

	STRATEGY 2040 PILLARS	STRATEGIC INITIATIVES AND BUSINESS FOCUS IN 2023/24	LINK TO 2023/24 BUDGET
Increased FTE	<ul style="list-style-type: none"> • Provide safe, reliable energy that meets the evolving energy needs of Manitobans. • Serve customers efficiently, responsively and digitally. 	<ul style="list-style-type: none"> • Continuously improve customer responsiveness and satisfaction. • Address service impacts associated with reduced staffing levels in "front-line" positions (focuses on Trades Trainees and Customer Contact Centre). 	<ul style="list-style-type: none"> • Increase of 123 FTE. • Rebuild trades trainees program to address attrition and meet customer service level expectations. • Additional professional trainees in 23/24.
Cloud computing	<ul style="list-style-type: none"> • Leverage automation and digital technologies to drive enterprise value including efficiency, safety and effectiveness (Strategic Initiative under Pillar 5). 	<ul style="list-style-type: none"> • Addressing Technology debt in the form of legacy software & hardware, inefficient process, lack of scalability, etc. • Shift to cloud-based services in line with industry best practices to leverage new tech, improve cyber security and facilitate continuous improvement. 	<ul style="list-style-type: none"> • Shift to cloud computing enables technology debt to be addressed by reducing reliance on non-commodity technologies. • Cloud computing costs are considered operating costs, whereas these costs would have been treated as capital. \$26M increase between 22/23 to 23/24 associated with cloud computing costs.

DRIVERS OF BUDGET

	STRATEGY 2040 PILLARS	STRATEGIC INITIATIVES AND BUSINESS FOCUS IN 2023/24	LINK TO 2023/24 BUDGET
Shift in cost allocation from capital to operating	<ul style="list-style-type: none"> Help all Manitobans understand their energy options and make informed choices. Ensure Manitobans get maximum value from their clean, dependable energy infrastructure. Business model changes to facilitate Strategy 2040. 	<ul style="list-style-type: none"> Develop an Integrated Resource Plan (IRP) and supporting processes. Mature the asset management system to optimize lifecycle costs. Stand up continuous improvement capability to enable the Enterprise to operate as effectively and efficiently as possible. 	<ul style="list-style-type: none"> Shift from capital to operating activities, which means fewer staff costs (wages, etc.) can be capitalized and instead are expensed in O&A (not an increase in total costs). IRP and Asset Management are operating activities. New areas of the business like ERM, Enterprise Excellence, etc. that are key changes to our business model and facilitate Strategy 2040 are areas that charge to operating expenses and not capital.
Strategic initiatives and the capital budget	<ul style="list-style-type: none"> Provide safe, reliable energy that meets the evolving energy needs of Manitobans. Ensure Manitobans get maximum value from their clean, dependable energy infrastructure. Keep energy prices as low as possible, while providing the level of service Manitobans expect. 	<ul style="list-style-type: none"> Sustain existing electric and gas assets and grow system capacity to meet customer requirements through capital project investments following the asset management plan. Define and secure the long-term capital necessary to meet the Enterprise's requirements, leveraging available 3rd party funding. 	<ul style="list-style-type: none"> Business Operations Capital of \$585 million in 23/24 that's focused on capital investments which optimize life cycle costs and align to key priorities (balancing safety, reliability, risk, & cost). Applied for \$185 million in federal funding for two capital projects (Pointe du Bois and PACE) are included in the 5-year Business Operations Capital Budget.
Strategic focus in debt reduction	<ul style="list-style-type: none"> Keep energy prices as low as possible, while providing the level of service Manitobans expect. 	<ul style="list-style-type: none"> Debt retirement and minimization of finance expense under increasing interest rate environment. 	<ul style="list-style-type: none"> The reduction in payments to government will allow \$940 Million in debt to be retired over next 3 years (2022/23 to 2024/25), helping to mitigate the upward pressure on finance expense due to increased interest rates.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

(in millions of dollars)	2022/23	2022/23	2022/23
	FORECAST	APPROVED BUDGET	CHANGE
Total revenues	3,894	3,296	598
Total expenses	3,243	3,176	67
Net income (loss) attributable to Manitoba Hydro	651	120	531

Consolidated Projected Statement of Income

(in millions of dollars)	2023/24 PROPOSED BUDGET
Revenues	
Domestic	
Electric	1,870
Gas	676
Extraprovincial	1,153
Other	62
	3,762
Expenses	
Finance expense	969
Operating and administrative	745
Depreciation and amortization	669
Cost of gas sold	526
Water rentals and assessments	83
Fuel and power purchased	163
Capital and other taxes	181
Other expenses	105
Finance income	(29)
	3,411
Net income (loss) before net movement in regulatory balances	350
Net movement in regulatory balances	105
Net income (loss)	455
Net income (loss) attributable to:	
Manitoba Hydro	\$450
Non-controlling interests	5
	455
General electricity rate increases	2.00%
Non-gas rate increases	7.50%

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(in millions of dollars)	2023/24 PROPOSED BUDGET
Assets	
Property, plant and equipment	26,594
Current and non-current assets	2,584
Regulatory deferral debits	1,516
	30,694
Liabilities and Equity	
Long-term debt	22,529
Current and non-current liabilities	4,121
Regulatory deferral credits	98
Non-controlling interests	74
Retained earnings	4,273
Accumulated other comprehensive income (loss)	(402)
	\$30,694

Consolidated Cash Flow Statement

(in millions of dollars)	2023/24 PROPOSED BUDGET
Cash Flows	
Operating activities	1,211
Financing activities	(1,051)
Investing activities	(761)
	(601)
Cash at beginning of year	1,105
Cash at end of year	\$504

KEY FINANCIAL PLANNING ASSUMPTIONS

Net income is expected to be \$450 million; however, Net income could vary by -\$379 million to +\$186 million based on water conditions. This range uses an 80% confidence interval (P10 to P90) of the last 40 flow years

A return to average water flows and opportunity export market prices forecasted to be 20-25% lower than those experienced in 2022/23

11% increase in Operating & Administrative (O&A) expenses from the 2022/23 approved budget which is required to ensure we can maintain our electric and gas systems to provide reliable service and meet the current and future needs of Manitobans

\$585 million proposed capital expenditures on Business Operations Capital. Forecasted to be self-funded, i.e. no new borrowings required during the year

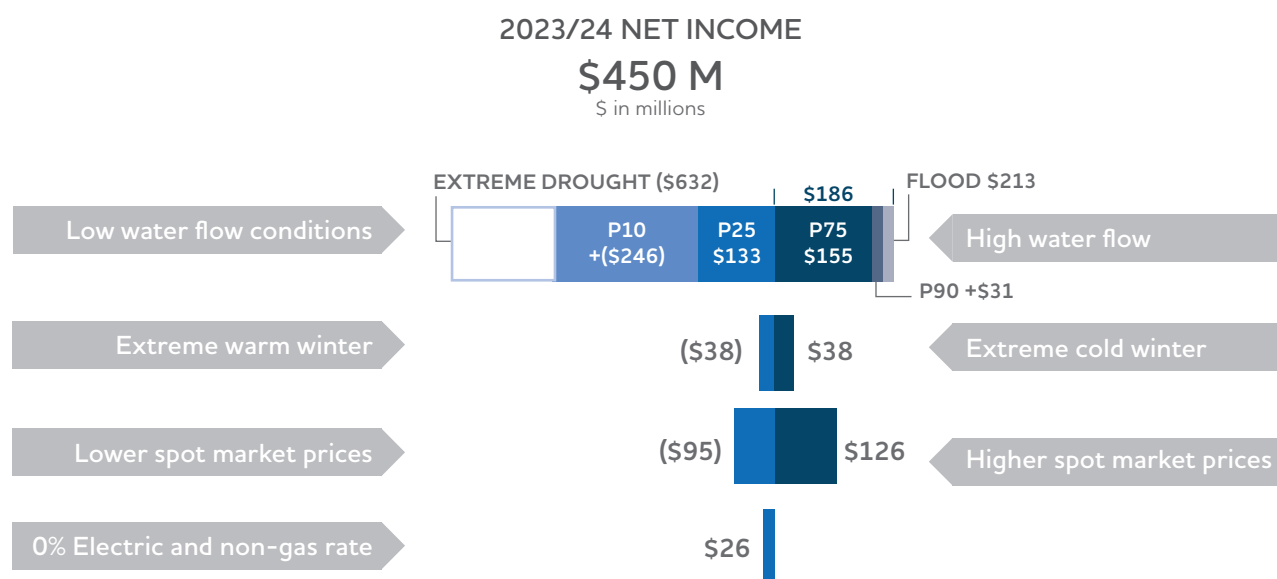
\$900 million impact related to costs associated with the Major Projects being brought into service (finance expense, depreciation, and capital taxes)

Over \$400 million reduction in net debt



SENSITIVITY ANALYSIS

The 2023/24 proposed budget net income of \$450 million assumes average net export revenue based on simulations of historic water flow conditions, a consensus spot market export price forecast, average winter weather and approval of requested rate increases. However, the forecasted net income could be impacted by variances in these planning assumptions. The sensitivity around the \$450 million net income forecast is as follows.



Water Flow Conditions

The uncertainty of water flows has the largest potential impact on the 2023/24 net income. The full range of uncertainty on net income based on conditions observed over the past 40 years is -\$632 million and +\$213 million.

While that represents the full uncertainty, the following ranges are also summarized:

- P10 to P90: This range represents over 80% of the flow cases. The range of net income uncertainty between those values is -\$379 million to +\$186 million.
- P25 to P75: This range represents over 50% of the flow cases. The range of net income uncertainty between those values is -\$133 million to +\$155 million.

Weather

A colder or warmer than normal winter could have a +/- \$38 million annual impact on net income. A record cold or warm winter will increase or decrease Manitoba's annual energy consumption by approximately 4%. Any increase or decrease in Manitoba's consumption impacting revenues will be partially offset by an associated increase or decrease to revenues in the export market.

Export Prices

Fluctuations to spot market prices for Manitoba Hydro's surplus energy could have potential impacts to net income of -\$95 million and +\$126 million.

HUMAN RESOURCES

Full-Time Equivalents

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 BUDGET	2023/24 BUDGET
Senior Management	41	36	34	35	36	37	39	39
Management	149	130	111	105	99	105	107	123
Employees	6,221	5,832	5,330	5,253	4,819	4,820	5,029	5,136
TOTAL FTE COUNT	6,411	5,998	5,475	5,393	4,954	4,962	5,175	5,298

Labour Relations

Manitoba Hydro's workforce is comprised of approximately 80% unionized employees via four unions. Currently the collective agreement with Manitoba Hydro's largest union, the International Brotherhood of Electrical Workers Local 2034 (IBEW), has expired. These employees make up almost 45% of the Corporation's workforce and are primarily electrical field workers.

In August 2022, a new four-year collective agreement was completed with Unifor, Manitoba Hydro's gas union, which is in place until near the end of 2024. General wage increases for 2021 and 2022 were the subject of an arbitration hearing held on November 26, 2022.

Collective agreements with both CUPE and AMHSSE are in place until the end of 2024 and 2025 respectively.

Retirements

There are 708 employees (approximately 14% of the workforce) eligible to retire by the end of calendar year 2022. The number of employees newly eligible to retire continues to increase over the coming years: an additional 137 employees are eligible to retire by the end of the calendar year 2023; an additional 143 by end of the calendar year 2024; and an additional 156 employees by end of the calendar year 2025. Manitoba Hydro estimates that 20% of eligible employees will choose to retire each year.

CAPITAL EXPENDITURES PLAN AND CAPITAL IN 2023/24

Manitoba Hydro's Proposed Capital Budget for 2023/24 is \$654 million. This is comprised of:

- Major Capital Projects - Keeyask contingencies and trailing costs
- Business Operations Capital - additions, improvements and replacement of existing infrastructure and is broken out between projects and programs.

In addition, Manitoba Hydro has budgeted \$112 million in 2023/24 for Other Capitalized Expenditures. These are costs that are deferred

over a specified period of time rather than expensed in the year they are incurred. The largest components include: Demand Side Management, including Efficiency Manitoba expenditures (\$63 million) and mitigation settlements (\$31 million). Smaller items include regulatory costs and site remediation costs.

A 5-year capital expenditure forecast is provided below:

(\$ Millions)	2022/23 APPROVED BUDGET	2022/23 FORECAST	2023/24 PROPOSED BUDGET	2024/25 PLAN	2025/26 PLAN	2026/27 PLAN
Major Capital	315	132	69	41	25	0
Business Operations Capital	592	540	585	609	668	699
Capital Expenditures	907	671	654	651	692	699
Other Capitalized Expenditures	140	129	112	106	119	124
TOTAL	\$1,047	\$801	\$766	\$756	\$811	\$823

ENTERPRISE RISKS

As an integrated hydroelectric and natural gas energy utility, there are risks and uncertainties in our business – such as variability in water levels, weather, interest rates and energy market prices that can all have significant impacts on Manitoba Hydro's financial results.

Strategic Risks are those that either affect or are created by business strategy decisions, including risks related to strategic choices and strategic execution, that could impede the Enterprise's ability to achieve its strategic objectives.

The purpose of Manitoba Hydro's Enterprise Risk Management (ERM) Program is to provide an **Enterprise-wide view of risks** faced by the organization and a **proactive, comprehensive and standardized** approach to the management of these risks and facilitate **risk-intelligent decision making** across the Enterprise.

As part of the early stages of ERM Program development and rollout of the ERM Framework, an enterprise-wide risk identification and risk assessment exercise was conducted. As a result of these efforts the following summary of top organization risks have been identified for Manitoba Hydro and focus has been placed on their effective mitigation. Manitoba Hydro's top risk summary will be reassessed and updated as required as top risks are not static and will change and evolve as conditions change.

Top Enterprise Risks

RISK	DESCRIPTION	RISK MITIGATIONS
Drought (low water levels)	Risk of low water inflows and storage as well as elevated energy market prices that impact Manitoba Hydro's net extraprovincial revenues	Ongoing monitoring of water levels to identify any potential for continued reduced generation output and resulting impacts to financial performance
Interest Rates	Manitoba Hydro has significant yearly debt refinancing requirements and as such is exposed to additional costs associated with the forecasted rising interest rate environment	Manitoba Hydro monitors economic and financial market conditions, while undertaking appropriate debt management strategies to manage the potential impact of interest rate changes to Manitoba Hydro's ongoing debt financing and refinancing requirements
Aging Assets	Manitoba Hydro continues to hold and manage assets that are near their end-of-life, which could result in operational inefficiencies, safety concerns, and require targeted financial investments.	Manitoba Hydro has a Strategic Asset Management Plan to address aging assets and will continue to mature the asset management system to optimize lifecycle costs (capital + O&M) in addressing those assets.

ENTERPRISE RISKS

Cyber Security (IT/OT Assets)	Disruptions within Manitoba Hydro's information technology ("IT") systems and operational technology ("OT") caused by malicious acts may result in theft of information, compromised information, operational failure, financial loss, and damage to reputation.	Manitoba Hydro is developing and will continuously refresh an IRP that considers both new and existing assets in addressing resource requirements
Export Price Uncertainty	Uncertainty in export power prices causes increased volatility to Manitoba Hydro's net income.	Opportunistically hedge opportunity export power volumes to limit risk exposure
Disruptive Technology	Manitoba Hydro is not able to react to new and unexpected renewable energy technologies that emerge (beyond solar, batteries, hydrogen, etc.) and dramatically alter the utilities landscape, resulting in Hydro losing competitive advantage.	Development of a long-term strategic plan that incorporates assessment of the changing energy landscape and allows assessment of potential impacts on customer requirements and Manitoba Hydro's assets
Self Generation & Stranded Assets	Accelerated adoption by customers of self-generation and associated battery technologies could result in stranding Manitoba Hydro's assets.	Study how market changes influence customer demand for energy services and adoption of self-generation assets. Develop rate options/ tools that respond to market changes, promote efficient use of existing assets and meet both customer and Manitoba Hydro's needs more effectively
Technology Innovation	Manitoba Hydro is not leveraging advancements in technology in its business model to achieve or sustain competitive advantage	Key objectives within Strategy 2040 include: a focus on leveraging automation and digital technologies to drive enterprise value including efficiency, safety, and effectiveness, and significantly expanding digital customer service
Succession Planning	Risk that appropriate planning for staff turnover, mentoring, and transition are not in place or are insufficient and that staff do not receive an appropriate level of training and educational support to facilitate smooth succession planning.	Update of formal succession planning and associated training processes to ensure effective succession plans are in place across the enterprise
Talent Acquisition & Retention	As a result of both internal and/or external factors, the potential that Manitoba Hydro is unable to deliver on its staffing requirements needed to deliver on Strategy 2040 initiatives and/or ongoing business requirements.	Implement updated HR operating model Develop and implement a Strategic Workforce Planning process

ENTERPRISE SCORECARD

Manitoba Hydro provides details on performance measures and targets using the Enterprise Scorecard. The report on outcomes achieved can be found in the Annual Report.

METRIC	UNIT	TARGET 2023-24	DEFINITION
Serious injury fatality potential (employees & public) (SIFP)	#	0	Incidents where the hazard exposure had a realistic potential to result in a serious injury or fatality
Lost time injuries frequency rate for the enterprise (LTIFR)	#	0.8	The number of lost time injuries that would have occurred for 100 employees in a one-year period at the current rate.
System Average Interruption Duration Index (SAIDI)	Minutes	148	Customer interruption durations / total number of customers served
System Average Interruption Frequency Index (SAIFI)	#	1.59	Number of customer interruptions / total number of customers served
Customer Satisfaction (CSAT) Score	%	85%	How satisfied are you with the overall service you have received from Manitoba Hydro? (% Rating 7 or higher on 1-10 scale)
Debt-to-Capitalization Ratio	%	83%	Measurement of the amount of debt in the capital structure. Long-term target of 70% by 2039/40
Interest coverage ratio	#	1.8	EBIT/interest expense
Self-financing ratio	%	100%	Cash flow from operations / Cash flow from investing
Scope 1 GHG emissions	kt CO ₂ e	520	Sum of emissions from stationary combustion and mobile combustion, and fugitive and process emissions
Indigenous - province-wide workforce	%	18%	% of indigenous people in province-wide workforce
Persons with disabilities	%	8%	% of workforce with disabilities
Visible minorities	%	14%	% of visible minorities in workforce
Women in workforce	%	30%	% of women in workforce

ALIGNMENT WITH GOVERNMENT OF MANITOBA

In accordance with The Manitoba Hydro Act and The Crown Corporations Governance and Accountability Act, Manitoba Hydro works closely with the Province of Manitoba for the benefit of all Manitobans. Manitoba Hydro continues to work collaboratively with the Province to support the priorities of Government and expectations outlined in Mandate letters and Directives (see Appendix A). In delivering on Strategy 2040, Manitoba Hydro will continue to support the Province across several key priority areas and activities.

Key Priorities & Activity Areas

Continue to leverage Manitoba's clean energy advantage as a key driver for our economy.
Working towards a financially stable capital structure that appropriately balances affordability for customers, maintaining system reliability, and preparing for future needs.
Support Manitoba's work to develop and complete Provincial Energy Policy
Collaborate with Manitoba to identify and pursue opportunities aligned with Provincial objectives and Strategy 2040 to advance climate change initiatives and leverage related financial partnerships with the Federal Government
Build ongoing understanding of customer needs within the evolving energy landscape to ensure critical services meet the expectations of customers and support Manitoba's economy

Footnote: For more information on Manitoba Hydro's alignment with Government see Appendix A.

APPENDIX A: ALIGNMENT WITH GOVERNMENT OF MANITOBA

Manitoba Hydro works closely with the Government of Manitoba to support directives and mandates for the benefit and value of all Manitobans. Manitoba Hydro will continue to work in the best interest of all Manitobans in alignment with direction from the Government of Manitoba. Several mandates and directives have been issued in the past years. In delivering on Strategy 2040, Manitoba Hydro will continue to adhere to The Crown Corporations Governance and Accountability Act and the mandates and directives issued by the Minister responsible for Manitoba Hydro.

Key Directives from the Province

Directive to the Manitoba Hydro-Electric Board Respecting Electric Service to Cryptocurrency Operations.

- Manitoba Hydro will comply with the Directive including commencing the requested review of the impact of the anticipated demand for electricity of cryptocurrency operations on Manitoba Hydro's electric system.

Directive to the Manitoba Hydro-Electric Board respecting Manitoba Hydro's surplus capacity of fibre-optic cable in Manitoba.

- Manitoba Hydro will continue to comply with this Directive.

Directive to the Manitoba Hydro-Electric Board respecting Manitoba Hydro's General Rate Application.

- In accordance with the directive, Manitoba Hydro filed a rate application with the Public Utilities Board for 2021/22 on November 15, 2021 and filed a multi-year General Rate Application on November 15, 2022 for 2023/24 and 2024/25.

Directive to the Manitoba Hydro-Electric Board Respecting Manitoba's Response to the Economic Review of Manitoba Hydro – Keeyask and Bipole III Projects.

- Manitoba Hydro will work with Government to align on what will be required to support implementation of the recommendations and related processes.

Directive to Crown Corporations Respecting Compensation for Executive Employees.

- Manitoba Hydro will remain in compliance with the Directive issued by the Minister of Crown Services. The targets outlined in the Directive will continue to be reflected in the new business model.

Directive to Manitoba Hydro-Electric Board Respecting Agreements with Indigenous Groups and Communities.

- Manitoba Hydro continues to operate in alignment with this directive.

In support of the Made-in-Manitoba Climate and Green Plan, Crown Services requests that Manitoba Hydro cancel print-based subscriptions, and the purchase or production of business cards, unless an appropriate exception has been granted.

- Manitoba Hydro has conducted a review of all print-based subscriptions. There are a small number of print-based subscriptions that remain which are necessary for business purposes.

APPENDIX A: ALIGNMENT WITH GOVERNMENT OF MANITOBA







The Minister of Crown Services issued a framework letter to Manitoba Hydro on April 24, 2019. Manitoba Hydro continues to work collaboratively with the Province to support the priorities of Government and expectations included in the framework letter (see status report).

Status of April 2019 Framework Letter Expectations (1 of 2)

FRAMEWORK LETTER DIRECTIVE	IN PROGRESS	COMPLETED
Support the implementation of Efficiency Manitoba to ensure a smooth transition of Demand Side Management programs for Manitoba Hydro customers.		●
Cooperate with the inquiry into the development of the Keeyask Generating Station and the Bipole III transmission line and converter stations.		●
We ask that you limit advertising to responsible mandate focused advertising considered essential for you to successfully perform your core business and continue to work with Government on the alignment of all sponsorship activities with central government.		●
Government is committed to advancing reconciliation with Indigenous Manitobans through the renewal of its consultation framework to ensure respectful and productive consultations. All government organizations are expected to contribute to reconciliation in their interactions with Indigenous communities and individuals.	●	
Work closely with the Province (through Crown Services Secretariat and Treasury Board Secretariat) in respect of any new long-term contractual commitments, including any potential long-term electricity sale arrangements, to ensure return on investment.		●
Pursue opportunities with the federal government and other Provinces to advance climate change initiatives, including the potential development of an East-West Grid and work with our Intergovernmental Affairs department on opportunities to leverage financial partnerships with the federal government.	●	
Work with the Province on implementing the provincial economic development strategy focused on maximizing economic spinoffs for Manitoba, creating new revenues for Manitoba Hydro and mitigating the need for future rate increases for customers or less profitable sales outside of Manitoba on the spot market.	●	
Work with the Public Utilities Board to streamline processes, in an effort to reduce overall costs to ratepayers of regulatory hearings.		●

APPENDIX A: ALIGNMENT WITH GOVERNMENT OF MANITOBA

Status of April 2019 Framework Letter Expectations (2 of 2)

FRAMEWORK LETTER DIRECTIVE	IN PROGRESS	COMPLETED
In the coming year, we will be taking more steps to fully integrate Crown corporations into our summary budget process. This may affect the timing of budget processes and other financial matters. I am seeking your support in ensuring accurate, timely financial reporting to government, in particular your vigilance in providing clear and early notice of significant variances to budgets, or changes to your medium and long-term forecasts. Please continue to work with Crown Services Secretariat and Treasury Board Secretariat to strengthen alignment with government overall.		
We expect you to scrupulously manage all operating costs, defer all non-critical capital projects without a clear return on investment, and carefully examine business plans for opportunities to achieve improved financial results. We also expect the Board to carefully examine overall staffing efficiencies. Centrally, we have reduced overall management by over 15%, conducted a “spans and layers” review of management structures, and reduced overall headcount by 8%. We expect you to work towards the same, or more.		
We ask you to review all compensation agreements, including executive compensation practices and interchange agreements to ensure alignment with government policies and practices. The expectation is that compensation practices will reflect the principles of responsible fiscal management and protect the sustainability of services to customers and ratepayers.		
We have a strong interest in reducing red tape for all Manitobans. As a Crown, we ask that you integrate the red-tape reduction process and reporting into your Board processes – whether by way of a new Committee or regular reporting mechanisms.		
Achieve more open government through increased transparency in tendering and procurement practices. All Crown corporations should ensure their procurement practices reflect this priority and are aligned with the requirements of trade agreements to which Manitoba is a signatory. In Government, we are centralizing our procurement practices and we urge you to pro-actively join us in this process so that we can shop smarter for all Manitobans.		
Government is committed to ensuring all employees are treated with dignity and respect. Respectful workplace policies need to be reviewed and updated to ensure employees have safe and effective pathways to report disrespectful or harassing behaviour without fear of repercussion.		

APPENDIX B: KEY TERMS

TERM	DEFINITION
Generation	Initial stage of the electric grid, where electric power is created through an energy source. This includes Hydro-electric dams and natural gas-fired turbines in Manitoba.
Self-generation	When customers produce electricity using their own equipment to meet some or all their energy needs
Stranded assets	Those investments which are made but which, at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to generate an economic return.
Grid defection	When consumers have independent sources of electricity generation & storage and are no longer connected to the grid.
Bi-directional flow of energy	When power can flow in two directions – from the power grid to the consumers and from consumers producing their own energy back to the grid
Battery technology	Batteries store energy in the form of chemical energy and can then be converted to electrical energy. Advancements in battery technology could make it easier for customers to store the energy that they produce through self-generation.
Behind the meter	Energy business (e.g., solar generation and energy storage systems that provide power for customers) being transacted on the customer side of the meter beyond the purview of the utility.

