

MESSAGE FROM PRESIDENT & CEO

Whether it's heat for your homes, light for your spaces, or power for your factory floors, you trust Manitoba Hydro to deliver the safe, reliable energy you need. It's our mandate and one we've proudly fulfilled for over 60 years.

Now, as Canada looks to a cleaner energy future, the landscape is shifting. Your needs and expectations are also changing. We are committed to continuing to serve you and to preparing now to be ready for whatever these changes may bring.

We started this work by developing our long-term strategy, Strategy 2040. It sets a path to prepare for the future and continue building on our legacy of providing clean, renewable hydropower and reliable natural gas service to Manitobans at the lowest possible cost. This Integrated Resource Plan (IRP), our first, is an initiative of Strategy 2040 and an important part of how we are working to understand and prepare for the future.

The 2023 IRP is a product of a two-year process to understand the key factors driving change in the Manitoba energy landscape and what that means for the supply and delivery of electricity and natural gas. We conducted multiple rounds of engagement with you to build an understanding of your plans and perspectives and inform the IRP with a Manitoba context. We completed extensive modelling and analysis on a range of potential future scenarios and sensitivities that incorporated your feedback. We also considered how existing and potential government actions at all levels are impacting the energy landscape, including the Province of Manitoba's recently released Manitoba Energy Roadmap.

Through this process, we've learned that the energy transition is already underway in Manitoba. More of you are considering the purchase of electric vehicles. Some businesses are taking steps to decarbonize their operations. And governments – at the federal, provincial, and municipal levels – are taking or contemplating actions that will further drive this transition. We also learned that there is a lot of uncertainty in the pace of change and managing this uncertainty through careful consideration of future decisions will be critical to continuing to efficiently and economically serve you with reliable energy.

The challenge of preparing for this change is not unique to Manitoba Hydro; it's something that energy utilities around the world are facing. We do, however, have some advantages that can help us navigate that change. Manitoba is

well-positioned because of your past investments in developing the clean, renewable hydroelectric system that delivers nearly all the electricity we produce at costs among the lowest in North America and because of your investments in transmission interconnections to neighbouring energy markets. As a vertically-integrated utility that supplies and delivers both electricity and natural gas, we are also well positioned to leverage these two energy sources in identifying solutions that benefit all Manitobans.

That said, successfully navigating the energy transition and ensuring the continued supply of reliable energy at the lowest possible cost – while balancing the need to maintain Manitoba Hydro’s financial resources to address risks such as severe drought – will not be easy.

The modelling and analysis completed for this IRP confirmed Canada’s move towards net-zero goals and the transition to low or no-carbon energy will accelerate the need for clean, reliable electricity. However, Manitoba Hydro’s energy and capacity resources are limited. We already anticipate not renewing some of our current contracts for exports of electricity as that surplus energy will be increasingly required to meet your needs here in Manitoba. And, while there is some uncertainty in the timing of Manitoba’s need for new energy resources, it could be within the next 10 years.

In short, the IRP makes it clear that considerable investments will be required to meet additional electricity needs and the pace of those investments will put upward pressure on rates. The IRP results also show the shorter the timeline for achieving net-zero goals, the greater the scale of these investments and the likelihood developing, unproven technologies will be required. Similarly, if government actions lead our customers to move away from using natural gas or increase restrictions on the strategic use of natural gas generation to meet the additional electricity demand created by decarbonization of other sectors, such as transportation, the scale of these investments grows significantly.

These and other learnings helped to build the road map at the heart of the 2023 IRP. This road map is not a development plan. It’s a planning tool that describes how Manitoba Hydro will monitor, prepare for, and respond to changes in the energy landscape, and outlines the near-term actions we need to take to best prepare to meet your future energy needs.

These steps are not steps we can take alone. The process of developing this IRP and the conversations we’ve had throughout confirmed the importance of working together with the broader energy planning community – including governments, regulators, Efficiency Manitoba, Indigenous communities, other interested parties and most importantly you, our customers – to understand and chart a path forward.

We support Manitoba's Energy Roadmap including the recommendation for coordinated governance between Manitoba, Manitoba Hydro and Efficiency Manitoba with the Public Utilities Board to provide policy advice to government. Specifically, there is an opportunity to establish the clearer roles, authorities and energy-related expertise that will allow us to effectively navigate a more complex energy future.

The 2023 IRP and Manitoba's Energy Roadmap are also aligned on:

- leveraging our province's clean energy advantage by expanding the role of efficiency measures to make the most of the energy we already have and smooth the transition to a low-carbon future;
- growing our energy supply by creating opportunities for independent power producers, including Indigenous communities, to develop new sources of supply such as wind farms; and
- recognizing future decisions about energy will be complex and will need to consider factors beyond reliability and cost, including climate goals, economic opportunities and affordability.

I want to take this opportunity to thank all those who participated in the development of the 2023 IRP. The value of your contribution to this plan and our collective efforts to prepare for the future cannot be overstated. I look forward to continued conversations and further collaboration as we work to implement the road map, evolve our integrated resource planning process, and ensure a continuance of the reliable and low-cost energy you count on.



A stylized, handwritten signature in black ink, consisting of several overlapping loops and a horizontal base line.

Jay Grewal, President & CEO
Manitoba Hydro