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Registered to: ISO 14001



SAFETY
CUSTOMERS
ABORIGINAL RELATIONS
FINANCIAL STRENGTH

THE CORPORATE STRATEGIC PLAN 2007-2008 • MANITOBA HYDRO'S VISION OF THE FUTURE

EXPORT POWER
MOTIVATED WORKFORCE
ENVIRONMENT
CORPORATE CITIZEN
BUSINESS DEVELOPMENT
ENERGY CONSERVATION



INTRODUCTION

I'm very pleased to present Manitoba Hydro's Corporate Strategic Plan (CSP) for 2007-2008 – the foundation of Manitoba Hydro's business planning process. The CSP is the Executive and the Board of Manitoba Hydro's main means of establishing and putting forth corporate priorities. The plan helps us to ensure that we remain a leader in the North American energy utility industry and that we meet the needs and expectations of our customers.

The CSP is created with a very important audience in mind: our employees. As always, this strategic and comprehensive plan involves everyone in the corporation – we all play an important role in the success of Manitoba Hydro.

Please familiarize yourself with the plan and then use it to establish your own work objectives and those of your work group.

Bob Brennan, FCA

President and Chief Executive Officer



INTRODUCTION

VISION

To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction, and environmental leadership, and to always be considerate of the needs of customers, employees, and stakeholders.

MISSION

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply, and end use of energy.

OPERATING PRINCIPLES

Work together for the success of the organization as a whole, recognizing that all our activities are interrelated.

Establish long-term cooperative relationships with all employees, customers, suppliers, and other stakeholders aimed at achieving our shared Vision.

Create a working environment that removes barriers to safe and effective performance and which fosters mutual respect, trust, and open communication.

Provide opportunities for all employees to develop their full potential, recognizing people's inherent desire to do their best.

Measure outcomes, develop an understanding of the causes of variation from planned performance, and take appropriate action.

Practise continuous improvements through ongoing coaching, learning, and innovation focused on the needs and wants of internal and external customers.

GOALS

Improve safety in the work environment.

Provide customers with exceptional value.

Be a leader in strengthening working relationships with Aboriginal peoples.

Improve corporate financial strength.

Maximize export power net revenues.

Attract, develop and retain a highly motivated workforce that reflects the demographics of Manitoba.

Be proactive in protecting the environment and the leading utility in promoting sustainable energy supply and service.

Be an outstanding corporate citizen.

Proactively support agencies responsible for business development in Manitoba.

Be a national leader in implementing cost-effective energy conservation and alternative energy programs.



VISION / MISSION
OPERATING PRINCIPLES / GOALS

IMPROVE SAFETY IN THE WORK ENVIRONMENT



SAFETY



STRATEGIES

- Imbed safety culture in all corporate activities
- Reinforce management, supervisory, and worker accountability for a safe and healthy workplace
- Implement safety reporting protocols that incorporate thorough investigation and timely communication of all safety-related incidents

MEASURES

High-risk accidents

TARGETS

0

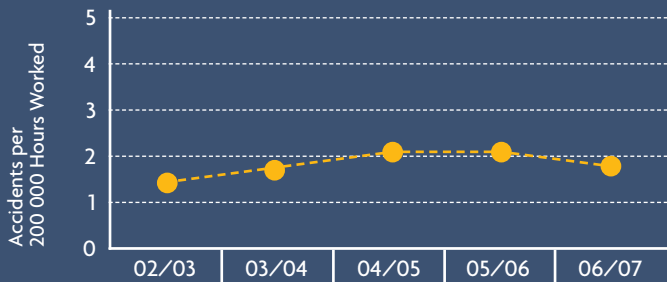
Accident severity rate

< 16 days per 200 000 hours worked

Accident frequency rate

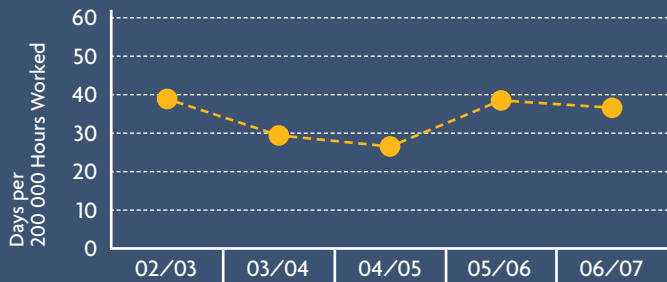
< 0.80 accidents per 200 000 hours worked

ACCIDENT FREQUENCY RATE



TARGET: < 0.80 Accidents

ACCIDENT SEVERITY RATE



TARGET: < 16 Days

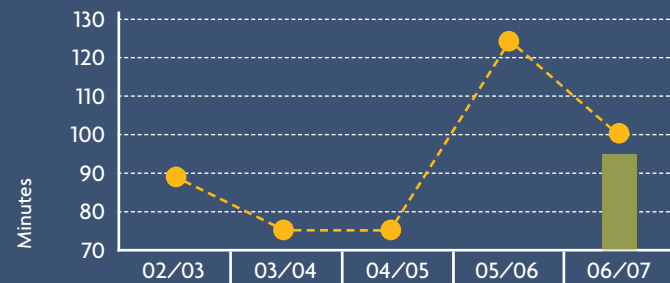


PROVIDE CUSTOMERS WITH EXCEPTIONAL VALUE

CUSTOMERS

SYSTEM AVERAGE INTERRUPTION DURATION

ELECTRIC OPERATIONS

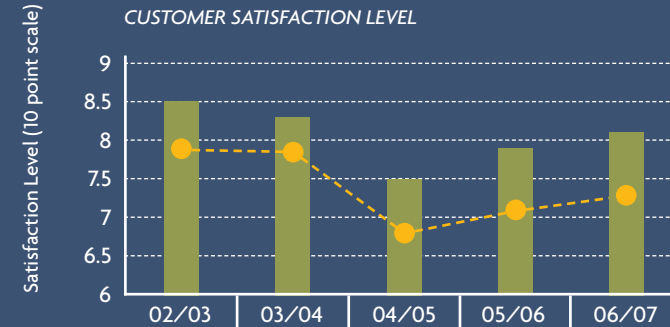


TARGET: ≤ 92 Minutes (5-year avg. 2004 – 2008)

● Fiscal year end actual ■ Fiscal 5-year avg.

CEA CUSTOMER SERVICE INDEX

CUSTOMER SATISFACTION LEVEL



TARGET: Best in Canada

■ Manitoba Hydro ● CEA Composite

NATURAL GAS MARKET SHARE

VOLUME OF COMMODITY SALES



TARGET: ≥ 60%



STRATEGIES

- Review and update marketing plans for 2007-2008, including energy options
- Develop natural gas commodity pricing products
- Continue to deliver effective and innovative public safety programs that target electricity and natural gas safety issues
- Develop and implement initiatives which reinforce employee understanding of the impact their work has on customer needs
- Implement a plan to improve the reliability of the transmission and distribution systems

MEASURES

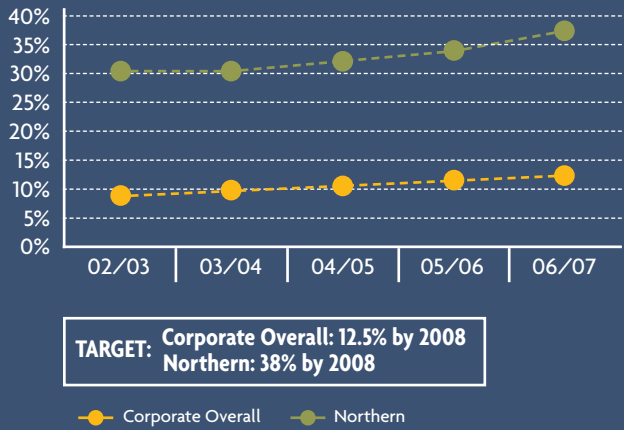
TARGETS

| | |
|---|--|
| Retail rates: electricity | Lowest in North America |
| Retail distribution rates: natural gas | Among the lowest in North America |
| System average interruption duration | ≤ 92 minutes |
| System average interruption frequency | ≤ 1.3 per year |
| Canadian Electricity Association (CEA) Customer Service Index | Best in Canada |
| Public contacts — natural gas and electric | 20% injury reduction |
| Natural gas market share | 100% of new franchises ≥ 60% of commodity sales |

BE A LEADER IN STRENGTHENING WORKING **RELATIONSHIPS** WITH **ABORIGINAL** PEOPLES



PERCENTAGE ABORIGINAL EMPLOYMENT



STRATEGIES

- Resolve and manage ongoing obligations from past development
- Increase employment and career opportunities at Manitoba Hydro for Aboriginal people
- Continue to enhance training and support programs for Aboriginal employees
- Promote and pursue business relationships with Aboriginal companies

MEASURES

Percentage of impacted Aboriginal communities with a workable management framework

TARGETS

100%

Percentage Aboriginal employment

All targets by March 2008

- Corporate overall
- Northern
- Management
- Professional

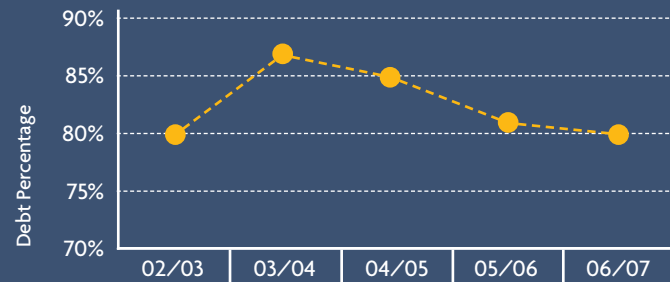
12.5%
38%
5.5%
6%



IMPROVE CORPORATE FINANCIAL STRENGTH

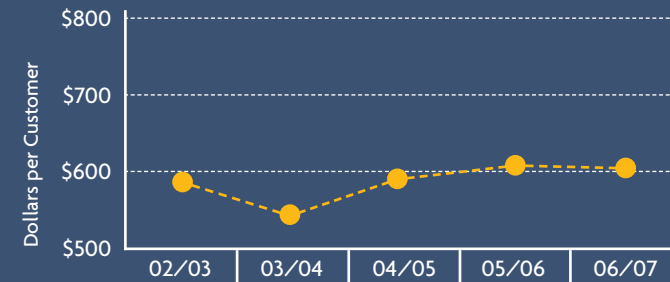
FINANCIAL STRENGTH

DEBT/EQUITY RATIO



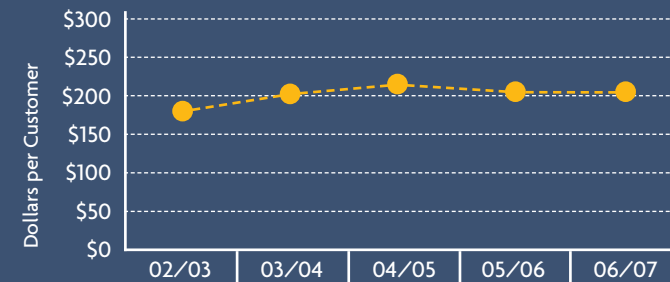
TARGET: 75% by 2011/2012

OM&A COST PER ELECTRIC CUSTOMER



TARGET: \$640 per Customer by March 2008

OM&A COST PER NATURAL GAS CUSTOMER



TARGET: \$213 per Customer by March 2008

STRATEGIES

- Continue to reduce the relative proportion of debt to fixed assets
- Leverage technology to reduce costs
- Strengthen long-term financial structure while maintaining energy price stability
- Develop corporate and business unit performance measures
- Improve capital investments decision support process
- Improve capital expenditure reporting and accountability

MEASURES

TARGETS

| | |
|--|---------------------------------|
| Interest coverage | > 1.2 |
| Debt/equity ratio | 75/25 by the year 2011-2012 |
| Capital financing ratio | > 1 |
| Operation Maintenance and Administration (OM&A) Cost per customer – electric | \$640 per customer (March 2008) |
| OM&A Cost per customer – natural gas | \$213 per customer (March 2008) |





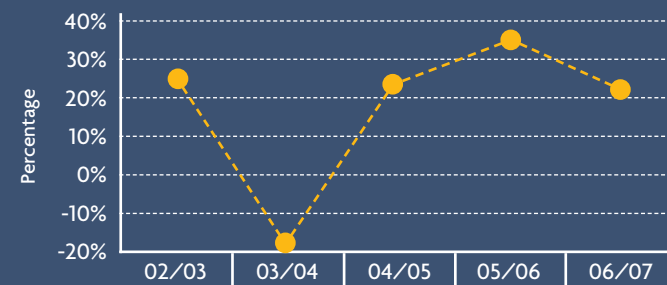
MAXIMIZE EXPORT POWER NET REVENUES

EXPORT POWER



NET EXPORT REVENUE

AS A PERCENTAGE OF TOTAL ELECTRIC REVENUE



TARGET: 25% — 2007/2008 through 2016/2017
40% by 2019

STRATEGIES

- Aggressively pursue a balanced portfolio of export sales
- Aggressively pursue supply-side initiatives and power purchases
- Continue being a Canadian leader in U.S. market access
- Expand the transmission capacity and protect transmission rights to support access to extra-provincial and U.S. export markets
- Influence national and international industry restructuring and maintain flexibility to adapt as appropriate
- Promote new hydro and/or transmission as part of the Canadian solution to climate change
- Actively participate in the development of regulatory frameworks for electricity reliability standards

MEASURES

Net export revenue as a percentage of total electric revenue

TARGETS

25% — 2007/08 through 2016/17

40% by 2019

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



MOTIVATED WORKFORCE

STRATEGIES

- Continue staff development to cover leadership and key operational positions
- Provide a work environment that allows employees to have a balanced approach to family, work, and community
- Implement programs for employees to further develop their understanding of the energy business
- Promote Manitoba Hydro as an employer of choice

MEASURES

Percentage of non-entry positions filled by external applicants

Percentage of designated group members in Manitoba Hydro workforce

- Women
- Women in management
- Women professionals
- Persons with a disability
- Visible minorities

TARGETS

Range 8% — 12%

All targets by 2008

26%
16%
32%
4.6%
4.25%

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



ENVIRONMENT



STRATEGIES

- Maintain ISO 14001 corporate registration
- Communicate Manitoba Hydro's environmental achievements
- Provide input to the development of new environmental regulatory requirements and implement best management practices to address emerging environmental concerns
- Complete climate change action plan
- Improve employee knowledge of environmental issues
- Promote new hydro and/or transmission as part of the Canadian solution to climate change
- Conduct environmental research and monitoring programs that address both public expectations and the impact of climate change on hydrological resources

MEASURES

- Environmental component of CEA Customer Service Index
- Corporate Citizenship Index – environmental component
- Net greenhouse gas emissions
 - Overall
 - Electricity generation
 - Natural gas operations
 - Fleet, buildings (natural gas), diesel generation & SF₆

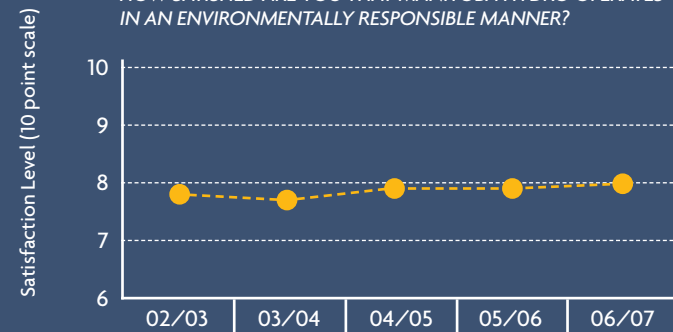
TARGETS

- ≥ 8.5
- ≥ 8.4
- < 0.520 megatonnes*
- < 0.461 megatonnes*
- < 0.017 megatonnes*
- < 0.042 megatonnes*

* Net cumulative annual average 1991-2007 6% below 1990 levels CO₂ equivalent for electric and natural gas operations

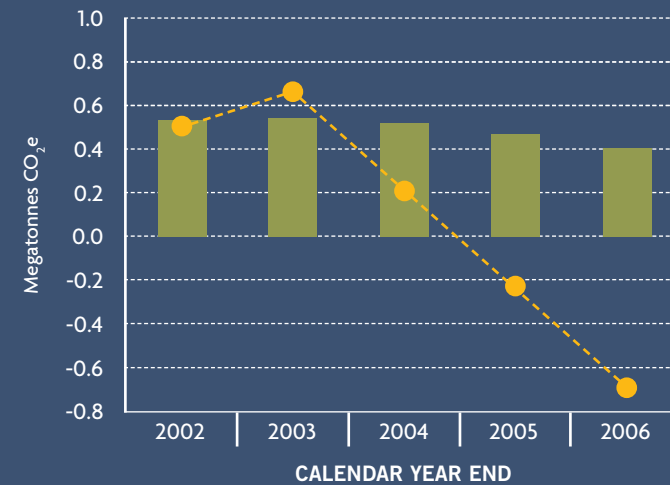
CORPORATE CITIZEN INDEX ENVIRONMENTAL COMPONENT

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



TARGET: ≥ 8.4

GREENHOUSE GAS EMISSIONS



TARGET: < 0.520

■ Average Net Emissions since 1991
● Net Annual Emissions



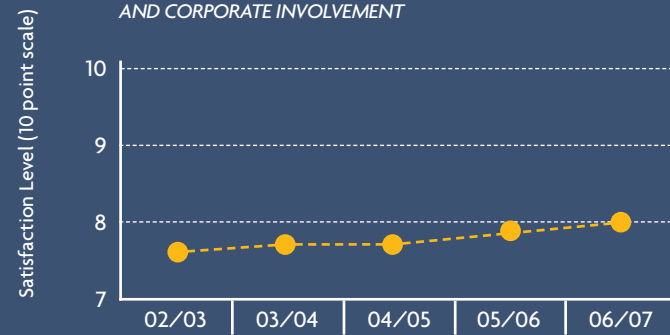
BE AN OUTSTANDING CORPORATE CITIZEN

CORPORATE CITIZEN



CORPORATE CITIZEN INDEX

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



TARGET: ≥ 8.2

STRATEGIES

- Continue to take a leadership role in community activities and support programs
- Encourage and support staff participation in community activities
- Continue to deliver effective and innovative public education and safety programs

MEASURES

CEA Public Attitude Index

TARGETS

≥ 8.5

Manitoba Hydro Corporate Citizenship Index

≥ 8.2



PROACTIVELY SUPPORT AGENCIES RESPONSIBLE FOR **BUSINESS DEVELOPMENT** IN MANITOBA



BUSINESS DEVELOPMENT

STRATEGIES

- Be proactive in working with economic development agencies to maximize wealth and jobs in Manitoba for each new megawatt of industrial demand
- Work with customers to reduce their energy costs to improve their productivity and competitiveness
- Influence industrial developers to optimize the use of existing electric and gas infrastructure

MEASURE

Agency satisfaction

TARGET

100% satisfied



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



ENERGY CONSERVATION

STRATEGIES

- Aggressively promote Power Smart* programs
- Promote a transition to a rate structure that delivers more transparent price signals to encourage the efficient use of energy
- Work with potential Independent Power Producers and customers to encourage development of economic alternative energy sources
- Continue to research and monitor technological and economic developments in all energy-related technologies
- Integrate wind energy in a cost-effective manner while considering other relevant criteria

MEASURES

Demand Side Management (DSM) — electric energy saved

DSM — electric capacity saved (at winter peak)

DSM — natural gas energy saved

Alternative capacity installed (or delivered)

TARGETS

1 350 gigawatt-hours (GWh) per year by March 2008
2 695 GWh per year by 2017-2018

564 megawatts (MW) by March 2008
848 MW by 2017-2018

28 million cubic metres per year by March 2008
101 million cubic metres per year by 2017-2018

400 MW by 2011

*Manitoba Hydro is a licensee of the Trademark and Official Mark.