

Crown Corporations Council
A Manitoba Crown Corporation

Third Quarter Report 2002

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Crown Corporations Council

Third Quarter Report

For the Three Months Ended September 30, 2002

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November 25, 2002

The Honourable Gregory Selinger
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Minister:

The Council is required under the Crown Corporations Public Review and Accountability Act to provide a quarterly report. Enclosed is the Report for the three months ended September 30, 2002.

Yours truly,

ORIGINAL SIGNED BY
G. HOFFMAN FOR
Arthur V. Mauro
Chairman

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Report on Activities of the Council

During the quarter, Venture Manitoba Tours Ltd. and Communities Economic Development Fund made presentations to Council. The presentations focused on corporate goals, strategies and performance.

Council Reports

Report on Manitoba Hydro's Corporate Performance Year Ended March 31, 2002

Current Performance

Manitoba Hydro continues strong overall performance and progress in achieving its corporate goals.

Hydro has made considerable progress toward achieving its financial targets adopted in 1995/96. Attaining the debt/equity target and capital financing target will likely be impacted by the special payment of up to \$288 million to be paid to the Province over the next few years. Hydro has advised that the payments will be managed such that consumer rates will not be negatively affected.

Export power sales as percent of total electric revenue have exceeded the target set of 26% by 2007. As noted in previous Council reporting, changes in Hydro's accounting policy on translation of foreign currency denominated transactions have contributed to increase reported value of export revenue. Revisions were made to fully comply with new provisions outlined in Canadian Institute of Chartered Accountants Handbook

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Section 1650 which is effective for all fiscal year ends beginning on or after January 1, 2002.

Hydro's goal of continuous safety improvement of the work environment is its top priority. Continued emphasis is being placed on its safety management system, work site visits, and job planning to improve results in this area.

Customer overall satisfaction results are good though not yet at target. Current performance, which showed no improvement, may have been influenced by natural gas price increases in early 2001, and adverse media coverage of environmental citizen concerns associated with Selkirk Generating Station.

Reliability results improved and are affected by weather, which for the period reported included relatively stable weather patterns in 2001 that reduced weather related outages.

Performance Measurement Processes and System

As reported in Council's April 2001 Report on Corporate Performance Measurement and Reporting, Manitoba Hydro's in-depth development, integration and execution of its management system, which includes its Performance Measurement is a best practice model and focuses on continuous improvement. The system incorporates current strengths, customized to its history that can be used to sustain future success. The system goes beyond measurement and is a management system.

Hydro continuously participates in opportunities for improvements through benchmarking studies with the Canadian Electricity Association (CEA) and the

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Electric Utility Costing Group (EUCG). Due to confidentiality restrictions, it is preferable to limit the sharing of information from these organizations, since other jurisdictions and utilities are involved. CEA information is mainly concerned with operation metrics for Canadian power utilities with a balanced scorecard used for each level, including the corporate level. EUCG specially searches for best practices in process and performance management in North America as it relates to electric utilities.

The Corporate Strategic Plan booklet is a public document and is now distributed as part of public accountability meeting presentations. Manitoba Hydro communicates regularly with its Minister Responsible on progress toward achievement of stated public policy goals and objectives.

Submissions to Council

There were no submissions made to Council during this reporting period concerning allegations or complaints against any Crown corporation under Council's purview.

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Overview

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Financial Statements

For the Nine Month Period Ended September 30, 2002
(unaudited)

Operating expenses are recovered from the Crown corporations through assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

Expenses for the nine month period decreased by \$55 thousand compared to the same period last year. The decrease is primarily attributable to lower professional fees, depreciation and staffing expenses.

Balance Sheet
(unaudited)

	September 30	
	2002	2001
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 218	\$ 520
Accounts receivable	\$ -	3
	218	523
Capital assets (note 2)	8	7
	\$ 226	\$ 530
 Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 43	\$ 52
Levies received in advance	41	153
Due to Manitoba Crown corporations	102	307
	186	512
Retirement allowances and other benefits payable	32	11
	218	523
Reserve reflecting net investment in capital assets	8	7
	\$ 226	\$ 530

Statement of Income and Reserve
Reflecting Net Investment in Capital Assets
(unaudited)

	Nine Months Ended September 30	
	2002	2001
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 456	\$ 490
Interest	3	13
	<u>459</u>	<u>503</u>
Expenses	<u>460</u>	<u>515</u>
Excess of expenses over income	\$ (1)	\$ (12)
Reserve reflecting net investment in capital assets, beginning of period	<u>9</u>	<u>19</u>
Reserve reflecting net investment in capital assets, end of period	<u><u>\$ 8</u></u>	<u><u>\$ 7</u></u>

Notes to Financial Statements
September 30, 2002

1. Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

2. Capital assets and depreciation policy

These are comprised of office furniture and equipment and computer equipment:

	September 30	
	2002	2001
	(in thousands of dollars)	
Cost		
Office furniture & equipment	\$58	\$52
Computer equipment	56	56
	<u>\$114</u>	<u>\$108</u>
Accumulated Depreciation		
Office furniture & equipment	51	50
Computer equipment	55	51
	<u>106</u>	<u>101</u>
Net Book Value	<u><u>\$8</u></u>	<u><u>\$7</u></u>

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

3. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.