

Transparency and Accountability Act
STRATEGIC PLAN 2007



Newfoundland and Labrador Hydro

March 2008

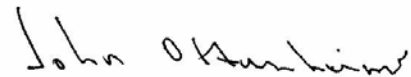
Message from the Board of Directors

I am pleased to provide the Strategic Plan for the Newfoundland and Labrador Hydro Group of Companies on behalf of the Board of Directors. The scope of this plan covers Newfoundland and Labrador Hydro, Churchill Falls (Labrador) Corporation, Twin Falls Power Corporation, Lower Churchill Development Corporation and Gull Island Power Corporation.

During the development of this plan, careful consideration has been given to the strategic directions of the Department of Natural Resources.

The focus period for this Strategic Plan is 2007. The Plan provides an overview of the corporation, and identifies the key strategic goals and objectives to be accomplished during this period.

As the Board of Directors of Newfoundland and Labrador Hydro, we are accountable for the preparation of this Plan and for the achievement of the specific goals and objectives contained herein.



John Ottenheimer
Chair
Newfoundland and
Labrador Hydro

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Other Hydro Group of Companies

Lower Churchill Development Corporation
Gull Island Power Corporation
Twin Falls Power Corporation
Energy Corporation of Newfoundland and Labrador

Strategic Direction and Alignment

STRATEGIC PLAN AT A GLANCE

Vision

Newfoundland and Labrador Hydro's vision is to be recognized as an innovative provider of quality energy services.

(Under review in 2008)

Mission

Newfoundland and Labrador Hydro is a crown corporation committed to providing cost-effective and reliable energy services to our customers for the benefit of all people of the province.

Our skilled and committed employees will use innovative methods and technologies, and will maintain high standards of safety and health, and environmental responsibility.

(Under review in 2008)

Mandate

The Hydro Corporation Act (2006) mandated NLH to be responsible for:

- Developing and purchasing power and energy on an economic and efficient basis.
- Being involved within the province and elsewhere, in all aspects of the development, delivery and use of power and energy produced from a source of any kind (except nuclear).
- Engaging in activities related to the exploration for, development, production, refining, marketing and transportation of, hydrocarbons and products from hydrocarbons.
- Supplying power, at rates consistent with sound financial administration, for domestic, commercial, industrial or other uses in the province, and, subject to the prior approval of the Lieutenant-Governor in Council, outside of the province.

Strategic Issues

Safety

“To be a Safety Leader”

- Goal:** In 2007 continue to improve NLH’s safety performance by increasing the quality and number of reports that identify conditions or behaviors that contribute to disabling and disabling/medical aid incidents.
- Objective:** Further enhance NLH’s safety programs in 2007

Environment

“To be an Environmental Leader”

- Goal and Objective:** In 2007 complete all preparatory steps required to increase contributions from renewable energy resources and energy conservation activities targeted for future years.
NLH Regulated Operations Only.
- Goal:** In 2007 increase the number of Environmental Management System (EMS) targets and objectives accomplished.
- Objective:** Develop an EMS tracking system.

Finance and Governance

“To strengthen our financial and governance structure to enable NLH’s expanded mandate”

- Goal:** In 2007 continue to establish a governance and financial structure that supports NLH’s expanded mandate.
- Objective:** By December 2007 complete key initiatives required to support NLH’s expanded mandate.

Growth

“To grow a diversified and viable energy business”

- Goal:** By 2007 achieve progress in the pursuit of new business opportunities.
- Objective:** By December 2007 undertake initial activities required to enter oil and gas and wind development opportunities.

Strategic Issues - Continued

Operational Excellence ***“Through operational excellence to provide value to all consumers of our energy”***

- Goal:** In 2007 improve or maintain corporate reliability indices while achieving capital and operating budget financial targets.
- Objective:** Achieve targets for reliability, cost control and long term asset management in 2007

Lower Churchill ***“To complete analysis required to consider a sanction decision on the Lower Churchill Project”***

- Goal:** In 2007, continue engagement in the seven key areas highlighted for the project.
- Objective:** Complete key milestones in the areas of activity per the overall project plan

People ***“To ensure a highly skilled and motivated team of employees who are strongly committed to NLH’s success and future direction”***

- Goal:** In 2007 continue to improve all elements of employee engagement to a level where Newfoundland and Labrador Hydro would qualify for recognition as one of Canada’s best employers in reference to an acceptable external benchmark.
- Objective:** Undertake activities required to enable closer business-employee alignment by December 2007.

Community ***“To be a valued corporate citizen and an active member of the communities in which we operate”***

- Goal and Objective:** In 2007 be recognized as a valued corporate citizen and an active member of the communities in which NLH operates

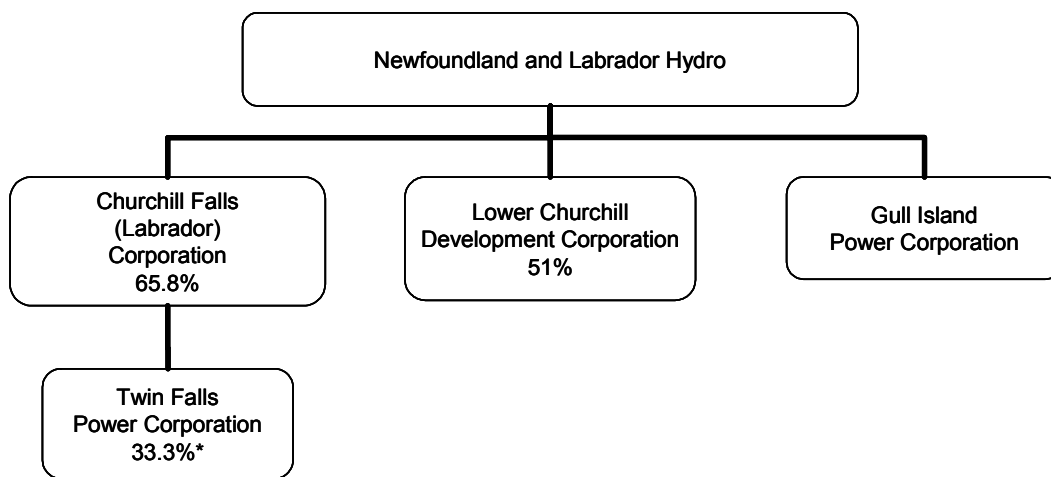
Introduction

The Province of Newfoundland and Labrador has highlighted the energy sector as an essential part of its success strategy for the province. NLH has played a key role in the development of the Province for over 40 years, and is poised to continue to be a critical element in the province's future.

This document constitutes the transition plan for the NLH Group of Companies for the year ending December 31, 2007.

Overview

Newfoundland and Labrador Hydro (NLH) is a Crown corporation owned by the Province of Newfoundland and Labrador. NLH is the parent company of Churchill Falls (Labrador) Corporation Limited (CF(L)Co), Lower Churchill Development Corporation, Gull Island Power Company, and Twin Falls Power Corporation. The following chart summarizes the relationship between the various subsidiaries of the Hydro group of companies.



* 2/3 of Voting Shares

Headquartered in St. John's, NLH is the fourth largest power utility in Canada with 7,288 megawatts (MW) of installed generating capacity, and is the province's main electrical energy provider. NLH supplies over 80 percent of the province's electrical energy, operates the second largest underground hydropower station in the world, and is expanding its operations into oil and gas, wind generation, and research and development. The company has over 1200 employees, with sales of over \$400 million annually

NLH's corporate plans cover the entire corporation. Most of the elements of the plan are common to all parts of the organization, though a few elements have relevance to one particular corporate entity or another. More specifically, the plan highlights a wide variety of areas of activity for the two operating companies (CF(L)Co and NLH), the majority of which are common to both. Any instances of activity which is applicable to only one of these companies will be identified in this plan, and reported accordingly in the 2007 annual performance report. Since all parts of the company have the same plan, a single document for NLH and all of its subsidiaries has been prepared.

A summary of non-operational companies has been provided as an appendix to this report. Should any of these companies become operational, appropriate strategic, business, or action plans and performance reports will be filed accordingly.

In 2007, Energy Corporation of Newfoundland and Labrador (Energy Corporation) was created by an Act of the provincial legislature. This plan reflects the structure in place for 2007; plans for 2008 and onward will reflect the changes in organizational structure as a result of the creation of Energy Corporation.

Mandate

The Hydro Corporation Act (2006) mandated NLH to be responsible for:

- Developing and purchasing power and energy on an economic and efficient basis.
- Being involved within the province and elsewhere, in all aspects of the development, delivery and use of power and energy produced from a source of any kind (except nuclear).
- Engaging in activities related to the exploration for, development, production, refining, marketing and transportation of, hydrocarbons and products from hydrocarbons.
- Supplying power, at rates consistent with sound financial administration, for domestic, commercial, industrial or other uses in the province, and, subject to the prior approval of the Lieutenant-Governor in Council, outside of the province.

Lines of Business

1. Regulated Operations

This division's business is to deliver safe, reliable, least-cost power to industrial, utility and over 35,000 direct customers in rural Newfoundland and Labrador. NLH operates nine hydroelectric generating stations, one oil-fired plant, four gas turbines, four interconnected diesel generating stations and 21 isolated diesel generation and distribution systems. Hydro maintains 54 high-voltage terminal stations, 25 lower voltage interconnected distribution substations, 3,742 km of interconnected high-voltage transmission lines and 3,334 km of distribution lines.

2. Churchill Falls Operations

The Churchill Falls Generating Station is operated by the Churchill Falls (Labrador) Corporation (CF(L)Co). The plant has a rated capacity of 5,428 MW and generates over 30,000 gigawatt-hours (GWh) of energy annually. CF(L)Co operates the town of Churchill Falls, including a school, theatre, library, and recreational facilities. The majority of electricity from the Churchill Falls station is sold to Hydro-Quebec under a long-term contract, though sufficient electricity is retained to supply all current energy requirements on the Labrador Interconnected System.

3. Lower Churchill Project

The Lower Churchill Project includes the development of two hydroelectric sites on the lower Churchill River – Gull Island (2,000 MW) and Muskrat Falls (824 MW). NLH is moving ahead with analysis necessary activities to enable the provincial government to consider a sanction decision.

4. Business Development

In concert with the provincial Energy Plan, NLH is pursuing business opportunities in oil and gas; wind generation; alternative energy sources; and research and development activities.

Values

All members of NLH form a proud, diverse energy company, whose people are committed to building a bright future for Newfoundland and Labrador, unified by our core values:

- Open Communication – fostering an environment where information moves freely in a timely manner.
- Accountability – holding ourselves responsible for our actions and performance.
- Safety – relentless commitment to protecting ourselves, our colleagues, and our community.
- Honesty and Trust – being sincere in everything we say and do.
- Teamwork – sharing our ideas in an open and supportive manner to achieve excellence.
- Respect and Dignity – appreciating the individuality of others by our words and actions.
- Leadership – empowering individuals to help, guide and inspire others.

Primary Clients

The primary clients of NLH and CF(L)Co are the following:

- Industrial Electricity Consumers
- Newfoundland Power
- Rural Retail Customers
- Hydro-Québec
- CF(L)Co customers

Vision

Newfoundland and Labrador Hydro's vision is to be recognized as an innovative provider of quality energy services.

(Under review in 2008)

Mission

“Newfoundland and Labrador Hydro is a Crown corporation committed to providing cost-effective and reliable energy services to our customers for the benefit of all people of the province.

Our skilled and committed employees will use innovative methods and technologies, and will maintain high standards of safety and health, and environmental responsibility.”

(Under review in 2008)

To deliver on this mission, NLH has identified eight strategic issues upon which to focus: Safety, Environment, Finance and Governance, Growth, Operational Excellence, Lower Churchill, People and Community. Key measures and indicators for the success in NLH’s mission are shown below, and further reinforced under each NLH’s strategic issues.

Measure 1: Improved safety performance

Indicators:

- Reported the leading/lagging ratio
- Reported the number of disabling injuries
- Reported the number of medical aid injuries

Measure 2: Annual accomplishment of EMS milestones and targets

Indicator:

- Annual target tracking progress

Measure 3: Improved governance and financial structure

Indicators:

- Implemented the first phase of a corporate restructuring plan
- Completed a corporate governance review and a baseline for governance performance established

Measure 4: Progress towards assuming equity positions in new business areas

Indicator:

- Sought equity positions in oil and gas developments in concert with Provincial policy.

Measure 5: Progress towards improving operational excellence

Indicators:

- Improved outage performance indices – NLH Regulated Operations only
- Controllable cost performance
- Maintained high customer satisfaction levels – NLH Regulated Operations only
- Guaranteed Winter Availability (GWAC) performance – CF(L)Co only

Measure 6: Progress on inputs to decision on Lower Churchill sanction

Indicator:

- Progress in each of the seven key areas of project activity: engineering, financing, environment, commercial/market access, Innu Nation impacts and benefits agreement, project execution planning, and operations

Measure 7: Progress towards ensuring alignment between employee and corporate goals

Indicator:

- Employee opinion survey results

Measure 8: Recognition as a valued corporate citizen

Indicator:

- Improved public perception – NLH Regulated Operations only

Strategic Issues

Issue 1: Safety – “To be a Safety Leader”

NLH believes that continually improving its safety performance is critical to its success in delivering on its mandate. NLH strives for excellence in its approach to and focus on safety, both for employees and contractors.

Goal: In 2007 continue to improve NLH’s safety performance by increasing the quality and number of reports that identify conditions or behaviors that contribute to disabling and disabling/medical aid incidents.

Measure: Improved safety performance

Indicators:

- Achieved safety lead/lag ratio of 100:1
- Reduced the number of disabling injuries by 50%.
- Reduced the number of medical aid injuries by 25%.

Objective: Further enhance NLH’s safety programs in 2007

Measure: Action on individual components of safety improvement programs

Indicators:

- Implemented a Safe Workplace Observation Program
- Undertook activity related to a new safety accountability framework for all individuals and teams
- Undertook activity related to assessing and changing NLH’s safety culture.
- Promoted NLH’s new safety rules following review and revision by NLH’s Corporate Safety Advisory Committee.

Issue 2: Environment – “To be an Environmental Leader”

As a member of the community, NLH recognizes its commitment and responsibility to protect the environment. NLH believes that it must continually strive to ensure that it operates in an environmentally responsible fashion. Two key areas of focus are preparations for increasing contributions of renewables/conservation activities, and continually improving environmental performance through the corporate Environmental Management System. The former focus is primarily limited to activity within NLH’s Regulated Operations, where thermal production represents a significant environmental issue.

Goal and

Objective: In 2007 complete all preparatory steps required to increase contributions from renewable energy resources and energy conservation activities targeted for future years. **NLH Regulated Operations Only**

Measure: Action on non-thermal generation maximization initiatives. **NLH Regulated Operations Only**

Indicators:

- Completed a study on a hydroelectric efficiency improvement strategy
- Completed a conservation and demand management study
- Commenced construction on the St. Lawrence wind farm
- Executed a power purchase agreement for a second 25 MW wind farm

Goal: In 2007 increase the number of Environmental Management System (EMS) targets and objectives accomplished.

Measure: Annual accomplishment of EMS milestones and targets

Indicators:

- Annual milestone tracking progress
- Annual target tracking progress

Objective: Develop EMS tracking system

Measure: Complete and functioning tracking system

Indicators:

- Developed and implemented progress tracking system

Issue 3: Finance Structure and Corporate Governance – “To strengthen our financial and governance structure to enable NLH’s expanded mandate”

NLH’s expanded mandate requires a sound and prudent governance and financial structure to ensure that they support the vision and mission.

Goal: In 2007 continue to establish a governance and financial structure that supports NLH’s expanded mandate

Measure: Improved governance and financial structure

Indicators:

- Completed a strategy for financing wind and oil and gas projects, as well as various acquisition opportunities
- Implemented the first phase of a corporate restructuring plan
- Completed a corporate governance review and a baseline for governance performance established

Objective: By December 2007 complete key initiatives required to support NLH’s expanded mandate

Measure: Completion of initiatives

Indicators:

- Completed a corporate governance review for NLH
- Developed a comprehensive plan to obtain an investor-owned return on equity

Issue 4: Growth – “To grow a diversified and viable energy business”

A part of NLH’s expanded mandate is to identify and develop new business opportunities in energy-related fields that will generate revenue for its shareholder.

Goal: By 2007 achieve progress in the pursuit of new business opportunities

Measure: Progress towards assuming equity positions in new business areas
Indicators:

- Sought equity positions in oil and gas developments in concert with Provincial policy.

Objective: By December 2007 undertake initial activities required to enter oil and gas and wind development opportunities

Measure: Completion of preparatory activities for new business areas.
Indicators:

- Executed a Power Purchase Agreement for a second 25 MW wind farm
- Completed an organization plan for pursuit of oil and gas and wind developments

Issue 5: Operational Excellence – “Through operational excellence to provide value to all consumers of our energy”

NLH strives to deliver operational excellence by maintaining safe, reliable delivery of energy to customers in a cost-effective manner while maintaining high customer satisfaction. While operational excellence is a strategic issue for both NLH Regulated Operations and CF(L)Co, some indicators used to track progress differ slightly to reflect differences in the nature of the systems and operating requirements.

Goal: In 2007, improve or maintain corporate reliability indices while achieving capital and operating budget financial targets.

Measure: Progress towards improving operational excellence

Indicators:

- Improved outage performance indices (winter availability and transmission reliability) – **NLH Regulated Operations only**
- Operating cost performance
- Maintained high customer satisfaction levels – **NLH Regulated Operations only**
- Guaranteed Winter Availability (GWAC) performance – **CF(L)Co only**

Objective: Achieve targets for reliability, cost control, and long term asset management in 2007

Measure: Reliability, cost control target, and long term asset management plan performance

Indicators:

- Capital program delivery performance
- Asset management strategy development – **NLH Regulated Operations only**

Issue 6: Lower Churchill – “To complete analysis required to consider a sanction decision on the Lower Churchill Project”

NLH, on behalf of its Shareholder, is undertaking analysis necessary to provide enough information for the provincial government to consider a decision regarding sanction of the project.

Goal: In 2007, continue engagement in the seven key areas highlighted for the project.

Measure: Progress in each of the seven key areas

Indicators:

- Engineering
- Financing
- Environment
- Commercial/Market Access
- Aboriginal Impacts and Benefits Agreement
- Project Execution Planning
- Operations

Objective: Complete key milestones in the areas of activity per the overall project plan

Measure: Completion of preparatory milestones

Indicators:

- Engaged engineering consultants to complete required engineering studies
- Engaged financial advisors
- Progressed discussions to identify viable customer options for lower Churchill power
- Progressed review and evaluation of market access options for lower Churchill power

Issue 7: People – “To ensure a highly skilled and motivated team of employees who are strongly committed to NLH’s success and future direction”

Employees play a critical role in the success of NLH in delivering on its mandate and mission, and ultimately its ability to serve the people and economy of the Province. The company strives to ensure high levels of engagement on the part of its employees, and alignment between the goals of employees and the goals of the company.

Goal: In 2007 continue to improve all elements of employee engagement to a level where NLH would qualify for recognition as one of Canada’s best employers in reference to an acceptable external benchmark.

Measure: Progress towards ensuring alignment between employee and corporate goals

Indicators:

- Increased Employee Survey participation rate
- Improved Employee Opinion Survey score
- Completion of the Leadership Fundamentals Program by all front-line supervisors and superintendents

Objective: Undertake activities required to enable closer business-employee alignment by December 2007.

Measure: Completion of feedback and engagement activities

Indicators:

- Undertook an organizational review of NLH’s vision and values through an appropriate corporate-wide engagement process
- Developed and implemented a corporate-wide program for recognizing exemplary employee service and contribution to the company
- Ensured appropriate union representation on committees and working groups within NLH

Issue 8: Community – “To be a valued corporate citizen and an active member of the communities in which we operate”

NLH supports many charities and community organizations in their efforts to improve the quality of life for Newfoundlanders and Labradorians. NLH strives to be strong member in the communities where it operates, and endeavors to provide excellence in public safety, the environment, energy conservation and community investment.

Goal and

Objective: In 2007 be recognized as a valued corporate citizen and an active member of the communities in which NLH operates by improving NLH’s perception by the public.

Measure: Improvements in NLH’s perception by the public

Indicators:

- Increased performance on NLH’s reputation index
- Improved performance on NLH’s corporate citizenship index

Other Hydro Group of Companies

Lower Churchill Development Corporation
Gull Island Power Corporation
Twin Falls Power Corporation
Energy Corporation of Newfoundland and Labrador

The Lower Churchill Development Corporation was formed primarily to develop the hydro-electric potential of the Lower Churchill River. Incorporated on December 15, 1978, Lower Churchill Development Corporation is presently not an operating company. NLH owns 51% of the shares of the corporation, and the Federal Government owns 49%.

The Gull Island Power Corporation is a wholly owned subsidiary of NLH. Incorporated on September 21, 1970, the corporation is not presently an operating company.

The Twin Falls Power Corporation was incorporated on February 18, 1960 to construct and operate the Twin Falls Power Plant, which provided power to the mines of Labrador West. Twin Falls Power Corporation continues to supply the mines with power, but obtains the power from CF(L)Co, as the plant has been shut down. Accordingly, operational activities of Twin Falls Power Corporation are minimal. CF(L)Co maintains a 33% share in Twin Falls Power Corporation, and holds two-thirds of voting shares in the company. IOCC and the companies making up the Wabush Mines joint venture are also shareholders in the corporation

The Energy Corporation of Newfoundland and Labrador was formed in 2007 to act as the parent company to hold investments in NLH, CF(L)Co, oil and gas, Lower Churchill, and other energy initiatives. The Energy Corporation became operational on January 1, 2008.

Strategic Direction and Alignment

A Strategic Direction is the articulation of a desired physical, social, or economic outcome that would normally require action by, or involvement of, more than one government entity. They are normally communicated through White Papers, or other major platform documents.

Title: Sustainable resource development

Strategic Direction: From the Department of Natural Resources Strategic Plan

Focus Areas of the Strategic Direction	Being addressed by other entities reporting to the Minister	This Direction is addressed in NLH's	
		Strategic Plan	Operational Plan
Petroleum and Natural Gas - Research and Development - Benefits Maximization - Land Use - Effective and Efficient Management	*	*	
Minerals - Exploration - Land Use - Benefits Maximization - Value-added Activities	*		
Electricity - Hydro-Electric Development		*	