

Transparency and Accountability Act
STRATEGIC PLAN 2008-2010

Energy Corporation of Newfoundland and Labrador

March 2008

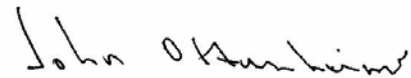
Message from the Board of Directors

I am pleased to provide the Strategic Plan for the Energy Corporation of Newfoundland and Labrador on behalf of the Board of Directors. The scope of this plan covers the corporation itself and all its subsidiaries, including 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 2008-2010. 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 Energy Corporation of Newfoundland and Labrador, we are accountable for the preparation of this Plan and for the achievement of the specific goals and objectives contained herein.



John Ottenheimer
Chair
Energy Corporation of
Newfoundland and Labrador

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Other Energy Corporation Companies

Lower Churchill Development Corporation
Gull Island Power Corporation
Twin Falls Power Corporation

Strategic Direction and Alignment

STRATEGIC PLAN AT A GLANCE

Vision

Energy Corporation's vision is to make a difference by being an innovative provider of quality energy services that returns maximum benefits to the province for generations to come from all investments entrusted to the Energy Corporation.

(Under review in 2008 as a part of the transition to the Energy Corporation of Newfoundland and Labrador)

Mission

Energy Corporation of Newfoundland and Labrador 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 as a part of the transition to the Energy Corporation of Newfoundland and Labrador)

Mandate

The mandate of ECNL, established in legislation under the Energy Corporation Act (2007), is to invest in, engage in, and carry out activities in all areas of the energy sector in the province and elsewhere including:

- being involved in all aspects of the development, delivery and use of power and energy produced from a source of any kind.
- engaging in activities related to the exploration for, development, production, refining, marketing and transportation of, hydrocarbons and products from hydrocarbons.
- manufacturing, producing, distributing and selling energy related products and services.
- research and development

Strategic Issues

Safety

“To be a Safety Leader”

- Goal:** In each year through to 2010 continue to improve or sustain ECNL’s safety performance by increasing the ratio of reports that identify conditions or behaviors that contribute to disabling and medical aid incidents to the number of disabling and medical aid incidents.
- Objective:** Further enhance ECNL’s safety programs in 2008

Environment

“To be an Environmental Leader”

- Goal:** In each year through to 2010 maintain or increase the number of Environmental Management System (EMS) targets and objectives accomplished to 98%.
- Objective:** In 2008, maintain EMS performance

Finance and Governance

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

- Goal:** By the end of 2009 to have completed a corporate restructuring that facilitates financing requirements and appropriate risk and cost allocation.
- Objective:** By December 2008 complete key initiatives required to support financial and governance structure improvements.

Growth

“To grow a diversified and viable energy business”

- Goal:** In each year through to 2010 acquire equity interests in oil and gas fields and/or pursue new development opportunities as appropriate
- Objective:** In 2008 complete final agreements for equity interests in the Hebron field and the White Rose Growth areas.

Strategic Issues - Continued

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

Goal: In each year through to 2010 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 2008

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

Goal: By 2009 to have completed analysis necessary for the Provincial Government to consider a decision regarding sanction.

Objective: In 2008 complete 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 ECNL’s success and future direction”***

Goal: By 2009 improve to a level where ECNL 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 2008.

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

Goal: In each year through to 2010 to have further strengthened ECNL’s corporate reputation by means of excellence in safety, environment, conservation, community investment, business planning and execution.

Objective: In 2008 launch ECNL’s new name and brand

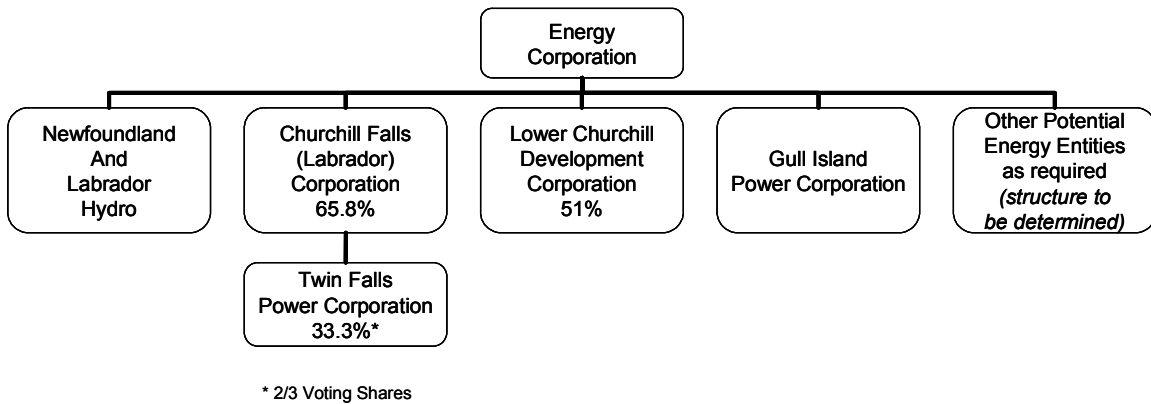
Introduction

In its 2007 Energy Plan, the Province of Newfoundland and Labrador highlighted the energy sector and its role in the development of the province. As a result of legislation proclaimed on October 11, 2007 Energy Corporation of Newfoundland and Labrador (ECNL) was formed, with the intent to become the parent company of Newfoundland and Labrador Hydro (NLH), and hence the controlling interest in the Hydro Group of Companies in 2008.

This document constitutes the strategic plan for ECNL for the period 2008-2010, though some elements of the transition to the new structure remain to be resolved.

Overview

The Energy Corporation of Newfoundland and Labrador (ECNL)¹ is a Crown corporation owned by the Province of Newfoundland and Labrador. ECNL is to be the parent company of Newfoundland and Labrador Hydro (NLH), Churchill Falls (Labrador) Corporation Limited (CF(L)Co), Lower Churchill Development Corporation, Gull Island Power Company, Twin Falls Power Corporation, and potential Oil and Gas and other required entities. The following chart summarizes the relationship between the various subsidiaries of ECNL. This plan assumes that all approvals required to give effect to this structure will be received in 2008, and is written assuming all of these changes occur.



Headquartered in St. John's, ECNL owns 7,307 megawatts (MW) of installed generating capacity, is the province's main electrical energy provider, operates the Churchill Falls generating station, and is assessing the viability of developing the hydroelectric potential of the Lower Churchill. NLH's regulated operations supply over 80 percent of the province's electrical energy. ECNL has signed agreements for oil and gas developments, and is expanding into wind energy and research and development. ECNL has over 1200 employees and assets of over \$2 billion.

ECNL employs an integrated and comprehensive corporate planning process. This process spans all areas of the organization, and ensures integration and alignment of corporate priorities, objectives and initiatives. As a result, a single corporate plan has been established. The majority of the plan is common to all areas of the company, with certain portions specific to only one or two corporate entities. A common strategic plan has accordingly been developed and reported herein. Any plan elements specific to only one corporate entity will be identified and reported as such in the plan, and in any subsequent performance reports.

¹ Branding of this new entity is expected to occur in 2008.

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

Mandate

The mandate of ECNL, established in legislation under the Energy Corporation Act (2007), is to invest in, engage in, and carry out activities in all areas of the energy sector in the province and elsewhere including:

- being involved in all aspects of the development, delivery and use of power and energy produced from a source of any kind.
- engaging in activities related to the exploration for, development, production, refining, marketing and transportation of, hydrocarbons and products from hydrocarbons.
- manufacturing, producing, distributing and selling energy related products and services.
- research and development.

Lines of Business

1. Newfoundland and Labrador Hydro Regulated Operations

The role of NLH 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. NLH 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 owned and 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). ECNL is moving ahead with the analysis necessary to enable the Provincial Government to consider a sanction decision.

4. Business Development

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

Values

All members of ECNL 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, CF(L)Co and ECNL are the following:

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

Vision

Energy Corporation's vision is to make a difference by being an innovative provider of quality energy services that returns maximum benefits to the province for generations to come from all investments entrusted to the Energy Corporation.

(Under review in 2008 as a part of the transition to the Energy Corporation of Newfoundland and Labrador)

Mission

Energy Corporation of Newfoundland and Labrador 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

(The mission is under review in 2008 as a part of the transition to the Energy Corporation of Newfoundland and Labrador)

ECNL 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 ECNL's mission are shown below, and further reinforced under each of ECNL's strategic issues. In executing its mission, ECNL focuses on maintaining the integrity of its core utility business while growing the business in new areas.

Measure 1: Sustained improvement of safety performance

Indicators:

- Reported the leading/lagging ratio
- Reported the disabling injury frequency
- Reported the medical aid injury frequency

Measure 2: Annual accomplishment of EMS milestones and targets

Indicator:

- Reported annual target tracking progress

Measure 3: Improved governance and financial structure

Indicators:

- Implemented the corporate restructuring plan
- Achieved annual targets for governance improvements

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:

- Achieved annual reliability targets – NLH only
- Achieved Guaranteed Winter Availability (GWAC) performance targets – CF(L)Co only
- Achieved operating cost targets

Measure 6: Progress on analysis necessary for the Provincial Government to consider a sanction decision on the Lower Churchill Project

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:

- Monitored employee opinion survey results

Measure 8: Recognition as a valued corporate citizen

Indicator:

- Monitored public perception

Strategic Issues

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

ECNL believes that continually improving and sustaining its safety performance is critical to its success in delivering on its mandate.

Goal: In each year through to 2010 continue to improve or sustain ECNL’s safety performance by increasing the ratio of reports that identify conditions or behaviors that contribute to disabling and medical aid incidents to the number of disabling and medical aid incidents

Measure: Improved safety performance

Indicators:

- Achieved annual safety lead/lag ratio targets
- Achieved annual target reductions in the number and frequency of disabling injuries
- Achieved annual target reductions in the number and frequency of medical aid injuries

Objective: Further enhance ECNL’s safety programs in 2008

Measure: Action on individual components of safety improvement programs

Indicators:

- Developed and implemented an improved communications strategy for the Safety and Health Program
- Implemented a safety accountability framework (Internal Responsibility System)
- Implemented new safety rules (Safety Credo)
- Implemented detailed analysis, overview and trending of Safe Workplace Observation Program (SWOP) reports
- Reviewed the Safety Management System with a view to eventual auditing by external safety auditors

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

As a member of the community, ECNL recognizes its commitment and responsibility to protect the environment. ECNL believes that it must continually strive to ensure that it operates in an environmentally responsible fashion.

Goal: In each year through to 2010 maintain or increase the number of Environmental Management System (EMS) targets and objectives accomplished to 98%

Measure: Annual accomplishment of EMS milestones and targets

Indicators:

- Annual milestone tracking progress
- Annual target tracking progress

Objective: In 2008, maintain EMS performance

Measure: EMS performance

Indicators:

- Achieved 95% or greater of EMS targets and milestones

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

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

Goal: By the end of 2009 to have completed a corporate restructuring that facilitates financing requirements and appropriate risk and cost allocation

Measure: Improved financial and governance structure

Indicator:

- Completion of corporate restructuring plan elements to facilitate investment opportunities
- Annual targets for governance improvements

Objective: By December 2008 complete key initiatives required to support financial and governance structure improvements

Measure: Completion of initiatives

Indicator:

- Formed new corporate entities as required
- Completed initiatives required under governance readiness plan

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

ECNL will actively identify and pursue development of new business opportunities in energy-related fields.

Goal: In each year through to 2010 acquire equity interests in oil and gas fields and/or pursue new development opportunities as appropriate.

Measure: Progress towards assuming equity positions

Indicators:

- Completion of equity agreements in oil and gas fields

Objective: In 2008, complete agreements for equity interests in the Hebron field and the White Rose Growth areas

Measure: Completion of required activities for equity position assumption

Indicators:

- Completed required activities

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

ECNL strives for 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 all ECNL entities, until emerging or new entities become operational, the focus will remain on NLH and CF(L)Co. Due to the differences in the nature of the systems and operating requirements of some of ECNL’s operations, some indicators used to track progress differ slightly from entity to entity. Any differences are noted below.

Goal: In each year through to 2010 improve or maintain corporate reliability indices while achieving capital and operating budget financial targets

Measure: Annual reliability and operating cost performance

Indicators:

- Achieved annual reliability targets (winter availability and transmission reliability) – **NLH only**
- Achieved Guaranteed Winter Availability Contact (GWAC) targets – **CF(L)Co only**
- Achieved operating cost targets

Objective: Complete initiatives necessary to achieve targets for reliability, cost control, and long term asset management in 2008

Measure: Completion of initiatives

Indicators:

- Capital program delivery performance
- Asset management plan

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

ECNL, 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: By 2009 to have completed analysis necessary for the Provincial Government to consider a decision regarding sanction.

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: In 2008 complete milestones in the areas of activity per the overall project plan

Measure: Completion of analysis milestones

Indicators:

- Completed analysis milestones

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

The quality and focus of employees are critical to the success of ECNL in delivering on its mandate and mission. 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: By 2009 improve all elements to a level where ECNL 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:

- Improved Employee Opinion Survey score

Objective: Undertake activities required to enable closer business-employee alignment by December 2008.

Measure: Completion of feedback and engagement activities

Indicators:

- Developed a recruitment and retention strategy aligned with the Energy Plan with a focus to securing sufficient qualified human resources as we move into the future
- Established a Corporate Labour/Management Committee to oversee strategic labour relations issues

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

ECNL 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: In each year through to 2010 to have further strengthened ECNL’s corporate reputation by means of excellence in safety, environment, conservation, community investment, business planning and execution.

Measure: Improvements in ECNL’s perception by the public

Indicators:

- Increased annual performance on ECNL’s reputation index
- Increased brand recognition

Objective: In 2008 launch ECNL’s new name and brand.

Measure: Launched ECNL’s new name and brand

Indicators:

- Completed the naming and branding of the new energy corporation

Appendix A

Other Energy Corporation Companies

Lower Churchill Development Corporation
Gull Island Power Corporation
Twin Falls Power Corporation

The Lower Churchill Development Corporation was incorporated on December 15, 1978, as an organizational vehicle being considered as part of the development of the hydroelectric potential of the Lower Churchill at that time. The Lower Churchill Development Corporation is presently not an active operating company. ECNL 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 ECNL. Incorporated on September 21, 1970, the corporation was formed as an organizational vehicle for possible development of the Lower Churchill resource. The Gull Island Power Corporation is not presently an active 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. Wabush Mines Resources Incorporated, Stelco Incorporated, Wabush Iron Company Limited (collectively Wabush Mines) and the Iron Ore Company of Canada are the other shareholders in the corporation

Appendix B

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.

The strategic directions of the Department of Natural Resources are:

- Promoting natural resource development and diversification
- Sustainable resource development
- A stable and competitively priced supply of electricity

The 2008-2010 strategic plan for the Energy Corporation of Newfoundland and Labrador has been developed taking into account the strategic direction of the Department of Natural Resources.