
Under the supervision of Dr. Lukas Neville and Judith Jayasuriya and with partnership from Manitoba Hydro, Anna Gilfillan has written this case solely for the Asper Leadership Case Competition (ALCC) 2023. The author has no intention to comment on or evaluate the handling of managerial decisions within Manitoba Hydro. Photocopying transmitting, distributing or reproduction this case in any form or by any means is strictly prohibited.

Manitoba Hydro: Leading a Change in Narrative

Note: This case deals with the same business as the prepared case. Teams are free to use information and research gained through their resolution of the prepared case. However, teams should note that the 'ask' from the organization is very different and will require different analysis and a different solution than the prepared case. We caution teams that judges will expect a solution to the specific challenges described and will not want a simple repackaging of their first case solution in this round.

February 25, 2023

Alex paused for a moment by his office window overlooking downtown Winnipeg and pondered his next steps. He had stopped by his office on this Saturday morning to prepare for Monday's Customer Committee meeting.

After years of research and stakeholder consultation, Manitoba Hydro had developed *Strategy 2040* to proactively address the challenges of an evolving energy landscape and had embarked on structural and cultural changes to develop a more agile, collaborative, and change-ready organization.

As part of this reorganization, Manitoba Hydro had elevated customer experience to one of its key business units. Historically, Hydro had focussed squarely on the technical challenges of electricity generation, transmission, and distribution, as well as the distribution of natural gas. However, as the energy landscape evolved, the quality of customer experience and degree of customer trust were becoming increasingly critical. With changes to energy markets and the political landscape, high-quality customer relationships would be key to Hydro's ability to deliver on its vision.

Alex thought to himself: *"Topics like climate change and energy transition are making headlines around the world. In the past, utilities may have been more comfortable working behind-the-scenes ensuring the reliability of the electric grid and natural gas systems, but now we must take centre stage and actively engage with our customers."*

As he reflected on the current state of customer relationships, Alex saw four key challenges that needed his attention. They were all closely linked, and each one reflected the need for Hydro to build open and responsive communication, trust, and loyalty.

(1) Hydro needs consumers' support to execute its strategy

The combined forces of digitalization, decarbonization, and decentralization were changing the energy landscape. Due to its governance structure and political oversight, Manitoba Hydro's ability to carry out its ambitious Strategy 2040 would hinge on its ability to pursue rate increases needed to support investments in infrastructure. But these rate increases, which require the approval of the Public Utilities Board, have frequently been met with skepticism and opposition from Hydro's customers.

Infrastructure investments: Manitoba Hydro anticipates the need for \$18 billion in capital investments over the next twenty years to maintain existing assets and increase capacity to meet future energy requirements.¹ Past infrastructure investments have left Manitoba Hydro with high levels of debt, and a debt/equity ratio of 86%, higher than any other crown-owned utility company,² which limits its ability to respond to the changing environment. Manitoba Hydro has also noted that while its assets and debt have increased over the years, revenue has not grown proportionately.³

Customer support critical: Further, revenue from export sales is highly volatile, and contingent upon forces that are beyond Hydro's control, such as rainfall levels and US energy policies. All of this meant that it was critical for Manitoba Hydro to have the support of consumers to ensure that rate applications, such as the one currently before the PUB (Exhibit 1), were approved.

Past resistance: Five years ago, Hydro applied for a rate increase as it faced a debt crisis, created in part by severe cost overruns in the development of major new infrastructure projects, including the Keeyask generating station and the Bipole III transmission lines.

At the time, the PUB hearings were full of acrimonious opposition. Consumer and industry groups vehemently opposed the rate increase (Exhibit 2). One Manitoban, quoted in a CBC press article, responded that he *"personally [doesn't] believe in what they are asking for... they are just so secret."* A farmer expressed skepticism of whether the increased revenues would be used appropriately: *"Where is this money going? We are trusting Manitoba Hydro. How are we going to follow this money?"*⁴

These concerns were not only expressed by individual consumers but also by commercial and industrial consumers. The PUB heard objections from intervenor groups such as the Canadian Federation of Independent Business (CFIB), representing commercial customers, and Manitoba Industrial Power Users Group (MIPUG), a group of heavy industry firms within the province. MIPUG summarized their position: *"The impact of these proposed rate increases to our members is potentially game changing."*⁵

Changing public perception: Alex knew this resistance should be expected – Hydro rates shape the economics of every industry and the affordability of daily life. But the criticism spoke to a lack of understanding and transparency that contributed to a sense of mistrust among consumers.

“Without the support from our customers, we will continue to struggle with getting sufficient rate increases to cover the costs for critical investments in assets. I just wonder if we had more trust from our customers if some, or most, would support additional increases if they understood the value of having a reliable electric system,” he reflected.

Most consumers did not have a deep understanding of the energy industry or the forces that shape their energy bills, and an education gap existed. For example, Manitoba Hydro offers some of the lowest residential and industrial electricity prices in Canada (Exhibit 3), and yet customers are not widely aware.

This lack of understanding was a concern for Alex. Consumer mistrust was a direct political and regulatory risk. Carrying out Strategy 2040 would require rate approvals from the PUB and the support of elected officials, all of which could easily be derailed if customers saw Hydro as an opponent rather than an ally.

But where most for-profit industries could invest in marketing and consumer education campaigns, Hydro had to proceed carefully. Too much spending on marketing by a Crown corporation could generate negative press coverage or political attention. Hydro needed to shape customer perceptions – but couldn’t be seen to be spending money needlessly on advertising.

(2) Hydro needs strong customer relationships to understand its consumers’ future needs

Alex knew that Manitobans’ energy needs would rapidly change in the years and decades to come. To anticipate and adapt their offerings, Hydro would need clear customer insights.

Impact of changing customer needs: The decarbonization of vehicles, buildings, and industrial processes is expected to dramatically increase the demand for electricity within the province. Further, the charging of electrical vehicles would change peak demand patterns and would put pressure on Manitoba’s electrical grid. Manitoba Hydro has begun monitoring EV adoption through car-ownership data from the province’s sole auto insurer, Manitoba Public Insurance, and has begun collecting data from DC fast chargers in Manitoba to better monitor and predict future grid requirements.⁶ However, while these sources of information were valuable, it was critical for Manitoba Hydro to gain clear insights into customers’ changing energy needs to ensure accurate forecasts and to effectively plan for capacity increases and grid modernization.

“Our customers’ energy needs are changing, which we have already seen with some of the transportation companies here in Winnipeg. They are looking to electrify their fleets, and in doing so would go from a small commercial customer to potentially one of our larger industrial customers,” Manitoba Hydro’s Director of Sales, Marketing & Product Development, Tanis Brako, explained. *“This is impactful because the amount of power required at this location was not previously contemplated and requires time to plan the investment and project. The more engagement we have with customers to earn their trust and help them understand why it’s important to communicate their plans and changing energy needs early, the better chance we will have to meet their needs.”*

Customer engagement: To that end, the utility currently has four different avenues to gain customer feedback. In addition to the Customer Research Team’s ad hoc research projects and occasional townhalls and focus groups with customers, an automated Voice of the Customer (VoC) survey is sent out to customers following a service interaction (ex: a move request) that asks customers to rate ease, communication, and overall satisfaction. Manitoba Hydro consistently scores a Customer Satisfaction (CSAT) score of 4/5 for these common services. The organization sends out a quarterly survey with 500 randomly selected Manitobans intended to measure customer perception of Manitoba Hydro’s brand, customer satisfaction, and overall perception of performance. Recently, Manitoba Hydro measured its reputation score at 7.8/10.

Political accusations: In 2021, the utility launched its first Integrated Resource Planning survey aimed at understanding consumers’ future needs. The survey asked about its customers’ intentions to buy electric vehicles, their interest in installing solar panels, and how they would feel about electricity rates that varied by time of use.

The survey became a political flashpoint, generating criticism from the opposition NDP and consumer groups, and generating press coverage in the *Winnipeg Free Press* focused almost exclusively on the question of surge pricing.⁷ Alex, considering the experience, wondered whether the survey data that resulted actually reflected consumers’ preferences and plans – or whether it had simply become a referendum on the politics of surge pricing. A simple survey to generate customer insights had turned into a contentious and political news cycle.

Looking ahead, Alex knew that to understand future needs and offer the right services, Hydro would need more trusting, open communication with customers. Hydro’s planning depends on customer insights, Alex knew – and trust would be critical to gaining those insights.

- (3) Hydro needs to build consumer loyalty as the competitive landscape changes
- For more than half a century, Hydro had served as a monopoly electricity supplier, and principal natural gas provider. Consumers had very little choice in their energy provider. But this was likely to change.

Interest in alternative energy sources: Studies of global energy consumers were indicating consumer shifts. Increasingly, consumers were becoming “*omnisumers*” – that is, looking to source energy from a variety of sources and technologies.⁸ In spring 2022, Manitoba Hydro engaged in round 2 of their Integrated Resource Planning Survey, sent to 5,000 email subscribers. 65% of respondents indicated interest in alternative energy supply sources, while 46% of respondents indicated interest in self-generation.⁹

Accessible & affordable technology: With photovoltaic cells becoming cheaper with time, consumers were already able to generate their own electricity. Other distributed generation technologies, like small wind turbines or waste-to-energy, would likely also gain traction over time. Today, most Manitobans generating their own electricity were connected to the grid, selling back their generated power to Hydro. But in the future, with the rise of distributed storage (large batteries or flywheels), consumers could have the option to disconnect from Hydro entirely, operating their own ‘microgrids’ of generation and storage.

Value alignment: Alex was aware that the energy landscape was evolving, and customers’ needs were changing. A recent EY study of global energy consumers found that after safety, reliability, and affordability, customers were increasingly placing a higher value on the degree to which a utility’s *values* aligned with their own – the availability of “green, clean, and socially responsible” energy played a large role in customer satisfaction scores¹⁰ (Exhibit 4).

“Customer needs will change as they have more say in how they use energy – the adoption of smart thermostats and electric vehicles all serve to heighten customer awareness for their electrical source. Today, our customers look to us for safe, reliable service. Tomorrow, they will want more choice in how, when, and what we deliver to them for energy” explained Director of Sales, Marketing & Product Development, Tanis Brako.

Manitoba Hydro had some of the cleanest electricity in the country in terms of greenhouse gas emissions. But Alex knew that as the energy landscape evolved to offer local consumers more choice, value alignment would become increasingly important. In a changing marketplace, customers were likely to have their choice of options from competing firms – and their customers could themselves become competitors. If Hydro is to maintain its customer base in a world of new competitive options, Alex knew, it would need to build consumer loyalty by offering a high-quality customer experience. He looked at the VOC reputation score and saw clear room for improvement.

(4) Hydro needs to respond to changing customer expectations

In a recent meeting with his Customer Solutions and Experience team, Alex had described a vision of how customers' expectations would change in the digital era:

“Digitization of the customer experience and customer engagement in other industries

has shaped customer expectations for what responsiveness, transparency and information sharing should look like,” he shared. “It’s reasonable to expect that utilities must learn from best practices outside the industry for how to engage effectively with customers going forward.”

Currently, Manitoba Hydro’s customers interacted with the corporation through a range of touchpoints.

Contact Centre: Residential and commercial customers alike interacted with Hydro through its telephone contact centre to submit meter readings, report outages, make payments or change payment options, or to add or change services.

Online account & app: In 2020, Manitoba Hydro updated the digital experience and added a comprehensive new self-service online account portal that allowed consumers to update their contact information, manage a move, submit readings, or pay bills, change payment options, or change their services online. The online account consolidated and enhanced the utility’s digital self-service capabilities, provided customers with automated notifications, and was accessible by web or by mobile app (Exhibit 5).

Adoption and consumer response: While adoption has greatly increased since the launch back in 2020, only 46% of Hydro’s 600,000 electric and 290,000 natural gas customers currently use the online account, accounting for 53% of total Hydro service transactions. Among those who had used the online account services, 95% described it as “as good or better” than the other online accounts they use.¹¹ The app store rating of 4.5 stars with over 11,000 reviews also confirmed customers’ overall satisfaction.

Research showed customer preferences for digital communication varied by type of interaction (Exhibit 6) and Alex knew that as customers migrated from phone to the online account portal, Hydro would need to deliver a consistently satisfying experience. He knew that customers often have a difficult time onboarding to the digital platform, but once experienced, they become comfortable navigating, and easily complete tasks and find information.

Satisfaction with the online portal: While customers were comfortable with navigating the online portal, some customers had expressed concern around the lack of clear communication and follow up after a request is made. Although submitting a request is initially easy, tracking the request, editing it, or knowing whether it was completed is tricky.

In general, regardless of whether the online account was being accessed by the app or a web browser, back-office processes and deficiencies in communication created pain points for customers. Tracking progress or receiving status updates were features that were not yet available through the online account, and often led to follow-up phone

calls. Some of these legacy internal processes could take years to change – but customers today already demanded instant, live status updates.

While the online account portal was generally successful, the challenges of Hydro's legacy systems were seen from time to time in customer reviews. One app review read: *"Manitoba Hydro is as frustrating as ever... trying to get a hold of someone on the phone is near impossible. With the MB Hydro buildings being indefinitely closed you would think their online services and phone services would be amped up for better customer service. In addition, many times I have made my monthly payments on time however will receive multiple notifications that I am overdue with my payment. I dread my monthly balance alert because you never know what problems will come with it."*

Customer service centres: Beyond these touchpoints, Hydro also interacted with consumers through customer service staff and district planners in its 22 rural offices.¹² Customer service centres in Winnipeg had been closed during the pandemic to save costs. Where Winnipeg customers had previously been able to pay bills in person at these centres, they were no longer able to do so. Instead, they were now encouraged to pay their bills online or through their bank. However, rural offices had been kept open four days a week. For many of Manitoba's rural and indigenous communities, particularly those in remote northern communities, broadband internet access was often unavailable, making it necessary to keep offices open. To reach these customers, Manitoba Hydro often relied on inserts in their paper bill or through advertising in local newspapers.

Social media: In addition to these channels, Hydro customers were increasingly engaging with the utility through social media. Manitoba Hydro's Instagram account regularly featured safety tips, behind-the-scenes glimpses into operations in remote areas, and striking photos celebrating Manitoba's northern lights and ice-covered transmission lines (Exhibit 7). Alex knew, though, that while Manitoba Hydro's social media was well regarded, Hydro's customers expected more. Customers increasingly expected to be able to interact live, through direct messages on Twitter, Instagram, Facebook, Tik Tok, and other social media platforms. Hydro's website implored customers: *"Do not report outages or emergencies on Twitter and Facebook."* But customers, increasingly used to customer service interactions with other businesses on social media, seemed to expect that Hydro would be reachable there.

Alex wondered how Hydro could draw on lessons learned from other industries to meet these emerging expectations in ways that would build the trust and loyalty of its customers.

There was also an economic rationale behind improving the processes around customer support. For example, each Hydro customer who switched to paperless billing saved the utility more than \$10 a year in expenses. As individual and industrial users had made

clear, rate hikes had serious implications for the province's economy and employment: CFIB and MIPUG members had shared during previous rate consultations that increases to Hydro rates could lead to belt-tightening across industries, with one in five firms contemplating staffing cuts to cope.¹³ Quality customer experiences would drive trust and loyalty; cost-efficient and lean approaches would allow Hydro to control costs and limit its need for rate increases.

Your Task:

Alex needs a strategy for enhancing Hydro's responsiveness and customer focus. Your presentation should be targeted to him as the VP responsible for Customer Solutions and Experience and should address the four challenges identified above. The strategy should clearly show how it will enhance customer trust and loyalty. It needs to be sensitive to Hydro's role and mandate as a publicly owned Crown corporation, the regulatory landscape in which it operates, and fit with its Strategy 2040 vision. Your recommendation should be supported by concrete initiatives and tactics that will enhance customer satisfaction, gain consumers' trust, and help Hydro to meet its customers' existing and emerging needs and expectations.

Exhibit 1: Manitoba Hydro 2023-2025 General Rate Application Proposed Rates

Proposed Rate Increases

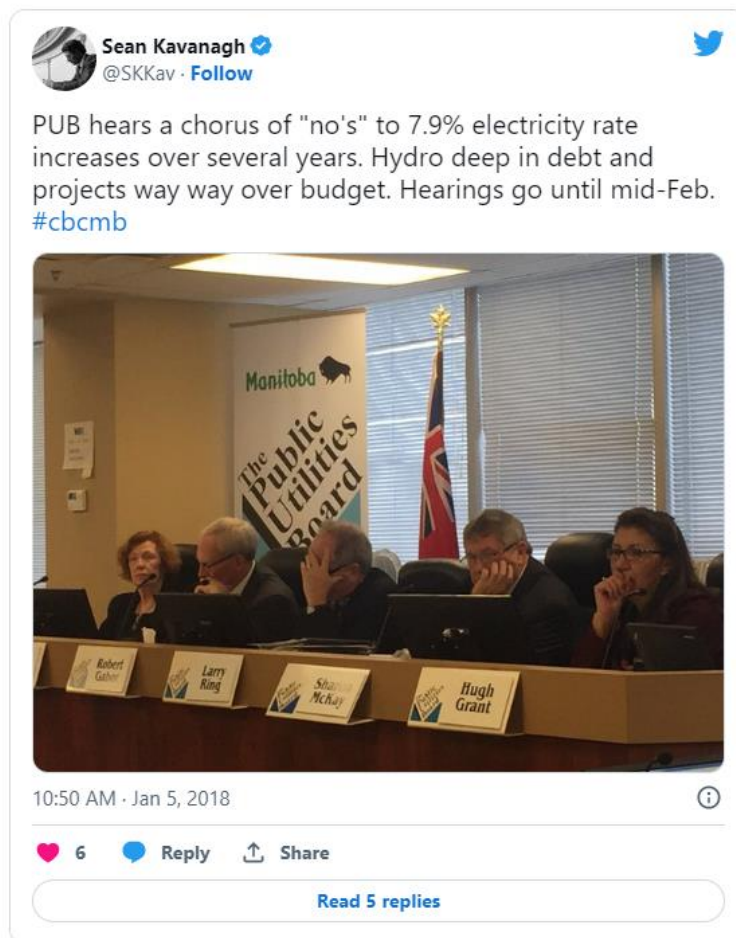
Manitoba Hydro is seeking approval of the following rate increases as part of this General Rate Application ("GRA"):

- Confirmation of the 3.6% interim rate increase previously approved by the Public Utilities Board ("PUB") in Orders 137/21 and 140/21. Since this increase is already included in customer rates, there will be no additional bill impact to customers if this increase is confirmed;
- Approval of rate schedules incorporating an overall increase in General Consumers Revenue of 2% to be effective as of September 1, 2023; and,
- Approval of rate schedules incorporating a further overall increase in General Consumers Revenue of 2% to be effective on April 1, 2024.

Bill impacts of the 2% average revenue increase, effective September 1, 2023, will be less than \$3 a month for the average residential customer without electric space heat and under \$6 a month for those with electric space heat. The 2% average revenue increase effective April 1, 2024 will also result in bill impacts of less than \$3 and \$6 a month for average non-electric space heating and electric space heating customers respectively.

Source: https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/electric/gra_2023_2025/03-0_tab_3_reasons_for_the_proposed_rate_increase.pdf

Exhibit 2: Past Rate Increase Application Met with Resistance

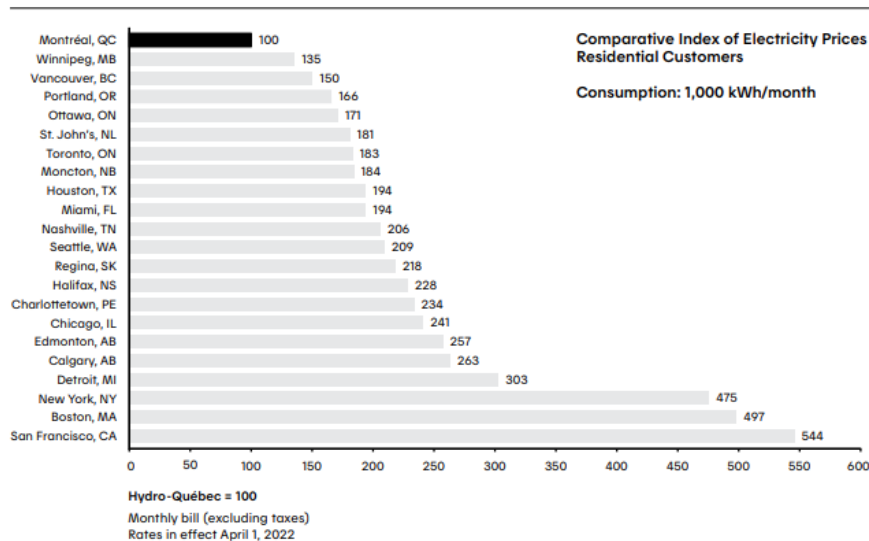


Source: <https://www.cbc.ca/news/canada/manitoba/manitoba-hydro-rate-increase-1.4474692>

Exhibit 3: Hydro Quebec Document Shows How Manitoba Hydro's Electricity Prices Compare with Those of Other Municipalities

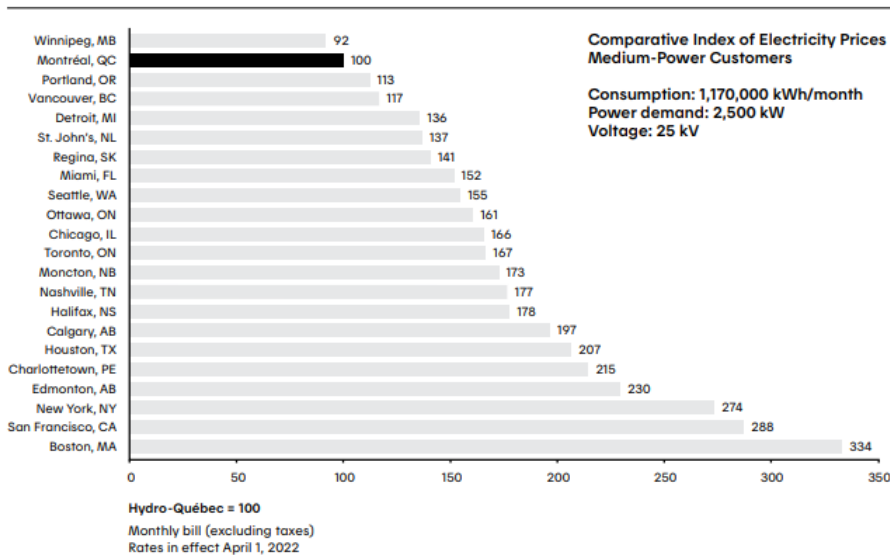
Residential consumers:

FIGURE 1



Medium-power industrial consumers:

FIGURE 5



Source: <https://www.hydroquebec.com/data/documents-donnees/pdf/comparison-electricity-prices.pdf>

Exhibit 4: Customers Increasingly Seek Value Alignment



Customers prioritize reliable, safe, and secure service, followed by affordable service and value. A growing number of customers, however, rank “*value alignment*” – and the availability of green, clean, and socially responsible service – as important, influencing their customer satisfaction scores by 31%.

Source: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/power-and-utilities/ey-energy-transition-consumer-insights-final.pdf

Exhibit 5: Online Portal Accessible Through Mobile App

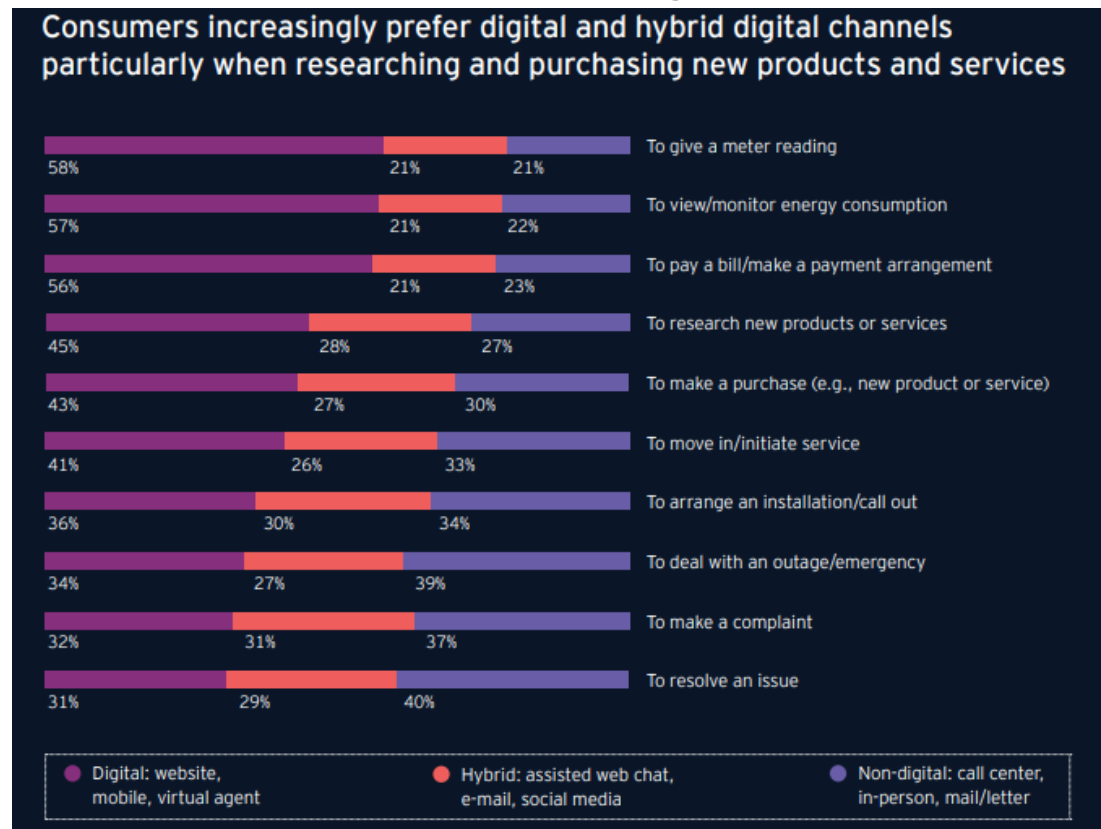
The screenshots show the following steps in the Manitoba Hydro app:

- Outages Map:** A map of Manitoba with various outage markers. The 'Report Outage' button is visible in the top right.
- Outage Detail:** A screen showing a map of the selected location and a table of outage information:

Unplanned	
Date & Time Of Outage	Monday, February 06 at 10:12
Estimated Restoration	Monday, February 06 at 15:30
Customers Affected	Less than 5
Cause	Equipment problem
Incident ID	665618-1
- Report an Outage:** A screen with a progress indicator (Step 1 of 5) and instructions: "To report a life-threatening situation or fire, call 911. To submit your outage faster log into your online account profile. If you don't have an online profile, sign up here." It includes fields for Phone Number, Account Number, and Electricity Meter Number, all marked as mandatory.
- Submit Meter Reading:** A screen with instructions: "To submit any street light outage faster log into your online account profile. If you don't have an online profile, sign up here." It includes a field for Meter Number (mandatory) and a 'Next' button.
- Report a Street Light Outage:** A screen with instructions: "Report any street light problems or damage. We will contact you to check the street light location with you." It includes fields for Customer Name, Email Address, Phone Number, Type of problem (select), Describe the problem (optional), and City/Town (mandatory), followed by a 'Submit' button.

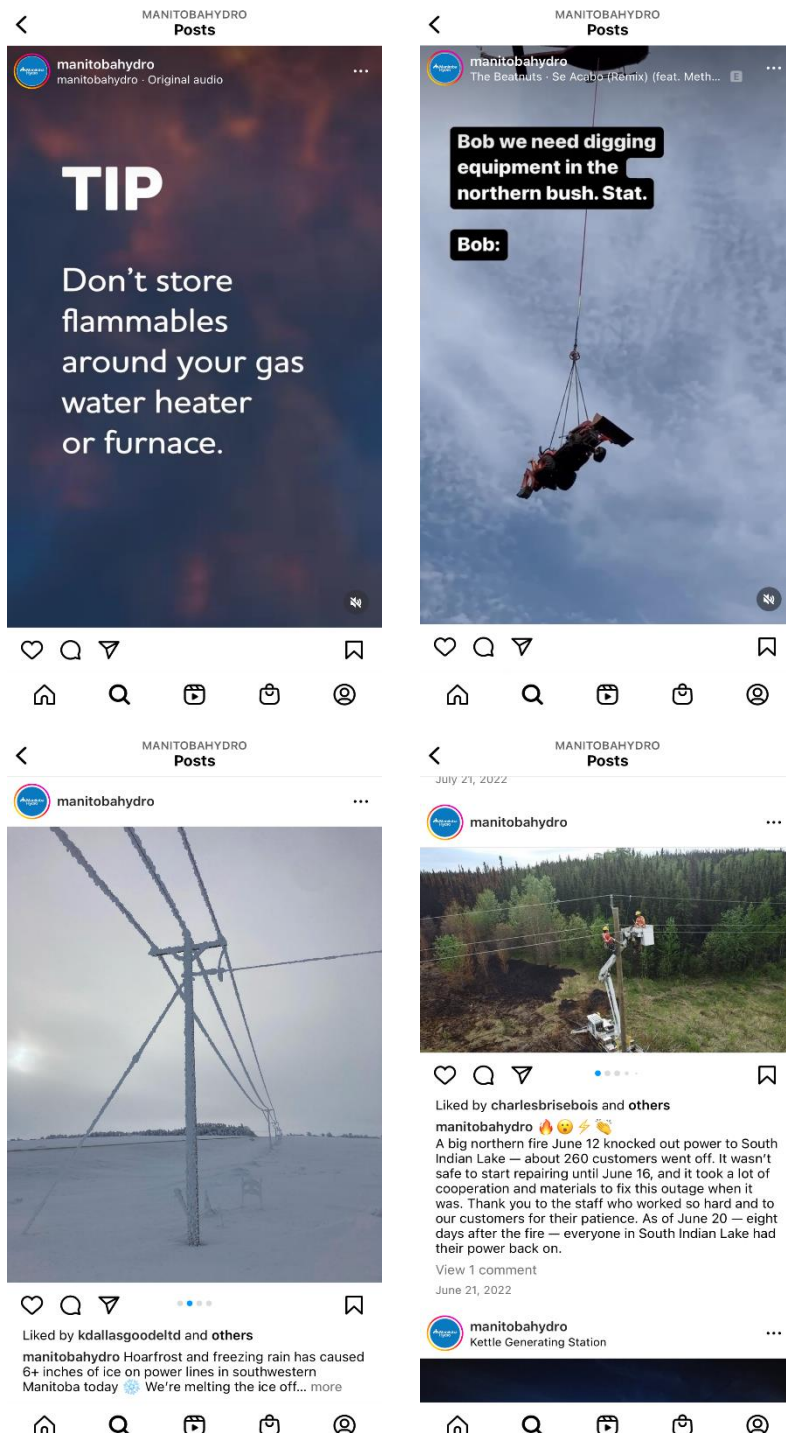
Source: Screenshots from the Manitoba Hydro App

Exhibit 6: Customer Preferences for Digital Channels



Source: https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/power-and-utilities/ey-energy-transition-consumer-insights-final.pdf

Exhibit 7: Manitoba Hydro's Instagram Account



Source: Instagram

Links to Resources for Background Information

Enterprise Plan: Includes Manitoba Hydro's mission, information on operations, anticipated impact of Digitalization, Decarbonization, Decentralization, debt ratio comparison with other public utilities, consolidated financial statements and resource requirements.

https://www.hydro.mb.ca/corporate/news_media/pdf/enterprise_plan_2022_23.pdf

Strategy 2040:

https://www.hydro.mb.ca/corporate/pdfs/strategy_2040.pdf

General Rate Application – Reasons why: financial information including new limits imposed on future rate increases, forecasted capital expenditures, debt levels, export revenue volatility, disproportionate nature of revenue growth compared to asset growth.

https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/electric/gra_2023_2025/03-0 tab 3 reasons for the proposed rate increase.pdf

Manitoba Hydro's Climate Change Report 2020:

https://www.hydro.mb.ca/environment/pdf/climate_change_report_2020.pdf

¹ https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/electric/gra_2023_2025/03-0 tab 3 reasons for the proposed rate increase.pdf, page 37

² https://www.hydro.mb.ca/corporate/news_media/pdf/enterprise_plan_2022_23.pdf

³ https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/electric/gra_2023_2025/03-0 tab 3 reasons for the proposed rate increase.pdf

⁴ <https://www.cbc.ca/news/canada/manitoba/manitoba-hydro-rate-increase-1.4474692>

⁵ <http://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2017%20mh%20gra/mipug%20exhibits/mipug-33%20-%20final%20argument.pdf>

⁶ https://www.hydro.mb.ca/docs/regulatory_affairs/pdf/electric/gra_2023_2025/05-0 tab 5 energy demand assumptions.pdf, page 8

⁷ <https://www.winnipegfreepress.com/breakingnews/2021/12/08/manitoba-hydro-survey-raises-suspicion>

⁸ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/power-and-utilities/ey-energy-transition-consumer-insights-final.pdf

⁹ https://www.hydro.mb.ca/corporate/planning/what_we_heard_round_2/

¹⁰ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/power-and-utilities/ey-energy-transition-consumer-insights-final.pdf

¹¹ https://www.hydro.mb.ca/corporate/ar/pdf/annual_report_2021_22.pdf

¹² https://www.hydro.mb.ca/contact/customer_service_centres/

¹³ <https://www.cbc.ca/news/canada/manitoba/manitoba-hydro-rate-increase-1.4474692>