ANNUAL BUSINESS PLAN

2025/26

Statement from the Board Chair

We are pleased to submit Efficiency Manitoba's Annual Business Plan (ABP) for 2025/26.

Since our official commencement on April 1, 2020, Efficiency Manitoba has transitioned from an organization built from the ground up, through our start-up phase during a global pandemic and its associated economic impacts, to a strong and resilient stand-alone Crown corporation leading the way for Manitobans in efficiency as we collectively navigate the energy transition.

Throughout our existence, the team at Efficiency Manitoba has been hard at work designing, implementing, modifying, and delivering results via over 40 energy efficiency programs and offers for Manitobans.

Year over year, prompted by our ongoing engagement and customer-focused approach, awareness of Efficiency Manitoba has been growing. This has translated into more customers participating in our programs, driving investment in energy efficiency. The resulting benefits are numerous including reduced energy bills, increased home comfort and affordability, training and employment opportunities, Indigenous reconciliation, enhanced business competitiveness, reduced reliance on imported fossil fuels, lower greenhouse gas emissions, and better use of the existing energy infrastructure in Manitoba.

This ABP reflects Efficiency Manitoba's sixth year delivering on the mandate to achieve significant electric and natural gas savings in the Province of Manitoba. It also recognizes and incorporates key initiatives aligned with our mandate letter received in March 2024, while fulfilling the Plan update requirements outlined in the Efficiency Manitoba Act (Section 13) associated with an extended Efficiency Plan through 2025/26.

The energy landscape is evolving, and the work Efficiency Manitoba does to help homes, businesses, and communities use less energy and support our province's electric grid by reducing demand at peak periods is vital to our province's energy future and the path to decarbonization. Choosing to invest in energy efficiency offers a guaranteed return through savings seen immediately on energy bills while also mitigating the impacts of future rate increases and reducing negative impacts on the environment. With everyday living costs on the rise, we help make the investment in energy efficiency even easier.

As we enter into the 2025/26 fiscal year, we are actioning our increasingly significant role made possible through the strong foundation of trust and expertise we have built to date. We are focused on being a collaborative partner to others who have complementary mandates and objectives designed to help our fellow Manitobans navigate the energy transition and meet the objective of net-zero by 2050. It is an exciting time in the energy landscape and we are actively leading, contributing, and can't wait to work with more Manitobans.

Dr. Jeannette Montufar-MacKay
Board Chair, Efficiency Manitoba

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1 MANDATE & STRATEGIC DIRECTION

1.1 Mandate as set out in the Efficiency Manitoba Act

The Efficiency Manitoba Act (the Act) came into force on January 25, 2018. The Act outlines Efficiency Manitoba's mandate which is to:

a) Implement and support demand-side management initiatives to meet the savings targets and achieve any resulting reductions in greenhouse gas emissions in Manitoba;

b) Achieve additional reduction in the consumption of electrical energy or natural gas – including resulting reductions in the demand for electrical power – if the reductions can be achieved in a cost-effective manner;

c) Mitigate the impact of rate increases and delay the point at which capital investments in major new generation and transmission projects will be required by Manitoba Hydro to serve the needs of Manitobans;

d) If any of the following are prescribed as being subject to demand-side management under this Act, carry out the prescribed duties in respect of them:
   - Demand for electrical power in Manitoba,
   - Potable water consumed in Manitoba,
   - Fossil fuels consumed in the transportation sector in Manitoba; and

e) Promote and encourage the involvement of the private sector and other non-government entities in the delivery of its demand-side management initiatives.

In five years of operations, Efficiency Manitoba rolled out energy efficiency programs and offers across the residential, income-based, Indigenous, commercial, agricultural, and industrial customer segments with over 40 programs and offers available to Manitobans. While the pandemic significantly impacted customer participation relative to the approved three-year (2020-23) Efficiency Plan, Efficiency Manitoba has been increasingly successful in reaching Manitobans by providing helpful and diverse programs, adapting and modifying existing offers, and enhancing communications and advertising.

As the organization continues implementing the approved three-year (2020-23) Efficiency Plan including extensions, programs will continue to be assessed, added, enhanced, and improved on an ongoing basis recognizing feedback from customers, suppliers, and delivery partners. Efficiency Manitoba is fully committed to maximizing the benefits for all Manitobans through implementation and delivery of programs.

Year over year, Efficiency Manitoba is making progress towards the long-term achievement of energy savings of an annual average of 1.5% of electric load and 0.75% of natural gas volume. The goal of Efficiency Manitoba is to achieve a cumulative total of 22.5% electrical energy savings and 11.25% natural gas savings in Manitoba over a 15-year period.

1.2 Strategic direction

1.2.1 Vision and mission

VISION

Enabling a sustainable and affordable energy future for a resilient Manitoba.

MISSION

Through leadership, innovation, and partnerships, we inspire all Manitobans to save energy, reduce costs, and contribute to a cleaner and stronger Manitoba.

1.2.2 Guiding principles

Team culture

We foster an exceptional culture of ongoing growth, collaboration, and support.

Keeping things simple

We communicate clearly and ensure processes are easy to understand and use.

Reconciliation

We're committed to continuous learning and building respectful, collaborative relationships to advance Reconciliation.

Equity and access

We prioritize equity and access. We provide programs and services that meet people where they are.

Transparency

We're transparent, open, accountable, and focused on earning trust.

Sustainability

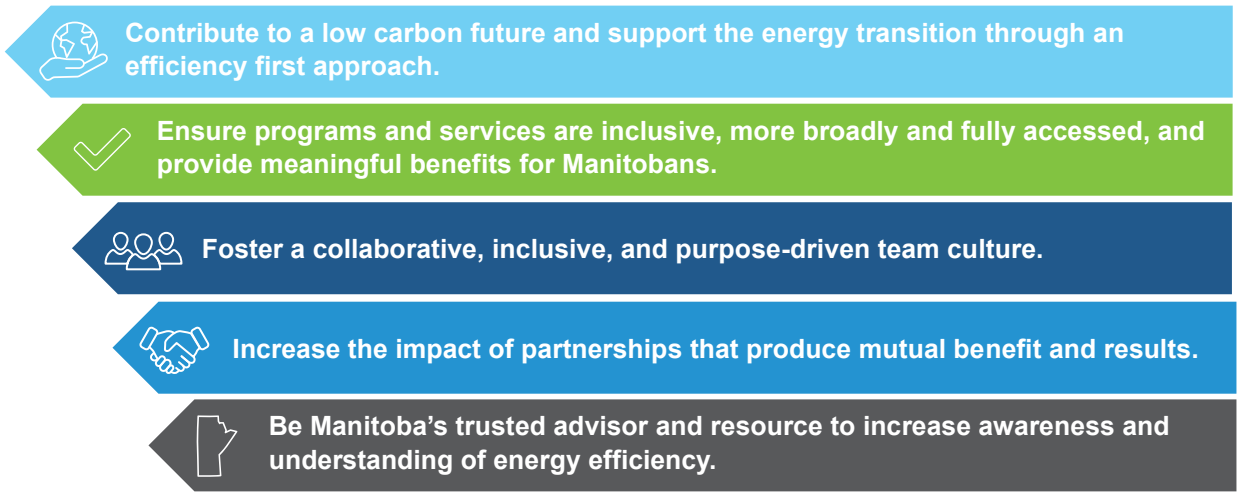
We reduce environmental impacts and partner with those who share our sustainability values.

Investing in Manitoba

We strengthen Manitoba's economic, environmental, and social well-being while building upon local capacity to deliver solutions.

1.3 Strategic priorities

1.3.1 Strategic goals



1.3.2 Key initiatives: Crown Corporations Governance and Accountability Act Section 7 (2) (a)

The release of Manitoba's Affordable Energy Plan in September 2024, along with the mandate letter issued to Efficiency Manitoba in March 2024, signal Efficiency Manitoba's expanded role relative to broader provincial energy priorities particularly in maximizing energy savings for Manitobans. The Affordable Energy Plan also points to the development of Manitoba Hydro's 2025 Integrated Resource Plan. This Plan will examine how best to meet long-term electricity requirements within Manitoba through a variety of supply and demand side options such as through energy efficiency and managing peak demand.

Key initiatives for 2025/26 outline areas within the rapidly evolving energy landscape and provincial priorities where focused effort of Efficiency Manitoba will be applied to actively participate and lead. Additional key initiatives include areas of research and development, program design and launch, and specific targeted enhancements.

Legislative alignment

Aligning the legislative framework in several key areas will enable the work of Efficiency Manitoba to support Affordable Energy Plan objectives and align the Efficiency Manitoba Regulation with the mandate received in March 2024. Led by the Department of Environment and Climate Change, Efficiency Manitoba will provide advisory support based on detailed experiential understanding of the Efficiency Manitoba Regulation as well as subject matter expertise on the energy efficiency industry. Areas of contribution will be related to the following:

- Aligning energy savings reporting and mandate direction of reducing real electric or natural gas volume growth.
- Establishing clarity around the approach to beneficial electrification in areas where Efficiency Manitoba can impact conversion from natural gas to efficient electrification and in areas such as the transport sector where electrification cannot be impacted by Efficiency Manitoba's programs and actions.
- Incorporating demand and peak capacity savings into the scope of Efficiency Manitoba Efficiency Plans inclusive of both demand savings resulting from demand side management programming but also demand response offers.
- Investigating alternatives to the prescribed cost-effectiveness methodology that can capture an expanded suite of benefits of demand side management including affordability, greenhouse gas emissions reductions, and job creation.
- Other areas of provincial priority where Efficiency Manitoba can provide strategic advice and support.

Manitoba Hydro 2025 Integrated Resource Plan support

As Manitoba Hydro works towards the completion of a 2025 Integrated Resource Plan including development plan details and the sequence of specific actions, Efficiency Manitoba will be providing information, advice, and technical guidance related to the

treatment of demand side management strategies to satisfy future energy and capacity needs.

Specific areas of contribution to the 2025 Integrated Resource Plan will include the following:

- Providing technical support on the long-term forecasting and extension of energy efficiency planning activities.
- Providing overall advice to Manitoba Hydro on the characterization and modelling treatment of demand side management technologies within the 2025 Integrated Resource Plan.
- Reviewing the 2025 Integrated Resource Plan outputs as they relate to the incorporation and modelling of demand side management.
- Actively participating in Technical Advisory Committee sessions to support common understanding amongst committee members specifically related to demand side management.
- Participating in additional Integrated Resource Planning engagement sessions as requested by Manitoba Hydro.

Delivery of the Affordable Home Energy Program

Efficiency Manitoba is progressing towards the desired outcomes associated with Manitoba's Affordable Home Energy Program including improving home energy affordability, helping to close the energy poverty gap, and increasing market adoption of heat pump technologies within the Manitoba market to reduce greenhouse gas emissions and reduce Manitoba's electric peak demand requirements. Key activities associated with the Affordable Home Energy Program in 2025/26 will include the following:

- Driving participation for income-based, Indigenous, and mass-market residential customer segments as well as within commercial multi-unit residential buildings through the branded Affordable Home Energy Program. A key strategy to build the residential home-by-home ground source heat pump market will be to continue to expand the Community Heat Pump Program for First Nation communities. This includes pursuing additional projects through the existing Community Driven Outcomes model where the capital cost of the ground source heat pumps is raised through a financial intermediary, installed at no cost to First Nation communities and provides increased access to training and employment opportunities. This offer includes an expansion of the current training program delivered to First Nation community members. Other much needed energy efficiency upgrades such as insulation and windows and doors to maximize efficiency and energy savings potential are incorporated to ensure homes are in adequate condition and fully weatherized prior to receiving a heat pump.
- Working with industry and like-minded organizations to increase capacity via training and awareness. Strategies to address the skills gap and increase capacity include the following actions:

    - Engaging with industry and interested parties including designers, installers, contractors, and associations to accurately assess contractor market size and inform targeted actions to address labour shortages;
    - Identifying the required green economy workforce education, skills, and training required to develop capacity; and
    - Supporting and promoting targeted training sessions and programs with Manitoba-specific best practices for the design, installation, and operation of ground source heat pumps to gain support from contractors who will be pivotal to the success of program objectives.
- Submitting a proposal to the Canada Greener Homes Affordability Program to leverage federal funding that supports delivery of energy efficient technologies, including heat pumps, for income-based customers at no upfront costs.
- Enhancing Efficiency Manitoba's New Buildings Program and Deep Energy Retrofit Program specifically for multi-unit residential buildings to encourage the installation of ground source heat pumps resulting in more families having access to an affordable and sustainable heating option.
- Collaborating with Manitoba and Canada on the marketing and delivery of the Oil to Heat Pump Affordability program negotiated between Manitoba and Canada targeted at switching from fossil fuels to ground source and air source heat pumps.
- Supporting ground source district thermal energy systems. This will be accomplished through the Efficiency Manitoba Innovation Fund to provide funding to support the feasibility study and engineering design components of ground source district systems.

Demand response

Demand response refers to the programs or strategies used to shift customer electricity demand to times when demand is lower, or supply is more plentiful. Within 2025/26, Efficiency Manitoba, working closely with Manitoba Hydro, will begin to pilot demand response offers to market. Demand response has the potential to satisfy multiple objectives for Manitoba including cost-effectively reducing electrical demand during peak times and expanding the suite of options available to Manitobans to help manage their electricity usage and reduce energy costs. Key activities associated with this initiative will include the following:

- Education campaigns to introduce the concept of peak demand and the role of demand response to the public. Education initiatives will be important to ensure customers understand how their participation in demand response programs can benefit the Manitoba Hydro grid and ultimately affect Manitoba Hydro's infrastructure requirements necessary to serve the needs of Manitobans including associated costs borne by ratepayers.
- Collaborating with Manitoba Hydro on the design and launch of a commercial or industrial curtailment pilot and a residential smart thermostat pilot to test market design, incentive signals, technology integration, and to identify enabling strategies that are needed along with potential outcomes and risk drivers to consider for larger scale deployment, all within a Manitoba context.
- Collaborating with Manitoba Hydro to establish a demand response governance and accountability framework that identifies the responsibilities of each organization. Activities could include the establishment of terms of reference, roles and responsibilities, working groups and reporting guidelines between the respective organizations to best utilize organizational capabilities and ensure the best outcomes for Manitobans.

2026-29 Efficiency Plan development

Recognizing an extension of the current Efficiency Plan through 2025/26, while also appreciating required submission date of the 2026-29 Efficiency Plan by no later than November 1, 2025, work will occur inside of 2025/26 relative to the 2026-29 Efficiency Plan.

Within 2025/26, and with no confirmation of a further Plan extension, development work on the next Efficiency Plan will include the following:

- Updating a retrospective analysis of Efficiency Manitoba's operating environment and evaluated results to date.
- Continued evolution of strategies to progress on energy savings targets.
- Incorporation of demand response strategies including assessment of proposed activities during the 2026-29 Efficiency Plan time horizon (pending supporting Regulation language).
- Consideration and incorporation of the results of the long-term (15-year) Demand Side Management (DSM) Market Potential Study completed within 2022/23.

- Support for the broader energy landscape within Manitoba and Efficiency Manitoba's legislated role with regards to provincial priorities articulated within the Affordable Energy Plan and information available to date through the development of the 2025 Manitoba Hydro Integrated Resource Plan.
- Detailed program reviews, analysis, and design or re-design activities to further optimize offers and increase customer participation.
- Comprehensive quantitative analysis of program and technology energy savings, costs, and cost effectiveness.
- Incorporation of accepted recommendations from the independent assessment of programs and offers over the completed years of the Efficiency Plan.
- The development of detailed analysis and budgeting models.
- Incorporation of the Canada Greener Homes Affordability Program (pending details of Efficiency Manitoba's participation in this program).
- The drafting and consolidation of all materials into a comprehensive filing document, in line with the requirements specified in section 9 of the Efficiency Manitoba Act, for submission to the Public Utilities Board (PUB) for review.

Beyond the activities outlined above specific to developing the Efficiency Plan, there is significant effort and resource allocation directed towards engaging on the Efficiency Plan, followed by taking the Efficiency Plan through the regulatory process (responding to a significant volume of information requests, preparation, testifying, and public hearing participation as examples).

TABLE 1: KEY INITIATIVES | METRICS FOR 2025/26

Crown Corporations Governance and Accountability Act Section 7 (2) (a) (b) and (d) – See also section 4 of this Annual Business Plan

Key initiative	Current state	Target
Legislative alignment		
Legislative alignment – advisory support based on detailed experiential understanding of the Efficiency Manitoba Regulation	Advisory support commenced	Through 2025/26 with timing sufficient to make a meaningful difference in Efficiency Plan filing
Manitoba Hydro 2025 Integrated Resource Plan support		
Participate and provide advisory support as outlined in the components of this key initiative above	In progress	Current through Q3 2025/26
Delivery of the Affordable Home Energy Program		
(a) All market offers or enhancements launched (b) Support residential home-by-home heat pump installations (c) Support multi-unit residential building-by-building heat pump installs	In progress	Q1 2025/26
Completed engagement and training sessions with industry	In progress	Q4 2025/26
Submitted Canada Greener Homes Affordability Program proposal and executed funding agreement	Federal call for proposals pending	Q1 2025/26
Innovation Fund feasibility and engineering design support for committed multi-family residential buildings that upon completion will serve residential suites	In progress	Funding agreements in place for three projects by Q3 2025/56
Demand response		
Collaborating with Manitoba Hydro on an education campaign	Forthcoming	By Q4 2025/26
Collaborating with Manitoba Hydro on launch of a commercial or industrial curtailment pilot and a residential smart thermostat pilot	In progress	By Q4 2025/26

Key initiative	Current state	Target
Collaborating with Manitoba Hydro to establish a demand response governance and accountability framework	Forthcoming	By Q4 2025/26
Incorporate demand response within the next Efficiency Plan	Forthcoming	By Q3 2025/26
2026-29 Efficiency Plan		
Efficiency Plan development	Forthcoming	Planning activities substantially completed by Q2 2025/26
Efficiency Plan engagement	Forthcoming	Engagement activities completed by Q2 2025/26
Efficiency Plan submission to the PUB	Forthcoming	Completed by November 1, 2025
Efficiency Plan regulatory process	Forthcoming	By Q4 2025/26 (subject to external scheduling confirmation)
2026-29 Efficiency Plan confirmation from Government	Forthcoming	Before April 1, 2026

2 OPERATING ENVIRONMENT

2.1 Internal operating environment

The 2025/26 fiscal period will mark the sixth year of delivering energy efficiency programs and supporting activities since the commencement of Efficiency Manitoba on April 1, 2020.

With a comprehensive suite of programs and offers, Efficiency Manitoba will continue to seek out innovative ways to increase customer participation through program modifications, engagement strategies, and the expansion or formation of strategically identified partnerships. These adaptations are pursued with the intended outcome of satisfying annual energy savings targets and addressing savings shortfalls from initial operational years. Coincident with these activities is the forward-looking focus required to deliver on the key initiatives identified above, alongside efforts associated with conceptualizing, designing, and modelling programs, initiatives, and strategies to support future Efficiency Plan development, engagement, and regulatory review initiatives. All of these will also be considered within the broader evolving energy landscape within Manitoba specifically related to provincial energy priorities including those articulated in Efficiency Manitoba's mandate letter, Manitoba's Affordable Energy Plan, along with Manitoba Hydro's 2025 Integrated Resource Plan and resulting development plans.

The budget, as prepared for 2025/26, considers the March 2024 mandate expansion. Given the recent release of the Manitoba Affordable Energy Plan and intentions for Manitoba Hydro to complete a 2025 Integrated Resource Plan complete with development plans, future EM activities associated with each have been budgeted with the extent of information known at this time. To provide flexibility for Efficiency Manitoba to capture opportunities that may be required related to its expanded mandate and government priorities through the 2025/26 fiscal year, additional budget allocation (inclusive of human resources, contracted services including third-party contracted support, and customer incentives) may be required.

In consideration of these operational requirements along with the broader federal and economic landscape discussed in the following section, navigating these multiple priorities driven by articulated expectations of Efficiency Manitoba has required the assessment and optimization of both internal and external resources. Efficiency Manitoba has budgeted for one hundred (100) full-time equivalent (FTE) positions in fiscal year 2025/26 with the intent that additional FTE positions will be brought forward within 2026/27 or sooner as required.

Efficiency Manitoba also has numerous avenues to engage with contracted service providers. Primarily, Efficiency Manitoba utilizes service delivery organizations and engages with a vast contractor network responsible for energy efficiency installations throughout the province. Through a completed public tender to solicit experience and expertise across a broad spectrum of specialized DSM services, Efficiency Manitoba ensures appropriate use of pre-qualified service providers to maintain a balanced

approach to operations, supplement the expertise of existing Efficiency Manitoba employees, and support clean energy jobs throughout 2025/26.

2.2 External operating environment

2.2.1 Energy transition

An energy transition is underway. It is being driven by a desire to take meaningful action towards addressing the climate crisis. These actions are being delivered through policies, commitments, and decisions at the local, national, and global level by governments, corporations, and individuals. Within Manitoba, The Province of Manitoba has indicated plans to create a roadmap to meet net-zero targets by 2050 while already embedding net-zero emissions language into the mandate letters of Efficiency Manitoba and Manitoba Hydro and as a cornerstone of the Manitoba Affordable Energy Plan.

Efficiency Manitoba is well positioned to leverage demand side management initiatives inclusive of, but not limited to, energy efficiency as a key strategy to address the energy transition in Manitoba. Through the combination of programming, initiatives, and expertise, this can be accomplished in a manner that results in lower greenhouse gas emissions, reduced new electrical capacity requirements, improved affordability for Manitobans, and local employment opportunity creation within a sustainable economy and one that makes progress towards Indigenous reconciliation.

This Annual Business Plan summarizes the incremental program improvements, actions, key initiatives, and anticipated outcomes that will continue to aid in many aspects of the energy transition. This transition presents significant opportunities with appropriate consideration and coordination by entities responsible for energy and energy efficiency in Manitoba. Efficiency Manitoba looks forward to focused activities on various aspects of the energy transition including supporting legislative alignments underway; supporting the Manitoba Hydro 2025 Integrated Resource Plan; delivery of the Affordable Home Energy Program; moving forward with demand response activities and further supporting actions resulting from the Manitoba Affordable Energy Plan.

2.2.2 Federal energy efficiency programming and other entities offering funding for energy efficiency-related upgrades

In February 2024, Natural Resources Canada (NRCan) stopped accepting new applications to the Canada Greener Homes Grant a full three years earlier than the initially communicated end date. These extra grant dollars were able to be stacked with Efficiency Manitoba rebates and incentives which, with the discontinuation of Canada Greener Homes Grant, means a significant reduction in the total incentive available for Manitobans to encourage energy efficiency retrofits. Efficiency Manitoba is designing and launching its own EnerGuide audit program to replace the audit portion of the Canada Greener Homes Grant, however overall reduction in capital incentives may result in a downward trajectory in customer participation in multiple Efficiency Manitoba residential renovation programs.

As identified in the section on key initiatives above, Natural Resources Canada will be issuing a call for proposals within the latter part of 2024/25 for delivery of a Canada Greener Homes Affordability Program focused specifically on low to median income Canadians. In consultation with Manitoba's Environment and Climate Change department, Efficiency Manitoba will be leading the proposal submission process, negotiations and, provided the proposal is successful, the eventual delivery of this program within Manitoba. Based on available information, Efficiency Manitoba will seek to leverage Federal funding to support a portion of the costs associated with the delivery of Efficiency Manitoba's Energy Efficiency Assistance Program. Efficiency Manitoba will need to be flexible to accommodate possible requirements to ensure Federal funding is maximized for Manitobans. This direct delivery of a Federal program in Manitoba should offer maximized participation and reduced customer confusion when compared to the parallel delivery of the Canada Greener Homes Initiative.

Canadian Mortgage and Housing Corporation (CMHC), Canada Infrastructure Bank (CIB) and the Federation of Canadian Municipalities (FCM) are all supporting commercial new construction through either favourable financing terms or direct capital contributions for those projects that meet defined energy performance minimums.

Federal and other programming focused on energy efficiency brings additional dollars and financing options locally to Manitobans and businesses focused on performing energy efficiency upgrades. These other programs also create the potential for customer confusion relative to the navigation of multiple program offerings, eligibility criteria, and application processes across different entities. Dedicated effort by the Efficiency Manitoba team is required to ensure awareness and appropriate consideration of these other funding sources alongside Efficiency Manitoba programs and offers.

2.2.3 Broader Manitoba economic conditions impact program participation

Consumer uncertainty related to inflationary pressures on material costs and interest rates can reasonably be expected to impact customer participation and investments in energy efficiency retrofits. More recent developments related to tariffs originating from both sides of the Canada-US border on materials and goods will impact the cost of energy efficiency retrofits to Manitoba homes and businesses through higher material and equipment costs. While Efficiency Manitoba continues to execute activities that capture energy savings, including executing on and enhancing planned marketing and continued program enhancement roll-out, it is critical to recognize that broad external economic conditions are not within the direct control of Efficiency Manitoba.

With strong provincial priorities focused on affordability, Efficiency Manitoba's programs provide a real and important source of assistance to many Manitobans in lowering energy bills, reducing energy burden, and assisting in business competitiveness through the reduction of energy expenses. Efficiency Manitoba will continue to extensively communicate its available programs and services while also reviewing incentive levels and ensuring supplier compensation is fair and appropriate (recognizing cost-effectiveness requirements of the organization). Despite the organization taking all available opportunities and actions, participation in programs is driven by the actions and

decision making by Manitobans which similarly have high likelihood of being impacted by broader economic conditions beyond their immediate control.

2.3 Operating risks & mitigation

While Efficiency Manitoba has made modifications to programs and offers in response to the pandemic and its associated impacts, project life cycles impact the timing of when spend and energy savings materialize. For large customer projects, the time from a customer's decision to participate to the completion of their project can range from six to 24 months. Recognizing this and the inherent impacts associated with broader Manitoba economic conditions, there may be delays in when spend and energy savings are realized in financial and energy savings metrics.

Although the Efficiency Manitoba Act allows for the carryover of surpluses and shortfalls in achieved energy savings into future years, Efficiency Manitoba is driving new activities to recover from lost savings opportunities. Section 4.2.1 provides details on the enhancements and program optimization opportunities specifically related to Efficiency Manitoba's energy efficiency programs and mandate and which are under consideration or have already been implemented to mitigate risks associated with lower customer participation.

Federal funding, when aligned with Efficiency Manitoba programs, can improve the reach of energy efficiency initiatives. This was demonstrated by increased participation in Efficiency Manitoba's residential renovation offers observed throughout the delivery period of the Canada Greener Homes Grant. Early Efficiency Manitoba involvement in Federal/Provincial discussions related to energy efficiency funding is critical to maximize program alignment, customer participation, and therefore Federal funds leveraged on behalf of Manitobans.

The hiring of internal resources along with the procurement of external delivery partners and contracted services is critical to implement enhanced program designs necessary to achieve legislated energy savings targets, tackle the key initiatives identified above, and continue to implement priorities within the timelines communicated by Government. A delay or inability to secure both the internal resources and external partners identified will result in deferred implementation of programming adjustments and delayed achievement of objectives outlined within this annual business plan.

Efficiency Manitoba has also completed and is practicing continuous mitigation of risks through a Risk Management Framework that also serves to monitor, track, and report on existing risks, and review new risks as they arise.

3 PERFORMANCE MEASURES & TARGETS

The Key Performance Indicator (KPI) Dashboard shown in Table 2 represents metrics that monitor core mandate and priorities for the organization. Therefore, these metrics form a component of the Efficiency Manitoba Board of Directors' regular quarterly monitoring and oversight of the organization, along with annual public reporting.

TABLE 2: KEY PERFORMANCE INDICATORS DASHBOARD

INTERNAL BUSINESS	2025/26 planned	FINANCIAL	2025/26 planned
% of load (electric)	1.5%	Total expenditures (million $)	$89.49
% of volume (natural gas)	0.75%	% of annual budget spent	100.0%
Electric acquisition cost ($/kWh)	$0.17	% of expenditures incentives	69.1%
Natural gas acquisition cost ($/$m^3$)	$1.61		
LEARNING & GROWTH	**2025/26 planned**	**CUSTOMER**	**2025/26 planned**
% of annual innovation budget spent	80%	Brand awareness	75%
Employee satisfaction with opportunities to learn, grow, and develop	80%	Customer satisfaction	90%

Note: % of load and % of volume are annual legislated targets.

4 2025/26 EFFICIENCY PLAN EXTENSION (PLAN UPDATE)

This section addresses the requirements for an extended Efficiency Plan, or Plan Update, as outlined in Section 13 of The Efficiency Manitoba Act. This Efficiency Plan extension and update ("2025/26 Plan Update") addresses components a) through f) required by legislation of a Plan Update triggered by an extension.

The 2020-23 Efficiency Plan was accepted by the responsible Minister in March 2020, with minor amendments implemented resulting from specific recommendations from the Public Utilities Board (PUB) in 2020. This enabled the official commencement of Efficiency Manitoba on April 1, 2020. The 2025/26 Plan Update affords the opportunity to continue to deliver on the activities and initiatives identified within the Efficiency Plan while taking immediate action on opportunities aligned with Efficiency Manitoba's recently received mandate letter and actioning opportunities identified to drive additional energy savings through existing programs and offers. Energy savings opportunities that may materialize from key initiative activities or additional program enhancements will be monitored and reported within annual reporting following the conclusion of the fiscal year.

4.1 Cumulative net savings & plans for addressing shortfall: Efficiency Manitoba Act Section 13.3 (1) (b) & (c)

The 2025/26 Plan Update transitions Efficiency Manitoba between the initiatives, savings, and benefits associated with and articulated within the 2020-23 Efficiency Plan towards the activities, planned outcomes and enhancements that will be identified through the development and review of the 2026-29 Efficiency Plan. Efficiency Manitoba's achieved electric energy savings outcomes have increased in each of the first four years but were less than the legislated target. Efficiency Manitoba's achieved natural gas savings outcomes exceeded the legislated target in 2023/24 and significantly reduced the savings shortfall encountered in earlier years. Throughout the pandemic, customer participation was less than planned across the portfolio of offers available to Manitobans including businesses in Manitoba. With the planned annual budget predominantly focused on customer incentives – approximately 65% of annual budgets have been allocated to incentives – the shortfall in savings corresponded to lower annual financial expenditures. Throughout the first four years of the extended 2020-23 Efficiency Plan, the savings achieved in both the electric and natural gas portfolio were acquired more cost effectively than planned as demonstrated through the achieved acquisition costs. The Annual Report Supplement for 2023/24 provides summary information in this regard.

As per the definition outlined in the Efficiency Manitoba Act, the annual electric and natural gas savings targets are 1.5% of the previous year's electric load, and 0.75% of the previous year's natural gas volume. The approach taken by Efficiency Manitoba to project annual in-year energy savings in consideration of the legislated targets was documented in Section A2.2.2 Program Net Energy Savings Methodologies of the 2020-

23 Efficiency Plan and within the *Plan Amendments – 2020-23 Efficiency Plan* approved in March 2020.

The Efficiency Manitoba Act Section 7(2) provides for surpluses and shortfalls in energy savings achievements carrying forward such that the cumulative total of the annual percentage savings equates to 22.5% and 11.25% of electric and natural gas savings respectively over a 15-year period.

4.1.1 Electric annual energy savings

Figure 3 below shows the cumulative results in electric energy savings achieved during the first four years and the extent to which shortfalls will be subsequently addressed in the 2024/2025 and 2025/26 fiscal years. Table 3 provides the underlying annual actual and projected electric energy savings values along with actual and anticipated cumulative shortfalls. The planned activities, inclusive of the enhancements identified in Section 4.2, are intended to continually optimize the electric portfolio of programs. It's anticipated that these actions will begin to reduce the cumulative electric energy savings shortfall resulting from the outcomes achieved during the first four years of the extended 2020-23 Efficiency Plan including pandemic impacts. The 2026-29 Efficiency Plan development and engagement process will further action and optimize those enhancements and identify potential new programs and offers within the electric portfolio to continue reducing those shortfalls within the respective 15-year performance period. As outlined in the key initiatives section above, establishing clarity around the approach to beneficial electrification within the Efficiency Manitoba Regulation is anticipated to deliver new electric energy savings not currently being captured.

FIGURE 1: CUMULATIVE ELECTRIC ENERGY SAVINGS | TARGETS VS. ACHIEVED & PLANNED RESULTS

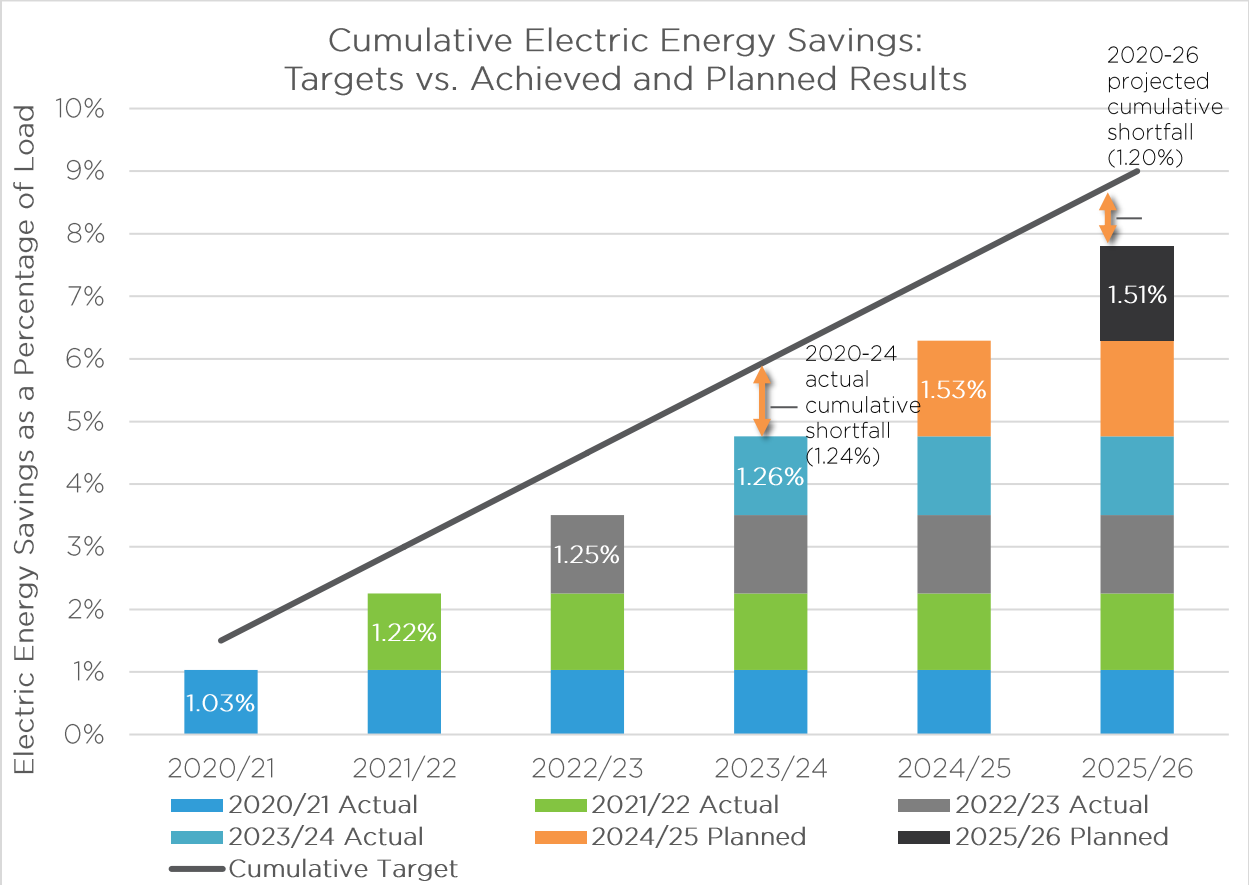


TABLE 3: ACTUAL & PLANNED ELECTRIC PORTFOLIO SAVINGS

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Annual actual electric savings (GWh)	227	265	277	283	-	-
Annual planned electric savings (GWh)	-	-	-	-	338	338
Annual electric savings to meet 1.5% of load target (GWh)	331	325	332	338	332	337
Cumulative electric savings surplus (shortfall) (GWh)	(103)	(163)	(219)	(274)	(268)	(267)

Note: Table values may not add or subtract exactly due to rounding. Reference electric load and energy savings are at meter. Cumulative electric savings shortfalls are represented by actual results achieved within 2020/21 through 2023/24 and planned results within 2024/25 through 2025/26.

4.1.2 Natural gas annual savings

Figure 4 below shows the cumulative results in natural gas savings achieved during the first four years and the anticipated achievement of a cumulative surplus in natural gas energy savings by the end of the 2025/26 fiscal year. Table 4 provides the underlying annual actual and projected natural gas savings values along with actual cumulative shortfall and the elimination of that shortfall. The planned activities, inclusive of the enhancements identified in Section 4.2, are intended to continually optimize the natural gas portfolio of programs. The 2026-29 Efficiency Plan development and engagement process will further action and optimize those enhancements and identify potential new programs and offers within the natural gas portfolio taking the opportunity to build a natural gas energy savings surplus recognizing cost-effective opportunities currently available to deliver natural gas and greenhouse gas emission savings.

FIGURE 2: CUMULATIVE NATURAL GAS SAVINGS | TARGETS VS. ACHIEVED & PLANNED RESULTS

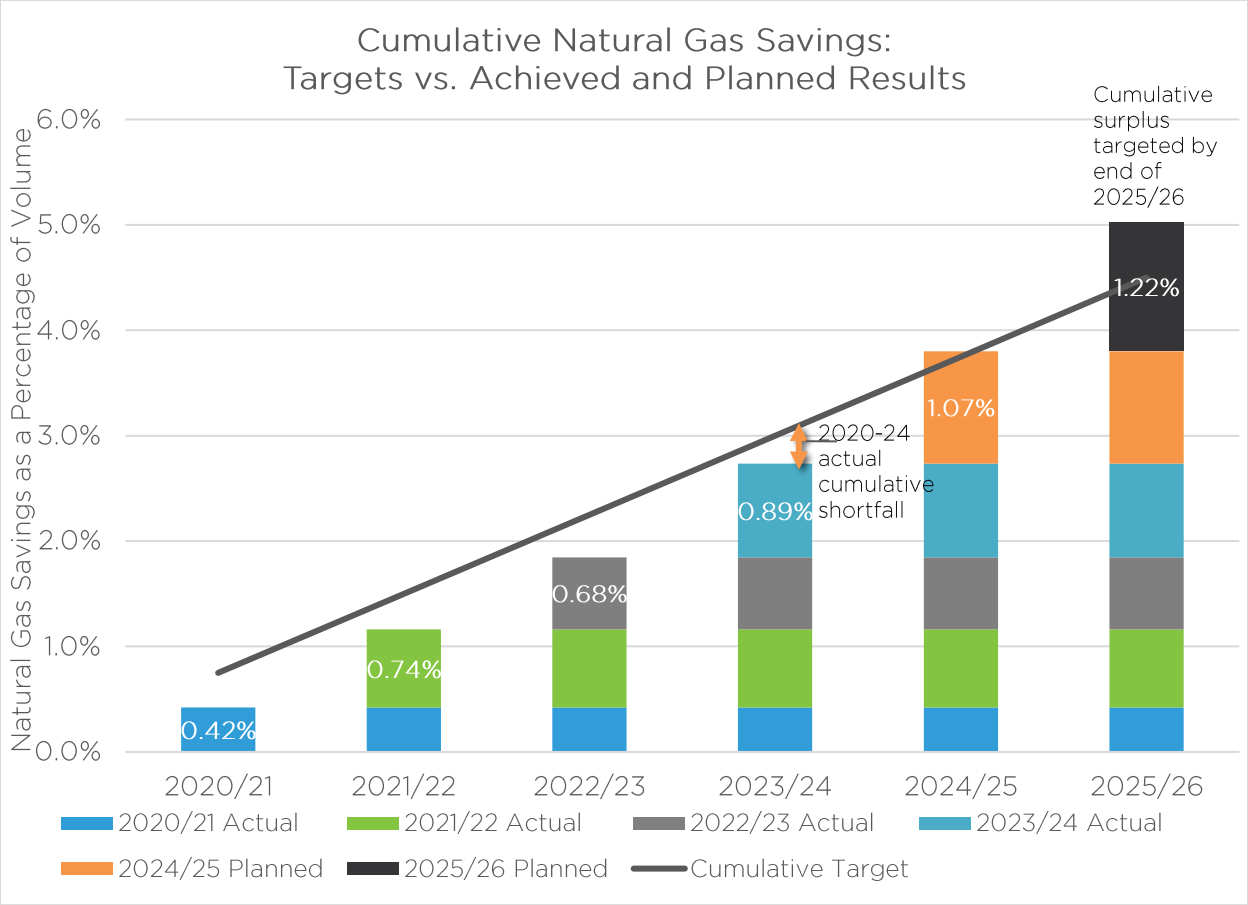


TABLE 4: ACTUAL & PLANNED NATURAL GAS PORTFOLIO SAVINGS

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Annual actual natural gas savings (million m^3)	7.0	11.9	11.0	15.3	-	-
Annual planned natural gas savings (million m^3)	-	-	-	-	17.6	20.6
Annual natural gas savings to meet 0.75% of volume target (million m^3)	12.5	12.0	12.1	12.9	12.4	12.6
Cumulative natural gas savings surplus (shortfall) (million m^3)	(5.5)	(5.6)	(6.7)	(4.3)	0.9	8.9

Note: Table values may not add or subtract exactly due to rounding. After accounting for electric programming interactive effects. Cumulative natural gas savings shortfalls are represented by actual results achieved within 2020/21 through 2023/24 and cumulative natural gas savings surplus planned results within 2024/25 through 2025/26.

4.1.3 Longer-term savings outlook and plans for addressing savings shortfalls

Efficiency Manitoba's longer-term savings achievement will be influenced by multiple factors including (but not limited to) external Manitoba economic conditions, future iterations of the legislative framework enabling Efficiency Manitoba (see Key Initiatives section), direction arising out of Manitoba Hydro's 2025 IRP process and the associated value provided by the utility for saved energy, implementation plans resulting from Manitoba's Affordable Energy Plan, and the remaining market opportunities for energy-efficient technologies within Manitoba. Broader economic conditions including supply chain issues and/or inflationary pressures on Manitobans are external factors that can be monitored but are not within the control of Efficiency Manitoba. The impact of these external factors can be mitigated to a degree through actions such as those outlined in the program and enabling strategy optimization strategies as provided in Section 4.2.

An assessment of market opportunities for energy efficiency was completed in 2022 through conclusion of work with Dunsky Energy + Climate Advisors ("Dunsky") and the production of a comprehensive Market Potential Study ("MPS"). The MPS provides an evaluation of DSM potential with a focus on current and emerging commercially viable and cost-effective measures over the 15-year period 2023 through 2038 and at varying levels of investment and support through Efficiency Manitoba.

With regards to the electric portfolio, the MPS identified several themes that will impact future achievable electric savings. With a decades-long history of electric DSM programming in the province and a quickly transforming residential and non-residential lighting market, the MPS has reinforced that the legislated electric energy savings targets are aggressive and will require multiple new strategies, new technologies alongside higher incentive levels, and additional enabling strategies in order to not only

achieve targets but, going forward, further reduce the shortfall in electric energy savings identified above from the 2020/21 through 2023/24 fiscal years. With non-residential LED savings further diminishing over time, the MPS has identified that a ramp-up in industrial custom projects, the replacement of electric resistance heating with heat pumps, increased incentive levels, and the introduction of a Home Energy Report offer can contribute to Efficiency Manitoba's achieved energy savings. This information is provided within the MPS with the context that:

1) increasing incentives does not correlate to a proportional increase in electric energy savings;
2) considerable ramp-up time is required to design, plan, and transform the market in areas of additional opportunities; and
3) significantly more market barriers exist within the electric portfolio as compared to the natural gas portfolio that cannot be addressed through customer financial incentives alone. Some of those market barriers may be associated with market transformation approaches, energy policy, excess energy rates for solar photovoltaic generated electricity sold back to Manitoba Hydro, enabling strategies and/or regulations to drive additional electric energy savings.

In summary, the independent research conducted by Dunsky has suggested that the shortfall in electric energy savings cannot be made up by 2025/26 alone; but with steps taken through 2025/26 and via the formulation of the 2026-29 Efficiency Plan, Efficiency Manitoba will identify means and the path to address the long-term savings targets recognizing the surpluses and deficits provision 7(2) in the Efficiency Manitoba Act.

With regards to the natural gas portfolio, the MPS identified several unique themes that will impact future achievable savings. With a lower level of market transformation and benefits of reduced interactive effect penalties associated with lower non-residential electrical lighting savings, the MPS has indicated that ongoing achievement of natural gas savings is likely without the introduction of significant new strategies, programs or offers for natural gas-saving technologies. As a result, a near-term surplus in natural gas savings is likely to be achieved. Similar to the electric portfolio conclusions, the MPS has identified that increasing incentives does not correlate to a proportional increase in natural gas savings.

4.2 Material changes: Efficiency Manitoba Act Section 13.3 (1) (a) & (e)

As discussed in Section 4.1, the savings that were claimed by Efficiency Manitoba in the first four years were achieved at significantly lower costs, resulting in a lower acquisition cost per unit of energy than planned for both electricity and natural gas. This trend of effectively utilizing funding, moving quickly within a nimble organizational structure to implement changes to respond to market conditions, alongside the expansive portfolio of over 40 programs and offers available through Efficiency Manitoba, indicates that material improvements in participation, savings, and subsequent incentive dollars spent will be realized through further optimizing the existing portfolio and focusing on enabling strategies to further reduce barriers to participation. This status affords Efficiency

Manitoba the opportunity to potentially achieve higher savings outcomes within the 2025/26 budget, should the strategies outlined herein, alongside broader economic conditions, align to further improve customer participation in existing offers and programs.

The strategies discussed below would be considered adjustments from what was originally contemplated in the portfolio design for 2020-23 Efficiency Plan and are necessary to achieve deeper savings in future years and address savings shortfalls from the pandemic-impacted years.

4.2.1 Portfolio optimization

Since the first fiscal year of operations, Efficiency Manitoba has implemented program pivots to respond initially to Provincial health mandates and subsequently to increase participation through additional incentives and through exercising eligibility expansions and flexibilities. This optimization process will continue with already implemented and planned changes as follows:

Residential programs

Optimization activities already implemented and those for continued investigation within 2025/26 include the following:

- Implementing the Affordable Home Energy Program to improve home energy affordability and to increase market adoption of residential home-by-home heat pump technologies.
- Implementing an EnerGuide residential audit offer to support long-term energy advisor jobs in Manitoba and fill the gap left by the Federal Greener Homes Program.
- Evaluation of the 2024/25 implemented Home Energy Report offer to determine actual energy savings outcomes, which was identified as a high-potential future offer within the completed Efficiency Manitoba Market Potential Study.
- Shifting of the Appliance Rebates offer (in-store year-round retail rebates) to In-Suite Appliance rebates only for cost effectiveness and efficiency reasons.
- Extending the Instant Rebates (time-limited in-store retail rebates) fall campaign to include additional weeks of in-store rebates while increasing rebates and simplifying the offers and associated marketing strategies.
- Enhancing Home Insulation Program through increased eligibility, higher rebates and introduction of a supplier bonus.
- Doubling the incentives through the Windows and Door Program.
- Updating the New Homes Program to deliver energy savings beyond the 2020 National Building Code (Part 9) Tier 1 (and potentially further updates based on the Provincial government’s signaled intent to require higher Tiers of the energy code in the near term).
- Reviewing eligibility criteria and incentive levels for various programs while leveraging the increased community participation realized under the Community Energy Efficiency Program.

- Investigating program delivery models and alternatives for select offers including regional marketing to target electrically heated homes.

Residential income-based programs

Optimization activities already implemented and those for continued investigation within 2025/26 include the following:

- Increasing eligibility through the Energy Efficiency Assistance Program to ensure more Manitoba households are eligible to access free and significantly subsidized energy efficiency upgrades (approximately 40% of Manitoba households can now qualify under this program).
- Extending eligibility criteria flexibility for the Energy Efficiency Assistance Program including multiple income verification options and automatic qualification based on location and door-to-door canvassing.
- Expanding partnerships with additional Neighbourhood Renewal Corporations to support the Energy Efficiency Assistance Program's Neighbourhood Project.
- Expanding energy-saving measures available through the Energy Efficiency Assistance Program to include windows and doors and heat pumps for electrically heated homes.
- Enhancing direct-install energy-saving measures available through the Energy Efficiency Assistance Program to include advanced power strips and smart thermostats.

Indigenous programs

Optimization activities already implemented and those for continued investigation within 2025/26 include the following:

- Expanding eligibility criteria for the Indigenous Small Business Program while leveraging the increased community participation realized under the Indigenous Community Energy Efficiency Program including First Nations and the Manitoba Métis Federation.
- Continuing work with First Nation communities and Indigenous organizations for off reserve participation in energy efficiency programs.
- Supporting expansion of cold-climate air source heat pumps, ground source heat pumps, deep energy retrofits, and capacity building through additional Indigenous social enterprises including the Community Driven Outcomes Model in partnership with Raven Indigenous Outcomes Funds.
- Inclusion of Home Assessments into the First Nation Energy Efficiency Program and Métis Energy Efficiency Offer.
- Expanding energy-saving items in the First Nation Energy Efficiency Program and Métis Energy Efficiency Offer based on feedback from the Indigenous Community Energy Efficiency Advocates and the Indigenous Energy Efficiency Working Group.
- Investigating delivery models for the First Nation Insulation Program to assist with enhancing capacity in communities.

Commercial, industrial & agricultural programs

Optimization activities already implemented and those for continued investigation within 2025/26 include the following:

- Expanding eligibility criteria for the Small Business Program (including but not limited to the inclusion of municipally-owned buildings) and enhancing available energy efficiency measures.
- Introducing tiered customer bonuses for the Building Envelope Program for both electrically heating buildings and natural gas heating buildings as well as introducing a supplier bonus.
- Implementing increased lighting and controls incentives as well as introducing a customer and supplier bonus for the Business Lighting Program.
- Implementing new Business Lighting Program incentive categories for horticultural and solar lighting installations.
- Leveraging the increased industrial participation realized under the Strategic Energy Manager Initiative and implementing an Energy Manager Cohort offer.
- Investigating and launching an industrial leak management offer targeting a prescriptive approach to reduce compressed air and steam system leaks.
- Launching the time-limited Community Rink Lighting Initiative to provide additional and targeted assistance to municipalities still operating with inefficient lighting in indoor ice rinks.
- Adjusting requirements for the New Buildings Program completion documentation while also increasing both the performance levels and corresponding incentive levels to deliver energy savings beyond the National Energy Code of Canada for Buildings 2020 Tier 1 (and potentially further updates based on the Provincial government's signaled intent to require higher Tiers of the energy code in the near term).
- Increasing the Solar Rebate Program incentive cap and increasing eligibility for new construction projects that integrate solar photovoltaic.
- Launching the Commercial Deep Energy Retrofit Program and Commercial Energy Audit Program.
- Investigating new program delivery models and alternatives for select offers.
- Leveraging the increased community participation realized under the Community Energy Efficiency Program.
- Completing innovative pilot projects for commercial air tightness and line-voltage smart thermostats in apartment suites.
- Expanding energy-saving items within the Small Business Program and the Indigenous Small Business Program.

Loan program

Given Efficiency Manitoba's comprehensive portfolio of programs and offers that cover an expansive number of energy-efficient technologies, the savings resulting from retrofit activity that homeowners choose to finance through the on-bill Home Energy Efficiency Loan (HEEL) will in nearly all cases be captured in Efficiency Manitoba's claimable savings through an incentive based-program. As part of the Affordable Home Energy

Program, Efficiency Manitoba will be investigating adjustments that can be made to HEEL (or other on-bill financing mechanisms) to facilitate greater market interest in ground source heat pumps.

4.2.2 Enabling strategies focus

Since the first fiscal year of operations, Efficiency Manitoba has implemented additional enabling strategies to increase awareness, increase visibility, and reduce market barriers to Efficiency Manitoba programs. This optimization process will continue with already implemented and planned changes as follows:

Partnerships

Additional activities implemented and for continuation within 2025/26 include the following:

- Increasing the use of Innovation Fund to support early feasibility analysis of potential commercial ground source heat pump projects as well as supporting the feasibility, investigation, and engineering of district ground source thermal energy systems.
- Formalizing and implementing a Collaboration Agreement with Habitat for Humanity to demonstrate emerging energy efficient technologies and practices while saving Habitat homeowners energy and money.
- Continuing engagement with the Energy Efficiency Advisory Group to review program and offer updates as well as actively participate in and inform the 2026-29 Efficiency Plan development process.
- Continuing to leverage the expanded enrollment within the Community Energy Efficiency Program.
- Continuing to leverage the expanded enrollment within the Indigenous Community Energy Efficiency Program.
- Continuing to engage with Manitobans via meetings, events, tradeshow attendance, through the Indigenous Energy Efficiency Working Group, industry groups, associations, business groups, social enterprises, neighbourhood renewal corporations, design professionals, suppliers, contractors, builders, and installers.

Communications & advertising

The 2025/26 Plan Update includes ongoing expenditures in communication and advertising to drive Efficiency Manitoba awareness, increase program awareness, and ultimately increase participation.

DSM tracking system optimization

With the implementation of the Efficiency Manitoba DSM tracking system, there are continuing opportunities and strategies to optimize and inform existing program activities as well as the 2026-29 Efficiency Plan including the following:

- Improved resolution, insights, and tracking on program activities through various centralized reporting mechanisms to inform future program pivots and enabling strategies.
- Continuous improvement and refinement of customer and contractor intake through online portal optimization.
- Improved tracking of customer opportunities and potential projects to drive program pipelines (i.e. actively following up with in-process customer applications to provide assistance towards project completion (and claiming of energy savings), future project identification, tracking, and follow up).
- Leveraging post-participation customer survey functionality to engage with program participants directly to identify potential process and program improvements.

4.3 Benefits of 2025/26 Plan Update: Efficiency Manitoba Act 13.3 (1) (d)

4.3.1 Benefits | Customer bill reductions and energy affordability

Customers that choose to participate in Efficiency Manitoba programs will realize annual bill reductions based on their respective energy savings. The table below provides the anticipated total customer annual average electric and natural gas bill savings. The resulting magnitude of bill savings are directly related to both customer participation and the average energy usage per customer within that segment. In addition to the annual natural gas bill reduction based on the energy savings associated with participating in Efficiency Manitoba's programs and offers, participating customers will further reduce their payment amounts associated with the federal carbon charge (included on a customer's Manitoba Hydro bill). Those additional customer bill savings are reflected in Table 5.

TABLE 5: EFFICIENCY PLAN SUMMARY | ANNUAL CUSTOMER BILL SAVINGS

	2025/26
Electric portfolio	$15.4 million
Natural gas portfolio	$6.4 million

4.3.2 Benefits | Reductions in greenhouse gas emissions (GHGs)

Table 6 provides the annual greenhouse gas (GHG) emission reductions resulting from natural gas energy savings realized within the first fiscal years of operation as well as the projected GHG reductions forecasted in the 2024/25 and 2025/26 fiscal years. Also shown in this table are the cumulative annual GHG savings as well as the persisting cumulative GHG savings, the latter of which are provided as these utilize the quantification methodology utilized for tracking ongoing provincial and federal GHG emissions reductions.

TABLE 6: EFFICIENCY PLAN SUMMARY | GREENHOUSE GAS EMISSION SAVINGS

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
(A) Annual GHG savings (tonnes CO_2e)	13,730	22,495	21,000	29,100	33,600	39,200
(B) Cumulative GHG savings (tonnes CO_2e) *Sum of (A) across the years)*	13,730	36,225	57,225	86,325	119,925	159,125
(C) Persisting cumulative GHG savings (tonnes CO_2e) *Sum of (B) across the years)*	13,730	49,955	107,180	193,505	313,430	472,555

Note: 2020/21 through 2023/24 are based on actual values, while remaining fiscal year values are based on planned savings values. All GHG savings values are determined after accounting for electric programming interactive effects.

4.3.3 Benefits | Additional/supplemental non-energy benefits

Beyond the 2025/26 Plan Update providing significant benefit in terms of cost effectiveness, bill savings opportunities for customers, GHG reductions via the natural gas portfolio; energy efficiency provides additional social, environmental, and economic benefits that do not appear in Efficiency Manitoba's legislated cost-effectiveness tests or bill and rate impacts. These non-energy benefits include but are not limited to the following:

- The social benefits of energy efficiency realized within the home, business, or community, with participating customers enjoying reduced energy bills and reduced associated energy burden which may lead to reduced stress and improved quality of life, improved occupant comfort, improved indoor air quality, improved lighting quality, increased property value, and reduced maintenance costs;
- Increased energy efficiency training, capacity building, and employment as well as direct and indirect benefits through external delivery and installation of energy-efficient technologies and private sector support services provided to Efficiency Manitoba;
- Leveraging Efficiency Manitoba's expertise related to the delivery of energy efficiency programming to bring Federal dollars into Manitoba;
- Through collaboration with economic development agencies and the Government of Manitoba, Efficiency Manitoba directly supports the attraction of new businesses and expansion of existing businesses in Manitoba to help grow the Manitoba economy and create more local job opportunities;
- Increased business competitiveness through reduced energy bills, which can make up a significant portion of business costs; and
- Reduced water consumption and waste reduction. For example, 95% of refrigerators and freezers picked up through the Appliance Recycling Program can be recycled.

4.3.4 Benefits | Cost effectiveness

Cost effectiveness is an indicator of the relative performance or economic attractiveness of any investment or practice. In the energy efficiency field, the present value of the estimated stream of benefits produced by an energy efficiency measure or program is compared to the present value of the stream of costs of implementing that measure or program.

With regards to planned cost-effectiveness metrics for 2025/26, the approach for allocating Enabling Strategies and Corporate Overhead budgets and the impacts of interactive effects is aligned with the process documented within Section 5 of the 2020-23 Efficiency Plan and the *Plan Amendments – 2020-23 Efficiency Plan*. Specifically, interactive effects from electric programs that increase natural gas consumption, and thus decrease natural gas benefits, have been allocated to the electric portfolio as shown below. This appropriately allocates the impacts of the interactive effects to the electric portfolio and avoids burdening the natural gas portfolio with impacts created by electric programs.

As the cost-effectiveness metrics are based on the impacts of Efficiency Plan activities throughout the Plan time horizon, the addition of 2025/26 has been incorporated into the following tables for both the electric and natural gas portfolios. As such, and due to the savings and cost approaches taken, the shown cost-effectiveness metrics are similar to those put forward in the *Plan Amendments – 2020-23 Efficiency Plan*.

The Program Administrator Cost Test (PACT) determines the cost effectiveness of a program or the portfolio to Efficiency Manitoba by including all of Efficiency Manitoba's benefits and costs. The electric and natural gas benefits are based on Manitoba Hydro's electrical and natural gas marginal values, respectively. The costs include Efficiency Manitoba's cost of program design, delivery, administration, incentives, support, and overhead. It can be presented as a ratio, a net present value (NPV), or a levelized cost.

- The PACT ratio presents the cost effectiveness as a ratio of the benefits (avoided supply costs achieved by the net energy and peak demand savings generated) over the costs (sum of the program administration and incentive costs). A ratio of one or higher indicates that benefits outweigh costs.
- The net present value (NPV) of the PACT presents the cost effectiveness as the difference between the present value of the benefits and present value of the costs. A positive value indicates that benefits outweigh the costs, and the size of the NPV indicates the magnitude of the net benefits.
- The levelized cost (LC) of the PACT provides an economic cost value for the energy saved by the program (in ¢/kWh for electricity and in ¢/m³ for natural gas).

It's important to note that the PACT metrics as outlined by legislation achieve a PACT of greater than one, demonstrating that for every dollar spent on energy efficiency, more than $1 of financial benefits to the utility are derived. The PACT ratio for the electric portfolio continues to be very positive, indicating that the financial benefits for Manitoba

Hydro associated with investing in energy efficiency generates nearly three times that in value. These financial benefits to Manitoba Hydro mean lower long-term rates than would be anticipated otherwise without prioritization on energy efficiency. Beyond this, and not specifically measured by the legislated PACT tests, are additional customer benefits associated with reduced energy bills and energy burden, reduced GHG emissions and associated carbon charges, increased home comfort, increased business competitiveness, economic benefits associated with dollars available for Manitobans to spend elsewhere in the economy, job creation, and local economic benefits associated with energy efficiency for suppliers and installers of energy efficiency products and technologies.

TABLE 7: EFFICIENCY PLAN SUMMARY | ELECTRIC PROGRAMMING & PORTFOLIO COST EFFECTIVENESS METRICS THROUGH 2025/26

	PACT ratio	PACT NPV	PACT levelized cost
Overall portfolio metrics	2.82	$485 million	2.48 ¢/kWh

Note: Overall portfolio metrics include the impact of interactive effects, enabling strategies, and corporate overhead. The value of natural gas interactive effects (in negative natural gas benefits) resulting from electric programming are allocated to the electric portfolio.

TABLE 8: EFFICIENCY PLAN SUMMARY | NATURAL GAS PROGRAMMING & PORTFOLIO COST EFFECTIVENESS METRICS THROUGH 2025/26

	PACT ratio	PACT NPV	PACT levelized cost
Overall portfolio metrics	1.20	$26 million	16.52 ¢/m^3

Note: Overall portfolio metrics include the impact of enabling strategies and corporate overhead. The value of natural gas interactive effects (in negative natural gas benefits) resulting from electric programming are allocated to the electric portfolio.

4.4 2025/26 Plan Update budget: Efficiency Manitoba Act Section 13.3 (1) (f)

With regards to planned expenditures associated with 2025/26, the approach taken by Efficiency Manitoba is aligned with the process documented within Section 4.4.2 Portfolio Programming Budget within the 2020-23 Efficiency Plan and within the Plan Amendments – 2020-23 Efficiency Plan specifically related to the allocation of costs within the Enabling Strategies and Corporate Overhead budget categories. Namely, a cost driver approach was used for those categories to allocate 63% of those costs to the electric portfolio and 37% allocated to the natural gas portfolio.

For the 2025/2026 Plan Update, the budget for both the electric and natural gas portfolios is shown in Table 9. Table 10 further delineates the budgets to the customer sector and program level.

To have broad reach, a multi-stream approach outlined in the Key Initiatives section above has been adopted to enable success of the Affordable Home Energy Program. When referring to Table 9 and Table 10, specific Efficiency Manitoba offers related to the Affordable Home Energy Program are identified as follows:

- Individual heat pump installations completed with support through:
  - Community Heat Pump Program for First Nation communities
  - Energy Efficiency Assistance Program for Income-Based customers
  - Métis Energy Efficiency Offer
  - Ground source heat pump offer
  - New Homes Program
  - Home Energy Retrofit Program
- Multi-unit residential heat pump installations completed with support through:
  - Commercial Deep Energy Retrofit program
  - New Buildings Program
- Multi-unit residential heat pump installations connected to a ground-source district thermal energy system and supported through the Innovation Fund (included within Sector Support line item under Strategic Initiatives)

It's important to note that with actual expenditures under the budgeted expenditures during the initial Plan years recognizing customer participation, should customer participation increase such that additional budget dollars are required in 2025/26 beyond those budgeted, Efficiency Manitoba would intend to enable customer participation and capture the resulting energy savings by requesting additional funding through Manitoba Hydro. This would align to the surpluses and deficits provision 7(2) in the Efficiency Manitoba Act.

It's also important to note that the budget for the Plan Update does not include new direction on programs or initiatives that may be forthcoming from implementation of Manitoba's Affordable Energy Plan, any future provincial climate policy, nor Manitoba Hydro's 2025 Integrated Resource Plan.

TABLE 9: EFFICIENCY PLAN SUMMARY | ANNUAL EXPENSE BUDGET (000'S $)

	2024/25	2025/26
Annual electric budget	$44,598	$56,358
Annual natural gas budget	$32,322	$33,136
Total budget	**$76,920**	**$89,495**

Note: Currency is expressed in nominal dollars. Totals may not add up due to rounding.

TABLE 10: EFFICIENCY PLAN SUMMARY | ANNUAL EXPENSE BUDGET (000'S $)

			2025/26 Electric Budget (000's $)	2025/26 Natural Gas Budget (000's $)	2025/26 Total Budget (000's $)
RESIDENTIAL PROGRAMS					
	Instant Rebates		$ 488	$ 382	$ 870
	Appliance Recycling Program		$ 843	$ -	$ 843
	Home Insulation Program		$ 1,212	$ 1,290	$ 2,503
	Windows & Doors Program		$ 478	$ 1,912	$ 2,390
	Air Sealing		$ 165	$ 275	$ 441
	Home Energy Reports		$ 608	$ 329	$ 937
	New Homes Program*		$ 1,479	$ 494	$ 1,972
	Home Energy Retrofit Program*		$ 201	$ 704	$ 905
	Sector Support		$ 1,686	$ 990	$ 2,677
		Subtotal	$ 7,161	$ 6,376	$ 13,537
INCOME BASED PROGRAMS					
	Energy Efficiency Assistance Program*		$ 3,162	$ 8,592	$ 11,754
	Home Energy Reports		$ 246	$ 133	$ 380
	Sector Support		$ 107	$ 63	$ 170
		Subtotal	$ 3,516	$ 8,788	$ 12,304
INDIGENOUS PROGRAMS					
	First Nation Energy Efficiency Program		$ 1,310	$ -	$ 1,310
	Indigenous Small Business Program		$ 486	$ 30	$ 516
	Community Heat Pump*		$ 1,421	$ -	$ 1,421
	Métis Energy Efficiency Offers*		$ 605	$ 1,013	$ 1,618
	Sector Support		$ 646	$ 80	$ 726
		Subtotal	$ 4,469	$ 1,123	$ 5,592
COMMERCIAL, INDUSTRIAL & AGRICULTURAL PROGRAMS					
	Commercial Kitchen Appliance Program		$ 86	$ 26	$ 111
	Commercial Refrigeration Program		$ 107	$ -	$ 107
	Small Business Program		$ 786	$ 35	$ 822
	In-Suite Energy Efficiency Program		$ 165	$ 179	$ 343
	Business Lighting Program		$ 13,973	$ -	$ 13,973
	Building Envelope Program		$ 756	$ 2,773	$ 3,529
	HVAC & Controls		$ 183	$ 445	$ 629
	New Buildings Program*		$ 2,015	$ 3,040	$ 5,054
	Commercial Deep Energy Retrofit Program*		$ 1,715	$ 1,843	$ 3,558
	Custom Energy Solutions		$ 7,675	$ 2,083	$ 9,758
	Leak Management		$ 285	$ 451	$ 736
	Strategic Energy Management Offers		$ 1,611	$ 584	$ 2,194
	Load Displacement		$ 871	$ -	$ 871
	Sector Support		$ 1,970	$ 1,157	$ 3,127
		Subtotal	$ 32,199	$ 12,615	$ 44,813
STRATEGIC INITIATIVES					
	Ground Source Heat Pumps*		$ 369	$ 16	$ 384
	Air Source Heat Pumps*		$ 220	$ 613	$ 833
	Solar Energy Program		$ 1,901	$ -	$ 1,901
	Sector Support*		$ 1,647	$ 741	$ 2,388
		Subtotal	$ 4,137	$ 1,370	$ 5,507
Program Totals			$ 51,482	$ 30,272	$ 81,754
Enabling Strategies			$ 2,656	$ 1,560	$ 4,217
Corporate Overhead			$ 2,220	$ 1,304	$ 3,524
Total Costs (000's $)			**$ 56,358**	**$ 33,136**	**$ 89,495**

Table 10 notes:

- *Totals may not add up due to rounding. Enabling Strategies include program support and education, innovation, codes & standards, and evaluation. Strategic Initiative offers include offers and enabling strategies available to all customer sectors.*
- ** Programs and offers that contribute to multi-stream approach for the Affordable Home Energy Program. Note that costs included are for total program costs and are not exclusive of heat pumps.*

TABLE 11: SAVINGS AND PARTICIPATION BY PROGRAM

			2025/26 Peak Demand Savings (MW)	2025/26 Electric Savings (GWh)	2025/26 Natural Gas Savings (m^3)	2025/26 Total Participation	Units
RESIDENTIAL PROGRAMS							
	Instant Rebates		0.9	4.7	0.50	52,750	No. of products
	Appliance Recycling Program		0.1	1.4	-0.04	1,960	No. of products/appliances
	Home Insulation Program		0.7	1.4	0.25	1,500	No. of projects
	Windows & Doors Program		0.5	1.4	0.54	3,500	No. of projects
	Air Sealing		0.1	0.4	0.06	400	No. of projects
	Home Energy Reports		1.6	11.1	0.56	105,360	No. of reports
	New Homes Program*		1.1	2.7	0.19	385	No. of houses
	Home Energy Retrofit Program*		0.1	0.2	0.16	150	No. of houses
		Subtotal	5.1	23.4	2.21		
RESIDENTIAL SUPPORTING OFFERS							
	Generation E (Education Program)						
	Virtual Energy Review						
	EnerGuide Evaluations						
INCOME BASED PROGRAMS							
	Energy Efficiency Assistance Program*		0.8	3.3	1.12	1,900	Completed Homes (includes In-Suite
	Home Energy Reports		0.6	4.3	0.19	39,640	No. of reports
		Subtotal	1.4	7.6	1.31		
COMMUNITY SUPPORTING OFFERS							
	Community Energy Efficiency Program						
	Neighbourhood Renewal Partnerships						
INDIGENOUS PROGRAMS							
	First Nation Energy Efficiency Program		0.3	1.2	-	380	No. of houses
	Indigenous Small Business Program		0.1	0.4	-0.00	75	No. of businesses
	Community Heat Pump*		0.3	1.1	-	130	No. of systems
	Métis Energy Efficiency Offers*		0.1	0.4	0.12	155	Completed Homes
		Subtotal	0.7	3.1	0.12		
INDIGENOUS COMMUNITY SUPPORTING OFFERS							
	Indigenous Community Energy Efficiency Program						
COMMERCIAL, INDUSTRIAL & AGRICULTURAL PROGRAMS							
	Commercial Kitchen Appliance Program		0.1	0.5	0.01	50	No. of projects
	Commercial Refrigeration Program		0.0	0.3	0.02	55	No. of projects
	Small Business Program		0.1	0.8	0.00	300	No. of applications
	In-Suite Energy Efficiency Program		0.3	1.7	0.28	3,700	No. of suites
	Business Lighting Program		8.9	66.9	-1.40	1,500	No. of projects
	Building Envelope Program		0.7	4.4	0.92	205	No. of projects
	HVAC & Controls		0.1	0.4	0.95	75	No. of applications
	New Buildings Program*		0.9	5.4	0.81	35	No. of buildings
	Commercial Deep Energy Retrofit Program*		0.4	2.5	0.39	20	No. of buildings
	Custom Energy Solutions		4.2	34.1	7.29	140	No. of projects
	Leak Management		0.3	2.4	1.56	85	No. of projects
	Strategic Energy Management Offers		0.2	1.8	0.64	64	No. of annual reports
	Load Displacement		12.5	90.0	-	< 10	No. of projects
		Subtotal	28.6	211.1	11.46		
COMMERCIAL, INDUSTRIAL & AGRICULTURAL SUPPORTING OFFERS							
	Commercial Energy Audits						
	Energy Efficiency Assessments						
	Energy Efficiency Assessments for Farms						
	Feasibility Studies						
	Benchmarking Studies						
STRATEGIC INITIATIVES PROGRAMS							
	Ground Source Heat Pumps*		0.2	0.6	0.01	25	No. of projects
	Air Source Heat Pumps*		0.0	-0.6	0.33	375	No. of projects
	Solar Energy Program		0.1	4.2	-	145	No. of customers
		Subtotal	0.3	4.3	0.3		
STRATEGIC INITIATIVES							
	Innovation Fund*						
	Demand Response						
	Ground Source District Systems Support*						
Program Impact Totals			36	249	15.43		
Codes, Standards & Regulations			14	89	5.18		
Total			**50**	**338**	**20.61**		

Table 11 notes:

- *Totals may not add up due to rounding.*
- ** Programs and offers that contribute to multi-stream approach for the Affordable Home Energy Program*

5 FINANCIAL BUDGETS & FORECASTS

Market reaction to Efficiency Manitoba's programs, specifically customer participation, is the largest variable related to budget and forecasts. Even for continued programs where historical participation and knowledge of the market provides normally fairly accurate projected participation, this became entirely unreliable during the pandemic and associated lingering effects. Participation in programs across multiple, diverse market segments is challenging to predict even under normal conditions. As a result of reduced customer participation in programs, Efficiency Manitoba's planned expenses, roughly 65% of which being customer incentives in the extended 2020-23 Efficiency Plan, have been reduced during the first four years of operations. At the conclusion of the 2023/24 fiscal year, Efficiency Manitoba's overall expenses were $55.8 million, which represented approximately 73% of the budgeted expenses for the fiscal year.

At the conclusion of Quarter 3 of 2024/25 (December 31, 2024), Efficiency Manitoba's overall expenses were $47 million which represented 62% of the total budgeted expenses for the fiscal year (82% of budgeted expenses for the nine months fiscal year to date). Efficiency Manitoba only requests funding from Manitoba Hydro to cover expenses, therefore revenue is similarly reduced for Efficiency Manitoba's operations.

Recognizing the strong role that Efficiency Manitoba can and does play in economic development, job creation, and energy affordability by providing bill savings to customers through program participation, Efficiency Manitoba's 2025/26 budget includes consideration of the key initiatives and portfolio enhancements and changes introduced to date. The 2025-26 Budget does not incorporate specific market-directed programs or actions resulting from the recently released Manitoba Affordable Energy Plan nor the 2025 Manitoba Hydro Integrated Resource Plan. Efficiency Manitoba has included specific budget for programs and initiatives that have been directed in accordance with the March 2024 mandate letter and this budget for 2025/26 includes initial activities to make progress on those communicated priorities (for example the first phases of the Affordable Home Energy Program). Additional forward-looking budget considerations will be addressed in the 2026-29 Efficiency Plan and/or the 2026/27 Annual Business Plan.

With the above in mind, Efficiency Manitoba's budgeted expenses for 2025/26 are highlighted in Section 4.4 along with Table 12 below. Through the Canada-Manitoba Low Carbon Economy Leadership Fund ("Leadership Fund") Agreement, Efficiency Manitoba has claimed $30,922,287, which is recorded as a receivable. To date, Efficiency Manitoba has received $30,373,898 with the outstanding receivable of $548,390. A final claim has been submitted for the 2023/24 fiscal year and has been paid with the exception of a 5% holdback to be paid in the following fiscal year. As outlined in Section 4.3.3. above, these dollars are illustrative of Efficiency Manitoba's ability to leverage activities of the organization to bring significant Federal dollars into Manitoba.

TABLE 12: FINANCIAL SUMMARY & REPORT

(000's)	2023/24 Actual	2024/25 Budget	2024/25 Nine months ended December 31, 2024	2025/26 Budget	
Revenue:					
Contributions	55,235	76,428	46,931	88,991	
Interest income	208	175	146	184	
Employment grants	-	-	-	-	
	55,443	76,603	47,078	89,175	
Expenses					
Salaries and benefits	8,520	9,649	7,531	11,406	
Customer incentives	36,435	50,760	31,209	61,798	
Contracted services and program delivery	5,912	11,133	4,848	11,113	
Regulatory expense	74	-	19	-	
Rent	417	412	321	428	
Other expenses	4,086	4,650	3,150	4,430	
	55,443	76,603	47,078	89,175	(A)
Surplus for the year before the undernoted	-	-	-	-	
Manitoba Hydro contributions related to capital	78	50	39	90	
Amortization expense	(325)	(316)	(237)	(319)	(B)
Surplus (deficit) for the year	(247)	(266)	(198)	(229)	
Note: Total recognized expenses include the sum of (A) + (B)				89,495	

6 HUMAN RESOURCES

6.1 Staffing & employee/labour relations summary

Building Efficiency Manitoba as a stand-alone organization focused on energy efficiency has been a very significant and involved undertaking, not only relative to building the foundation for the organization including policies, processes, and systems, launching over 40 programs and offers into the market and implementing significant pivots, but also simultaneously staffing the organization.

During the operational commencement phase of the organization, two collective agreements that were inherited in the transition of energy efficiency were also renegotiated with Efficiency Manitoba as a separate employer. The contracts between Efficiency Manitoba and CUPE Local 998 and AMHSSE respectively have been ratified and are in place for a five-year duration from January 1, 2021 to December 31, 2025.

Collective bargaining will commence for the timeframe beyond the existing agreements, inside of the 2025/26 fiscal year.

The following table provides the full-time equivalent employees budgeted for 2025/26. As Efficiency Manitoba has continued to grow program participation, increase energy savings, and expand initiatives, offers and engagement, the conservative staffing complement identified in the initial Efficiency Plan was addressed over the past two years through managed growth while maintaining the overall labour budget line item.

The next stage of Efficiency Manitoba requires appropriate resourcing to further respond to:

(i) market signals to allow continued evolution of programming;
(ii) external operating environment conditions discussed in Section 2.2; and
(iii) the development of future programs and initiatives resulting from the 2024 mandate letter, Manitoba's Affordable Energy Plan, and initiatives related to Manitoba Hydro's 2025 Integrated Resource Plan as outlined in the key initiatives.

Simply put, the expectations articulated for Efficiency Manitoba via the 2024 mandate letter and Affordable Energy Plan have been significantly expanded. For Efficiency Manitoba to continue its trajectory of performance to the benefit of Manitobans, sufficient and appropriate resourcing is necessary. Efficiency Manitoba activities have been budgeted with the extent of information known at this time. To provide flexibility for Efficiency Manitoba to capture opportunities that may be required related to its expanded mandate and government priorities through the 2025/26 fiscal year, additional budget allocation (inclusive of additional human resources, third-party contracted services, and customer incentives) may be required.

TABLE 13: FULL-TIME EQUIVALENT EMPLOYEES

Full-time equivalent employees

	2023/24 Actual	2024/25 Budget	2024/25 Six months ended December 31, 2024	2025/26 Budget
Executive/Mgmt[1]	10.0	10.0	10.0	10.0
Employees	67.9	85.0	78.4	90.0
Efficiency Manitoba Total	77.9	95.0	88.4	100.0

Notes:

[1] Executive/Mgmt includes CEO, VPs and Managers.

Given the critical role of energy efficiency in achieving net zero by 2050 goals, along with real and significant benefits to customers including affordability through energy and bill savings via implementing energy efficiency, sufficient EM resourcing is imperative. This includes ensuring customer awareness, driving and engaging on customer projects, providing subject matter expertise related to and supporting broader energy transition objectives, and pursuing key initiatives aligned with Efficiency Manitoba's future as identified in this Annual Business Plan.

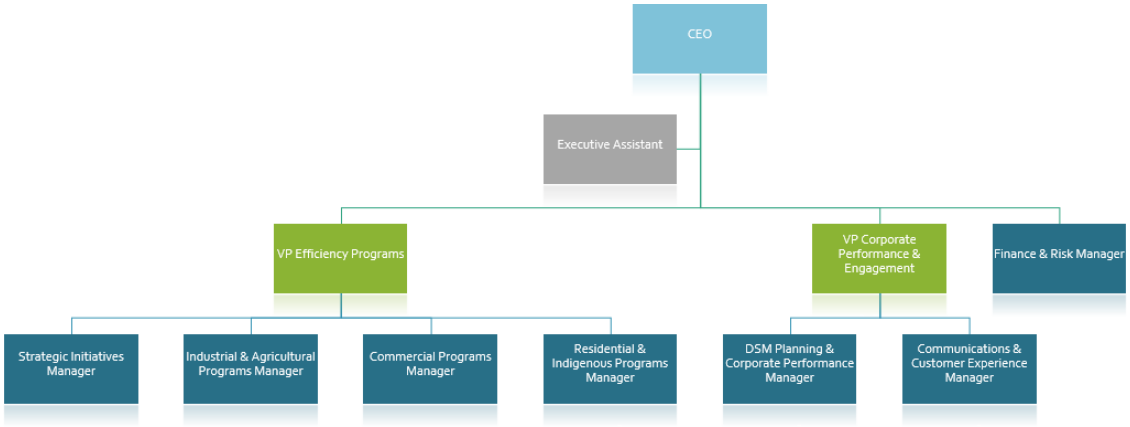
The 2026-29 Efficiency Plan development process will consider the resourcing needs of the organization beyond that noted above for the 2025/26 fiscal year.

6.2 Organization chart (at December 31, 2024)

At December 31, 2024, Efficiency Manitoba had 88.4 full-time equivalent employees. The majority of these roles are concentrated in energy efficiency programs, engineering, and technical support, while the balance of roles are in key corporate support functions of accounting, procurement, human resources, communications, corporate performance, and reporting.

Consistent with Efficiency Manitoba's legislated mandate, the private sector is leveraged to secure additional corporate support for requirements in legal, contact centre, regulatory, IT managed services, and creative design services. In addition, private sector suppliers and delivery partners separate and apart from Efficiency Manitoba's workforce are critical in providing "boots on the ground" services related to getting programs created by the organization into the hands of Manitobans across the province.

FIGURE 2: ORGANIZATIONAL CHART



7 CAPITAL PLAN

(Crown Corporations Governance and Accountability Act Section 7 (2) (c))

Moving into 2025/26, capital expenditures continue to be nominal and will include computer equipment as end-of-life replacements and/or unplanned ancillary purchase requirements.

TABLE 14: CAPITAL EXPENDITURES

($000s)	2023/24 Actual	2024/25 Budget	2024/25 Nine months ended December 31, 2024	2025/26 Budget
Computers	$ 36.0	$ 50	$ 39	$ 80
Furniture	$ 5.0	$ -	$ -	$ 10
Equipment	$ 37.0	$ -	$ -	$ -
Total Capital Asset Acquisitions	$ 78	$ 50	$ 39	$ 90