

**Manitoba Hydro 2017-18 & 2018-19**  
**General Rate Application**  
Closing submissions presentation  
**Assembly of Manitoba Chiefs**

February 8, 2018

## **Context**

- Hydro's infrastructure sits on Indigenous lands
- But the benefit of that infrastructure has predominantly flowed to non-First Nations communities
- First Nations in Manitoba are disproportionately poor, and live in substandard housing that is difficult to heat

## **AMC recommendations**

1. AMC takes no position on Hydro's revenue requirement, but submits that Hydro's needs must be balanced against the needs of low-income ratepayers.
2. The Board should order Hydro to implement bill affordability measures immediately that offer discounts to residential customers in on-reserve First Nations communities.
3. The Board should order Hydro to design a bill affordability program and report back to the Board for approval of this program within a year. AMC is willing to assist Hydro in this process if provided with capacity funding.
4. The Board should order Hydro to improve its collection of data on reserve. AMC is also willing to assist Hydro in this process if provided with capacity funding.

## **Energy Poverty is a Serious Problem**

- On Hydro's rate trajectory, by 2024, about one in six households in Manitoba will be energy poor, and six in ten low-income households in Manitoba will be energy poor.
- 40.5% increase projected by 2024
- Energy poverty will disproportionately hit First Nations communities

## Poverty on reserve

- According to census data:
  - 96% of residents in First Nations communities live below the poverty line
  - median annual income is \$11,915
- Reserves in Manitoba had the highest rates of child poverty in Canada, at 76%.

## **Housing on reserve**

- Shepherd: “abysmal” (p562)
- Mostly not built to building code
- Nationally, in need of \$9.7 billion of repairs

## **Energy use**

- Much higher energy use on reserve
- No gas option in 61 of 63 FNs
- Higher hydro rates will disproportionately impact First Nations

## What to do?

- DSM can only do so much
  - Scale of the problem is too big
  - Timing: efficiencies in long run (maybe), rate increase now
- Hydro's current DSM focuses on insulation
  - Does not address other energy efficiency issues, such as airtightness, windows, doors
- 77% of on reserve homes not eligible for current MH insulation programs

## **PUB has jurisdiction to order bill affordability**

- Multiple Board decisions affirmed jurisdiction to order bill affordability program
- *CCGAA* gives broad power to Board to consider “any compelling policy considerations that the Board considers relevant to the matter.”
- Affirmed by Ontario Divisional Court decision



## **PUB has jurisdiction to order bill affordability (cont'd)**

- Charter values affirm jurisdiction
  - Board jurisdiction should be interpreted in light of Charter values
  - Equality is a Charter value
  - Same rate for differentially situated people can be unequal

## **PUB has jurisdiction to order bill affordability (cont'd)**

- Neither on-reserve rates or low-income rates violate geographical rates prohibition
- On-reserve housing is different
  - Lower quality construction
  - Higher poverty
  - Almost no recourse to gas
- Board has jurisdiction to treat them differently
- Negligible impact on statutory objectives re financial solvency of Hydro, as lost revenue of on-reserve discount can be recovered from other users

## **Discount for on-reserve rates**

- “I don’t have a solution today, but I believe we do need to find one.” Cross-examination of Mr Shepherd, Transcript, Dec 5, p586.
- Discount for on-reserve residents is a solution for today
- No administrative hurdles

# What to implement

## Based on interim rates (PUB-GAC 1-4a)

		MH Interim	LICO- 125 All	Non-LICO ESH	LICO-125 ESH	Non-LICO IBR
<b>Basic Charge</b>		\$8.08	\$0	\$8.08	\$0	\$7.82
<b>First Block</b>	c/kWh	8.196	4.196	4.196	4.196	7.930
<b>Remainder</b>	c/kWh	8.196	8.196	8.196	8.196	8.352
<b>First Block kWh</b>						
<b>Summer</b>		—	500	—	500	500
<b>Spring</b>		—	500	150	650	500
<b>Fall</b>		—	500	250	750	500
<b>Winter</b>		—	500	500	1,000	500
<b>Recovery rate from:</b>						
Non-LICO residential (NLR)			\$0.00966			
All non-LICO, non-SEP			\$0.00246			
Non-discounted NLR kWh				\$0.00407		
Non-discounted non-LICO				\$0.00096		

- Chernick model, but with on-reserve customers automatically qualifying for 500 kWh discount, plus increased ESH blocks

## **What to implement (cont'd)**

- On reserve discount blocks
- a discount of 4¢/kWh on
  - 500 kWh per month in the summer
  - 755 kWh in the spring
  - 925 kWh in the fall
  - 1345 kWh in the winter
- Based on 500 kWh low-income discount + Mr Chernick's calculations of ESH usage on reserve

## Recovering lost revenue

- Everyone's rates are lowered by export revenue
- But the burden of exports falls disproportionately on First Nations, whose Treaty rights are adversely affected
- Fair to recover the lost revenue from them
- Estimate:
  - 0.102¢/kWh if recovered only from residential
  - 0.033¢/kWh if recovered from all classes

## **Role of social assistance**

- If duplicating the benefit of social assistance is a concern, social assistance beneficiaries can be excluded at first

## **On-reserve discount is the first step**

- Board should not stop at on-reserve discount
- Board should order Hydro to engage with stakeholders to design a ready-to-implement rate when Hydro applies for its next rate increase
- Should include off-reserve First Nations people as well as others who need it
- Should deal with complexities of social assistance



## **Board should order better on-reserve data collection**

- Classification of ESH customers on-reserve admitted to be erroneous
- Classification of general service on-reserve is suspect
- REUS 2014 had only 35 Indigenous respondents

## **Conclusions and recommendations**

1. Energy poverty is serious and Board must balance real effects on vulnerable people in Manitoba with Hydro's financial risks
2. Board should order on-reserve discount immediately
3. Board should order engagement process for designing bill affordability measures for off-reserve residents
4. Board should order better data collection

## **Conclusions and recommendations (cont'd)**

- AMC would like to take part in design of bill affordability program, and assist in better data collection on reserve
- AMC does not have the resources to participate
- Ask the Board to encourage Hydro to provide the resources to AMC to assist in better serving an important but vulnerable part of Hydro's customer base