

**PROVINCE OF MANITOBA  
BEFORE THE PUBLIC UTILITIES BOARD**

**Manitoba Hydro  
2017/18-2018/19  
General Rate Application**

**Green Action Centre  
Pre-Hearing Conference Submission**

**JUNE 12, 2017**

**Gange Collins Holloway  
760-444 St. Mary Avenue  
Winnipeg MB R3C 3T7**

## INTRODUCTION- WHO IS GREEN ACTION CENTRE

Green Action Centre is a non-profit, non-governmental organization, serving Manitoba. Its mandate is to promote greener living through environmental education and by encouraging green solutions for households, workplaces, schools and communities. It promotes practical measures to improve the sustainability and quality of life of Manitobans. Our research, education and advocacy are addressed to individuals, institutions, businesses and governments, including the Public Utilities Board and Manitoba Hydro. We share the provincial goal for Manitoba “to be one of the most sustainable places to live on earth” and the promise to build “a strong, resilient green economy” (*TomorrowNow*, 6-7). Clearly the assets, operations, policies and programs of Manitoba Hydro play a central role in that task. Our many activities, concerns and policy briefs are displayed at <http://greenactioncentre.ca/>.

Green Action Centre sees its policy role as keeping abreast of and contributing to discussions about how to create a more sustainable society, searching for best practices, and advocating positions and solutions in available forums on the basis of our understanding of sustainability principles and practices.

With respect to Manitoba Hydro, we advocate policies to ensure power is sustainably produced and used and that the immense benefits of reliable clean power are optimized—not squandered—and able to meet the needs of Manitobans, including low-income Manitobans. We have also advocated creative synergistic solutions and informed, goal-directed participatory processes as a means for advancing sustainability in the face of apparent differences or obstacles.

Green Action Centre is guided by an inclusive vision of sustainability: *All Manitobans Living Green, Living Well*. We note that sustainability includes social justice – meeting human needs now and in the future – and efficient use of resources. Manitoba’s hydro system provides a hugely valuable resource of

reliable, renewable power, which energizes our lives and economy. More than any other institution, Manitoba Hydro has enabled Manitobans to lower their climate impacts and it has the potential to do more. But our hydropower comes with ecological damage and social costs to hydro-affected communities, which require mitigation and compensation. And it is not affordable to all. Thus we promote policies and practices that ensure that power is sustainably produced and used and able to meet the needs of all Manitobans, including low-income Manitobans. Green Action Centre has sponsored evidence before the Public Utilities Board to support greater demand side management (DSM) efforts, conservation pricing of energy, and cost-mitigating strategies to make energy more affordable to lower-income households.

We encourage smart policies that achieve multiple goals and values together through creative, synergistic solutions and believe that Manitoba Hydro cannot fulfill its mandate without them. The ideas for such policies and practices often originate from a search for best practices found in other jurisdictions<sup>[1]</sup>, but they must be shaped, adapted and evaluated to become “made in Manitoba” solutions.

Green Action Centre has participated as an intervener at hearings before the Public Utilities Board since 2002. This includes hearings involving Manitoba Hydro for general rate applications, cost of service, capital expansion and rates for energy intensive industries. We believe that we have brought to the hearings a unique perspective reflecting matters rooted in sustainability and social justice. We have brought expert testimony to past hearings on issues such as rate design, including evidence on conservation rates, demand side management, including analysis of Manitoba Hydro’s efforts and comparisons with other leading jurisdictions across North America. In addition, Green Action Centre has brought

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[1] E.g., [Seattle City Light](#) exemplifies a sustainable utility with [steeply inclined conservation rates](#), strong affordability commitment ([60% discounts for low-income customers](#)), and a [City Light Review Panel](#) of appointed knowledgeable unpaid stakeholders, who work with the utility to create a [strategic plan](#) and supporting rates.

expert testimony dealing with energy poverty and energy affordability. That evidence led to the creation of the Bill Affordability task force that we hope will be completed during this process and implemented in the Board Order following this hearing. Green Action Centre also took an active role in the Demand Side Management task force that has been established to consider issues on energy conservation.

We believe that we have acted responsibly at the hearings that we have attended. Green Action Centre is proud to point to numerous initiatives that have found their way into Public Utilities Board orders that were brought to the attention of the Board through the evidence and submissions of Green Action Centre.

Green Action Centre keeps its stakeholders informed of the role played by Green Action Centre through regular updates of developments on the website of Green Action Centre. The current intervention carries forward policy directions developed through internal consultations with the Policy Committee, Board and Staff of the Green Action Centre and through the interaction and feedback received from members through the website and through communications directly with members.

In the past Green Action Centre has collaborated with other interveners on issues of joint concern. We have been proud to collaborate with our friends at the Coalition and with our friends from MKO and the Manitoba Metis Federation.

## **ISSUES OF IMPORTANCE FOR GREEN ACTION CENTRE**

### **A. Rate design**

Rate design has been a topic of interest for Green Action Centre and its predecessors since its first appearance before the Public Utilities Board in 2002. Green Action Centre first proposed inclined rates as a conservation strategy, but

later as a potential bill mitigation strategy for impacted lower-income households. An inclined rate (otherwise called a conservation, lifeline or inverted rate) prices electricity at varying levels dependent upon the level of consumption. The method is used in numerous jurisdictions in various incarnations. At its simplest level, the method sets a lower price for the initial block of energy. Once the initial block of energy has been consumed, the price jumps to a second level. The general theory in support of conservation rates is that it encourages households to reduce electrical consumption and makes efficiency investments more cost-effective to the customer because of the higher cost of the second block of electricity. This conservation effect in turn enables the utility to avoid or forestall higher costs of new generation and augmented transmission and distribution.

Inclined rates have also been called lifeline rates because they provide a block of lower cost power to meet basic necessities while additional consumption costs more. Indeed, inclined rates lower the bills of those lower-income households who consume less than average amounts of electricity. In Manitoba, however, with many northern and rural customers dependent on electric heat, this assumption must be modified, say by creating a separate electric heating tariff with a larger first block in heating season.

Manitoba Hydro originally took the position that this is the wrong time to introduce conservation rates because they “may serve to amplify the negative impacts of rate increases” on lower-income electric heat customers. However in its June 2, 2017 reply on interim rates, Manitoba Hydro appears to entertain a prospect for exploring rate options that can mitigate the impact of the rate increases they are seeking. We welcome the opportunity to explore this prospect at the Pre Hearing Conference.

Since the above offer from Manitoba Hydro speaks only of rate design for bill mitigation, we still think it is important to lay out the record on conservation rate design.

The history of rate design over the last twenty years is a repeating theme stated by Manitoba Hydro that the present is never the proper time to introduce conservation rates. In 1996, the Board directed Manitoba Hydro to study rate design and to report back. In 2002/2003, Green Action Centre (under its previous name of Resource Conservation Manitoba-RCM and in partnership with Time to Respect Earth's Ecosystems-TREE) argued forcefully that conservation rates ought to be adopted in Manitoba. On February 3, 2003, the Public Utilities Board issued Board Order 7/03 as follows:

#### 21.12 Rate Design

Although Hydro did not apply for any changes in rate design, the Board and the Intervenor considered the issues of rate design to be of considerable importance in this status update filing. As part of the Board's review as to whether the rates charged remain just and reasonable, the Board not only examined the overall revenue requirement, but also the cost of service methodology, and the rate structure itself.

The Board is disappointed with the inaction of Hydro to comply with the spirit of Order 51/96 with regard to undertaking a study and reporting to the Board by no later than the next GRA to develop a comprehensive rate design policy. More than six years have elapsed since that directive was issued, and Hydro stated at this hearing that it has no intention of preparing such a (Page 103) study in the near future. Such inaction is a disservice to the many Hydro customers, particularly those who might benefit from such a comprehensive rate design policy.

##### 21.12.3 Inverted Rates and Rate Structure

The declining block structure is largely the result of the historical circumstances of electrification throughout the Province and the construction of major generating plants on the Northern rivers. While the Board is not prepared at this time to support an inverted rate structure, the Board accepts that certain concepts of an inverted rate structure for residential customers may have merit for consideration in the future. The Board compliments both Mr. Lazar and Hydro for preparing thoughtful evidence on this matter and raising interesting new approaches. The Board believes that more study is required before an inverted rate structure can be considered for any customer class. The Board will direct Hydro to prepare a study on the merits of an inverted rate structure across all rate classes including transition and implementation issues. As part of this study, Hydro should evaluate the impact of an inverted rate structure on electric heat customers and residential customers with higher than average loads. This study should be filed with the Board by no later than December 31, 2003.

That study due December 31, 2003 was never filed with the Board.

In 2008, Green Action Centre achieved a modest victory when the Board did order conservation rates to be implemented for residential users.

June 30, 2008 Order No. 90/08 Page 25 of 35

It Is Therefore Ordered That: 1. An across-the-board rate increase of 5% for all Manitoba Hydro domestic customers, except for Area and Roadway Lighting customers effective July 1, 2008 BE AND IS HEREBY APPROVED. Rates for Area and Roadway Lighting customers will not change.

2. An increase in the Basic Monthly Charge for all customers of 5%, as of both July 1, 2008 and April 1, 2009 BE AND IS HEREBY APPROVED;

3. Order 20/07 which established an interim rate increase of 2.25% on March 1, 2007 BE AND IS HEREBY APPROVED;

4. The modest introduction of inverted rates for the "residential" class (SGS) BE AND IS HEREBY APPROVED;

The Board followed up this order with a further order 166/08. THE Board discussed conservation rates at page 307

In particular, the Board is interested in MH providing additional information on seasonal variations in the size of the first electric block for electric heat-load customers. The Board agrees with MH that the size of the first rate block for Manitoba, as compared to the one utilized in Ontario, will likely have to be higher to take into consideration the greater heating load factor due to Manitoba's colder winters. The Board will direct MH to file a plan by January 15, 2009 outlining the pros and cons of the various potential inverted rate strategies under consideration, and the MH-proposed course of action to address this issue.

23. MH file a plan by January 15, 2009 outlining the pros and cons of the various potential inverted rate strategies under consideration, and the MH-proposed course of action to address this issue over the next five years;

29, 2008 Order No. 116/08 Page 284 14.0 Rate Design 14.0 Rate Design 14.1 Inverted Rates In Order 117/06, the Board reiterated its directive to MH to move towards the elimination of declining block rates. MH has, with some notable exceptions, moved toward this objective. MH introduced, on a very limited scale, an inverted rate structure for the residential class, where the tale block rate is to be greater than the first block by a modest 1% differential.

14.13 Board Findings Inverted Rates The Board encourages MH to develop plans to employ an inverted rate structure for all customer classes, initially to be designed on a revenue neutral (to MH) basis and to send a “price signal” for every kilowatt hour of energy used, to promote conservation.

No plan for conservation rate strategies has been filed in compliance with this order.

Following the introduction of a modest conservation rate, the Board was not satisfied that the rate design took into account the difficulties experienced by all-electric heat households and eliminated the first steps towards an effective conservation rate design strategy. In the General Rate Application for 2011/12 the Board issued Board Order 5/12. The Board again commented upon the failure of Manitoba Hydro to comply with Board directives regarding conservation rates.

Order 5/12  
January 17, 2012  
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## **20.0.0 RATE DESIGN**

In addition to various rate matters addressed in section 3.0.0 of this Order, there are other rate and rate design issues to be addressed.

### **20.1.0 INVERTED RATES**

Board Order No. 116/08 directed MH to file a report on Inverted Rates (in particular dealing with electric heating customer impacts) by January 15, 2009. There has been no action by MH to date with respect to that directive. MH has acknowledged that a rate accommodation will be required for electric heating customers, but has not provided any specific proposals that would mitigate a significant inverted rate strategy.

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### **20.12.0 BOARD FINDINGS**

The Board notes that MH’s responses on the various special rate issues remain outstanding and should receive more timely attention. The Board invites MH to provide all stakeholders (including the Board) with an overall strategy to coordinate the changing of rate structures for MH’s various customer classes.

The Board requires MH to file preliminary reports (and status updates on):

- Inverted Rates, with a view to creating a significantly higher-priced second energy block, but providing an accommodation to electric heat customers, some of which do not have access to natural gas for heating;



A report on rate design has not been submitted pursuant to Board Order 5/12 because they “may serve to amplify the negative impacts of rate increases” on lower-income electric heat customers.

Green Action Centre expected that rate design would be an integral part of the Cost of Service Study held in 2016. The Board had initially stated its intention to include rate design as a Cost of Service Study issue. Manitoba Hydro objected by letter dated February 5, 2016 as follows:

Rate Design and Rate Rebalancing Matters

In its letter of January 22<sup>nd</sup>, the PUB indicated its interest in considering various rate design matters, such as the respective levels of Basic Monthly Charges, energy charges and demand charges, and the rate design considerations for Time-of-Use Rates for General Service Large customers and conservation rates for residential class customers.

In Order 73/15, the PUB directed Manitoba Hydro to lead a collaborative process to develop a bill affordability program harmonized with Manitoba Hydro’s other programs supporting low income ratepayers. In addition, Manitoba Hydro has incorporated plans for developing a conservation rate design for residential customers, as part of its future PowerSmart programming initiatives. In December 2015, the Province of Manitoba announced “Manitoba’s Climate Change and Green Economy Action Plan” which requires Manitoba Hydro to develop a conservation rate structure to be brought before the PUB in its next General Rate Application.

Manitoba Hydro is currently working on both above noted initiatives. With respect to residential conservation rates, Manitoba Hydro is currently retaining an expert to prepare analysis and alternative rate options for consideration. These alternative rate option scenarios would consider appropriate levels for the Basic Monthly Charge, the level and size of the first energy block, and the level and degree of inversion for the run-off block.

Manitoba Hydro expects to engage stakeholders in the discussion of these alternative rate options later in 2016, and prior to the finalization of its next GRA filing before the PUB.

Given the potential intersection of issues with respect to customer bill affordability, Manitoba Hydro expects to take advantage of its current stakeholder engagement with parties on bill affordability programming and to have those parties provide input and feedback on the various rate design alternatives that may be prepared. Upon receipt of that stakeholder feedback, Manitoba Hydro would finalize its residential conservation rate design proposal and upon direction of the Manitoba Hydro-Electric Board, incorporate that proposal into its upcoming GRA.

Manitoba Hydro believes that this order of sequence is appropriate in light of past direction of the PUB (for bill affordability programming) and the current policy impetus to develop and introduce residential conservation rates to be examined by the PUB in the next General Rate Application.

We still have no strategy for conservation rates. It is now 21 years since the Public Utilities Board first ordered Manitoba Hydro to report back on rate design. It would appear that there are always other issues that command the attention of Manitoba Hydro in priority to the directions of the Public Utilities Board to provide a rate design that includes conservation rates. Green Action Centre urges the Board to include rate design in the scope this hearing. Further, the Board should rule upon the Minimum Filing Requirements submitted by Green Action Centre as a first step to consideration of rate design at this hearing.

### B. Bill Affordability

Green Action Centre has long lobbied the Public Utilities Board to deal with the issues of energy poverty and bill affordability. The Bill Affordability process and outcomes are reported in Appendix 10.5 of the filing. Manitoba Hydro has deferred any potential solutions to the Province. The position of Green Action Centre is that this Board has ruled on the question of bill affordability. This Board has determined that energy poverty and bill affordability are issues that are within the jurisdiction of the Public Utilities Board. Green Action Centre urges the Board to order that bill affordability issues are within scope and are to be dealt with at this hearing. Green Action Centre has proposed that the Bill Affordability working group be re-convened to finish its process and to present a report to the Board at the Hearing. The Board would then have the ability to make a ruling on approving a bill affordability plan that would serve poorer Manitobans and lessen the impact of rates that are increasing.

### C. Demand Side Management

Green Action Centre has been a vocal supporter of measures taken by Manitoba Hydro to promote energy efficiency. During past hearings, we have presented expert testimony that analysed the plans of Manitoba Hydro, made critiques where we thought it necessary, offered praise and support where we thought it deserving and offered suggestions for improvement where we thought it helpful.

Demand side management has traditionally been one of the most important issues for Green Action Centre at hearings before the Public Utilities Board. We have sponsored testimony from Philippe Dunsky jointly with our friends at the Coalition. We have presented evidence from Mr. Chernick.

Although the path forward for energy conservation is not clear at the present time due to the legislative changes affecting Manitoba Hydro, it is our view that the Board will still have to consider the issues involved in energy conservation at this Hearing. Green Action Centre intends to participate in that analysis. We expect that Mr. Chernick and his colleagues at Resource Insight Inc will be reviewing the energy conservation plans presented by Manitoba Hydro, will be offering their analysis and will be offering suggestions for improvement for consideration by the Board.

### **Summary**

Green Action Centre asks that the Board approve the application made by Green Action Centre to be an Intervener at this General Rate Application. We also ask that the Board rule that the issues of rate design and bill affordability are in scope for this Hearing.