



LEADERSHIP, ADVOCACY AND SERVICE FOR MANITOBA'S PUBLIC SCHOOL BOARDS

January 24, 2018

To: The Public Utilities Board of Manitoba

Re: Application by Manitoba Hydro for General Rate Increases through to 2024

Dear Colleagues:

Achieving balance in terms of the needs and requirements of an important Crown asset such as Manitoba Hydro, and promoting the public interest through the ability of Manitoba ratepayers to continue to address those needs and requirements, cannot be an easy task for the Public Utilities Board.

The Manitoba School Boards Association, representing the 38 public school boards in our province, can offer no real solutions in addressing the multi-billion dollar deficit that has been inherited by Manitoba Hydro, even as costs related to the completion of new hydroelectric infrastructure continue to reflect upward pressures as dictated by the local market. These twin factors are challenging to say the least and we understand, have directly led to Manitoba Hydro's present application for a general rate increase of 7.9 percent in each of the next six years.

While school boards cannot profess any particular expertise in resolving the twin challenges that are presently faced by Manitoba Hydro, our collective expertise is vested in the delivery of public education, which does speak to the important services that we receive from Manitoba Hydro. Keeping the lights on in our schools and our students and teachers warm in their classrooms, is our chief relationship to Hydro. To this end, we are very grateful for an in-province and Crown-subsidized supply of what to date has been relatively affordable electric and gas utilities.

Like Manitoba Hydro and the Public Utilities Board, all school boards remain accountable to our local ratepayers. Therefore, when we came to understand the scope of what has been proposed by Manitoba Hydro under the current application, we felt it necessary to make every reasonable effort to promote our shared accountability by conveying important information to you, as you finalize decisions concerning the proposed general rate increase. We seek to help you as members of the Public Utilities Board, to better understand how Manitoba Hydro's proposed general rate increase stands to impact our local public education system.

School boards are faced with only two options when it comes to budgeting in support of the needs of our students, staff and schools. It is the reality of a publicly funded education system that any additional cost that may be required to operate our schools, will need to be paid for by our local ratepayers. Sometimes however, it is not reasonable to expect the ratepayer to bear a particular additional cost, and there is no other alternative but for us to reduce the programs, supports and services that are so essential to the delivery of a quality public education.

Based on a recent poll of our membership, we have found that collectively, across all 38 school boards, total annual costs for hydro during the previous school year, 2016-17, were \$28.4 million (adjusted to account for application of the first general rate increase as of mid-year 2017 and also factoring in the goods and services tax exemptions that are discounted from Hydro rate assessments upon school boards). This total figure represents an annual contribution of approximately \$22.00 from every person who works and lives in this province. The reality is however, that not every Manitoban shoulders expenses within the public school system, and so this figure is actually much higher for each ratepayer.

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The proposed rate increase by Manitoba Hydro over the next six year period would increase our collective expenditures on hydro by an additional \$16.4 million, resulting in a total annual investment of \$35.00 from every Manitoban by the end of 2024. And here, once again, this figure would be much higher for the average ratepayer, given that not every Manitoban contributes to the education levies that would serve to address such an increase.

This \$13.00 difference would mean that Manitobans will have to pay more in hydro costs under the current application, beyond those expenditures normally required for their own homes and to run their own businesses. If combined with the application of the same 7.9 per cent increase to municipalities and other Provincially mandated public entities over the next six years, this will result in a far greater personal investment from the average ratepayer to fund Manitoba Hydro's overall needs and requirements than may otherwise be apparent based on the ratepayers' monthly hydro bill. This is because hydro costs as borne by the Province, by municipalities and by school divisions, are in fact borne through every ratepayers' tax bill. It is very important that this be taken into consideration under the current rate increase application.

School boards face tough budget decisions every year, and this includes growing inflationary adjustments on the price of the basic operating goods and services upon which we rely to produce educated graduates who can better meet the needs of our shared future. In setting their budgets, school boards are restricted from incurring deficits or overruns, even as the proportionate share of Provincial funding in support of school operating requirements, which also comes entirely from the Manitoba ratepayer, has also declined from previous years. We all reside in a world where resources are finite. Through their core responsibilities, school boards strive to maintain affordability of public education for all residents of Manitoba. Given that we already seek to reduce reliance upon our ratepayers when providing the current goods and services that we make available to students through our public schools, there is little option remaining for us when faced with substantial proposed increases to our basic operating costs but to reduce the level of programs, supports and services that we are able to provide. In this respect, \$16.4 million in additional annual expenditures on hydro province-wide, were the Public Utilities Board choose to approve Manitoba Hydro's proposed rate hikes, will come with a significant impact upon our children and their future, for it would necessitate the removal of \$16.4 million from existing programs, supports and services. We share this with the Public Utilities Board, as we feel that this also ought to be taken into consideration.

As public entities, school boards understand the challenges that are faced by Manitoba Hydro. However, given that we are also accountable to the ratepayer, we cannot understand any proposal that would seek to acquire nearly 50% more from these same ratepayers through to the end of 2024. We feel that it is important for all public entities to avoid imposing added burden upon what the Manitoba ratepayer can afford to contribute towards the sustainment of our current way of life. In this final respect, we would encourage the Public Utilities Board to adopt a more restrained and gradual approach to the increases that have been proposed by Manitoba Hydro. This would ensure that this vital Crown asset continues to provide quality services to Manitobans in terms of its own goods and services, while not compromising the ability of other public entities, such as school boards, to deliver their own quality goods and services to residents. School boards recognize that we all have a share in the future of Manitoba Hydro and its ability to address the twin challenges it faces. Adopting a more gradual rate increase over a longer period of time would certainly assist school boards in sustaining any increase that may contribute towards meeting Manitoba Hydro's needs and requirements, while at the same time avoiding significant impacts to public education programs, supports and services for children and their communities across our province.

Sincerely,



Ken Cameron
President