

IBEW Local 2034



Presentation to the Public Utilities Board

February 1st, 2018

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I would like to thank the board for allowing the IBEW to present here today. By way of introduction, I'm Mike Velie, Business Manager of Local 2034 of the International Brotherhood of Electrical Workers. I'm here today to speak in **partial support** of Manitoba Hydro's rate application.

While a rate increase for Manitoba Hydro is necessary for a variety of reasons, the most compelling of these is the safety of Hydro's employees and its customers. Hydro has a responsibility to provide safe hydro-electric power to Manitobans, and to protect this renewable resource and its environment. This takes pro-active thinking and planning on the part of everyone involved.

Hydro has been following this Board's direction to find internal efficiencies. A side effect of this has been that Hydro has had to adopt practices that have proven dangerous to both its employees and its customers. As has been widely broadcast, Manitoba Hydro has recently gone through an exercise to reduce its staff complement by 900 employees. What is not as widely publicized, is the ever-increasing number of "safety incidents" and resulting "incident investigations" that now take place.

In 2017 no less than 67 individual "safety incidents" were reported and investigated. This does not take into account any safety infractions that occurred and were not formally reported and scrutinized. When reviewing these different incidents, an alarming trend has become evident. More and more, lack of "*situational awareness*" and "*experience*" have been identified as major contributors to the safety incidents and/or "near miss" events.

Evidence shows that employees are feeling pressured to accomplish more and more work, with fewer resources to complete the required tasks. The

end result is that shortcuts are developed to keep pace with increasing demands, and the necessary focus on “safety” gradually gets lost because of the ever-mounting pressure to “do more with less.”

Safety for employees in the workplace, and safety for customers paying for our public utility, are not luxuries, nor are they negotiable. A portion of Manitoba Hydro’s requested rate increase needs to be granted, but under specific conditions. While the Board is not in the habit of directing how Manitoba Hydro should run its business, the time has come to impose certain constraints on Hydro’s operations in the public’s best interest. To date, the Board has treated the term “public’s best interest” as synonymous with “reducing costs”. It is now time to recognize that the public interest cannot be defined so narrowly, as to exclude anything other than monetary consideration.

The IBEW Local 2034 recognizes the importance of fiscal prudence and is not trying to make light of monetary concerns that have been identified by the Board and the government. We feel that sound financial stewardship must always remain an important emphasis of the Board, and I will comment on this later.

Hydro repeatedly asserts that “the work is not going away”, and that “we have more work than we can manage”. In view of these admissions, it would be irresponsible for this Board to allow the Corporation to further gut its workforce and, by so doing, to advance its inability to foster the culture of safety that is critical to its employees and customers. Approval of Manitoba Hydro’s rate application can help prevent further erosion of safety in the workplace, but it won’t unless this Board has the courage, wisdom, and political fortitude to direct the Corporation to maintain its workforce numbers, and to find other financial efficiencies to control ballooning costs.

Earlier I mentioned “sound financial stewardship”. At present, the reigning practice to appear “prudent” has been to reduce expenditures. This has been carried out in a “*slash and burn*” manner, concerned only with reducing final numbers on particular budgetary expenditure lines. No thought appears to have been given to implications and side effects of such a rudimentary approach. Witness the recent Voluntary Departure Program implemented at Manitoba Hydro in response to this Board’s direction to “reduce” expenditures. A percentage target was established to meet some established numerical requirement, and no further thought was put into the process. As a result, Manitoba Hydro now finds itself in a situation where, uncontrolled reduction in human resources have all but crippled the utility’s ability to perform the work and to provide the services, that are its primary mandate. A program which encourages and supports the gutting of entire work units, department, or locations, without any plan for how those areas will continue to function, is “knee-jerk” at best, and irresponsible at worst.

At Manitoba Hydro’s last rate hearing we appeared before this body to argue in favour of the application. At that time, we raised our concerns with flagrant inefficiencies within the Corporation. One such concern was the use of contractors to perform work where the Corporation had insufficient human resources to meet the demand. In our presentation, we highlighted the many weaknesses and negative aspects of Manitoba Hydro’s inability to train sufficient numbers of employees needed to carry out its work. We also highlighted a number of safety concerns that this deficit created.

Whenever work in excess of Hydro’s manpower capacity becomes necessary, the only recourse left to the Corporation is to rely on contractors with less training to perform work on our generating stations and our distribution systems

While using contractors gets the work done, it is invariably performed by people who have not been trained to the same level and standard, or in the

same way, as Manitoba Hydro employees. As well, contractors do not have the same commitment to Manitoba Hydro as do Hydro's own employees. Contractors have no ownership of, and do not have to live with the system every day.

We have seen many examples of contracted work that does not come up to the standard expected and required of Manitoba Hydro employees. When contractors leave substandard work behind, it is Manitoba Hydro employees and customers who have to deal with it.

Today, while Hydro seeks another massive infusion of capital from Manitobans to cover its costs, it continues to increase its use of out of province contractors to get its work done. While more money may indeed be needed, it should be used to the maximum benefit of Manitobans within the province. Funneling millions of dollars to contractors who then take that money (and all of its economic spin-offs) to other provinces, is working against the best interests of Manitobans. Putting Manitobans to work, maintaining the workforce, and increasing workforce numbers where needed is the responsible way forward. This board needs to guide the Corporation in this direction.

While the government and Manitoba Hydro fly the banners of "fiscal responsibility" and "efficiency", there is a notable lack of creativity and innovation in their strategies. Everyday we see the results of an operating model that has gravitated to basing every decision and calculation solely on "cutting costs". As an example, Manitoba Hydro managers have long said that engaging outside contractors is two to three times more expensive than doing the work in house. Yet despite this knowledge, no-one has attempted to create a more "efficient" or "responsible" solution to the problem.

To back up this statement, I refer the Board to the terms of contracted work on the Winnipeg River system in 2015/16. During that period, Manitoba

Hydro paid the Contractor \$6,034.00 per calendar week for the services of Journeyman Millwrights. Meanwhile, Manitoba Hydro staff with the same credentials would have cost the Corporation \$2008.03 inclusive of all benefits, for the same week. Manitoba Hydro willingly paid **three times** what it would have cost to use in-house labour.

#Journeypersons	Contractor	In-house	Ratepayer Savings
1	\$6034.00/week	\$2008.00/week	\$4026.00/week \$209,352/year
100	\$603,400/week	\$200,800/week	\$402,600/week \$20.1 Million/yr
200	\$1,206,800/week	\$401,600/week	\$805,200/week \$40.2 Million/yr

This Board has the power to grant Manitoba Hydro's rate application. It also has the power (as per Section 77 of the Public Utilities Board Act) to place restrictions and conditions on the Corporation in return for approval of any rate hike.

It is inconceivable that this Board would grant Manitoba Hydro any rate increase it requests without attaching specific requirements to ensure that the Corporation's business practices going forward, will truly protect Manitoba ratepayers from fiscal irresponsibility under the guise of economic restraint. Declaring that salary and benefit costs will be lowered by reducing the in-house employment count, and then paying three times as much to fulfill ongoing work requirements is nothing short of fraudulent.

Manitoba Hydro, like every other business, is a closed system. Taking money from one area to pay for work in another is not a real savings. It's a "shell-game." If this Board is seriously concerned with the sustainability of

Manitoba Hydro, it will mandate practices that will require the utility to maximize the value of every dollar spent.

If current practices continue, and if there is no access to additional revenues, Manitoba Hydro's plight will likely worsen. Reducing employee numbers as a "cost-cutting" strategy will only exacerbate the problem. Making up for the loss in employee numbers, by paying three times normal costs, will simply reduce by 2/3, the amount of work that could be accomplished in-house, if the appropriate staff complement was in place.

A rate increase is necessary to help Manitoba Hydro overcome its manpower shortage, and to reduce safety risks to persons and property. But such a rate increase by itself could further put the utility at risk for Manitobans, unless accompanied by some firm direction. Simply throwing more money at the problem will not have the desired effect of maintaining affordable hydro-electric rates in the province. Granting the requested increase without conditions will give Manitoba Hydro *carte-blanche* to continue current practices without any critical analysis of best practices. By so doing, this Board runs the risk of becoming an "enabler" of poor practice, rather than a "protector" of the Hydro's sustainability for all Manitobans.

This time, our support for Hydro's application is for one year only. It would be imprudent to grant a 40% rate increase over 5 years without any check-stop along the way to insure that the increased burden to Manitobans is having the desired effect. Any further rate increases should be requested through this Board on the basis of demonstrated need. Our support is also contingent on the Board exercising its discretion in requiring the utility to curtail any further reduction in staffing levels, and to explore creative options for reducing the exorbitant costs of engaging contractors. Where such options exist, and where costs are kept to a minimum without compromising safety and reliability, the Corporation needs to be directed to use them.

As an example, Manitoba Hydro retirees who have the training, skills, and ability to perform the work and who express an interest in performing work for the utility could be hired as term employees at far more competitive rates. An added bonus here is that the quality of work, the sufficiency of training, and the familiarity with the Hydro system, would all be known by Corporation when engaging retirees as potential contractors. And of course, there would be no ongoing liability for benefits, or for further placement beyond the contract's expiry. This is but one example of a creative approach to reducing costs while getting the work done. There are no doubt others, and Manitoba Hydro must be directed to explore these and use them wherever possible.

At the outset I stated that a rate increase for Manitoba Hydro needed to be approved for a variety of reasons, and not just for safety. A second and related reason is for the protection of the system's *reliability*.

Without a rate increase, Manitoba Hydro's restricted ability to employ sufficient numbers will continue. This will insure that Hydro does not keep up with infrastructure maintenance and this will in turn continue directly impacting the reliability of electrical service to Manitobans.

A third reason why Manitoba Hydro's application needs to be granted is to ensure that the electricity Manitobans enjoy is provided to them at an *economical rate*.

Unfortunately, what we're seeing now are the fruits of merely interpreting "economical" to mean "cost cutting." We're already seeing Hydro's projection of huge rate increases for the next 5 years. If any part of the current application is granted, the Board needs to direct Hydro to use it in such a way that further escalation in rates is kept in check. Otherwise, the

Board is simply going to establish a pattern of “charitable giving” to Manitoba Hydro, on the backs of Manitobans.

We appreciate the important role that the Public Utilities Board plays as a regulatory body charged with protecting the interests of all Manitobans. However, as with all complex organizations, Manitoba Hydro needs to have more than one instrument in its toolbox. If the only requirement placed on Manitoba Hydro to balance its books, is to come before this body requesting a rate increase, then the system is broken. Likewise, if this Board determines that it will only simply decide whether to grant the application or not, then it is crippling the utility.

In closing, Mr. Chairman, we urge the Board to go beyond simply approving “Carte Blanche” or rejecting this application, and to truly help Manitoba Hydro by providing it with the direction it needs to regain its fiscal health, without compromising the safety of employees and customers, and without diminishing the reliability and affordability of power in the province. By so doing, the Board will render all Manitobans the highest level of service.

Thank you.

A handwritten signature in blue ink, appearing to read "Mike Velie".

Mike Velie

Business Manager

IBEW Local Union 2034