



Social Planning Council of Winnipeg

est. 1919

432 Ellice Ave, Winnipeg, Manitoba R3B 1Y4
Telephone: (204) 943-2561 | Fax: (204) 942-3221
E-mail: info@spcw.mb.ca | Website: www.spcw.mb.ca

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Submission from Social Planning Council of Winnipeg to the Public Utilities Board of Manitoba (Manitoba Hydro 2017/18 & 2018/19 General Rate Application)

Proposed rate increase puts Manitobans at greater risk of energy poverty

Access to heat, light and electricity are modern amenities most Manitobans take for granted. When power is interrupted, even briefly, we are reminded of our dependence on the electricity and heating fuels provided by Manitoba Hydro to meet our everyday needs. Although Manitoba Hydro provides affordable and reliable heat and electricity for most residents, thousands of Manitobans pay energy bills that put them at risk of energy poverty. If Manitoba Hydro's latest proposed rate increase is approved, it will mean many low income Manitobans will be forced to choose between keeping their power on and paying for other basic necessities.

Manitoba Hydro has filed its 2017/18 and 2018/19 General Rate Application announcing its intention to seek a 7.9 percent rate increase this year. If approved, this would mark the largest rate increase in a generation. The Manitoba Hydro board has also indicated that this would be only the first in a series large rate increases that would raise the price of electricity by 60 percent by 2024. These increases put at risk the affordable energy advantage Manitobans have enjoyed for many years. This regime change of energy prices will hit low income Manitobans hard.

The Public Utility Board (PUB), the independent body which reviews rates, should consider what impact these proposed rate increases will have on the economy, on Manitoba households, and especially low income Manitobans. The Manitoba Government should consider its role in protecting residents from unaffordable price increases, which would intensify energy poverty and act as a drain on the Manitoba economy. Alternatives are available which would preserve the affordable energy advantage Manitobans from which all Manitobans benefit.

The energy dilemma: risk vs affordability

Electricity rates in Manitoba are currently among the lowest in the continent. Of major North American markets, only Quebec offers more affordable electricity for most residential customers. Manitoba's advantages of plentiful hydro power and its publicly owned utility have kept rates low for most customers. This provides a benefit to households, contributing to the affordability of living in Manitoba, despite the province's continental and subarctic climate zones with very cold winters and hot summers. The proposed increases would place Manitoba closer to the middle of the pack for electricity rates across Canada.



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Manitoba Hydro should avoid eroding the advantages we currently have. The proposed electricity increases will do exactly that. Manitoba Hydro has stated that the increases stem from rising costs of new power generation and an ambitious development program that has included the construction of three proposed major new hydro-electric generating stations, a new Bipole transmission line from the north, a pair of DC/AC converter stations and a new transmission line to the United States. These projects are being planned or constructed during a time of rising construction costs. At the same time, energy prices in the US are lower than predicted. Reduced exports have been driven by changes in fracking technology that brought down natural gas generating costs and also by the lingering effects of the 2009 global recession that caused Midwest industrial demand to plummet. A 2016 report commissioned by Manitoba Hydro conducted by the Boston Consulting Group warned that the ratio could fall as low as 9 per cent under the current building plan.

This combination of factors has put fiscal pressure on Manitoba Hydro. Manitoba Hydro has opted to deal with these cost constraints with an application for higher residential rates. The 2018/2019 application is one path for Manitoba Hydro to deal with its current fiscal situation. Increased residential rates have the potential to reduce the risk burden on the crown corporation. Unfortunately, this plan will pass on those risks to Manitoba households, and pose dangerous risks to the wider economy. It is up to both government and the Public Utility Board to take a broader perspective on the impacts of rate increases to all Manitobans.

We argue that alternatives are available. Firstly, Manitoba Hydro should explore ways to reduce the need for new large scale generation. Investments in demand side management, supplemented with geothermal solar and wind resources could reduce the need for new hydro-electric capacity. Secondly, to the extent that new revenue is needed, Manitoba Hydro should explore the way cost increases are distributed among different classes of consumers. In particular, large scale industrial users should bear a larger share of the cost burden in Manitoba. Finally, Manitoba should consider a low income hydro affordability program. Such a program could be either rate-payer funded or receive support from the provincial government to protect households from energy poverty.

Energy rates

Manitoba has among the lowest energy rates for residential customers in Canada. The chart below compares typical monthly bills in cities across Canada. Only Montreal is lower than Winnipeg. Although energy rates in Manitoba are low compared to other jurisdictions, average figures conceal the wide disparities in cases. According to the Manitoba Hydro's 2014 Residential Energy Use Survey, bills vary by fuel source, income, tenancy and geography. Households heating with gas can expect to pay \$1,950

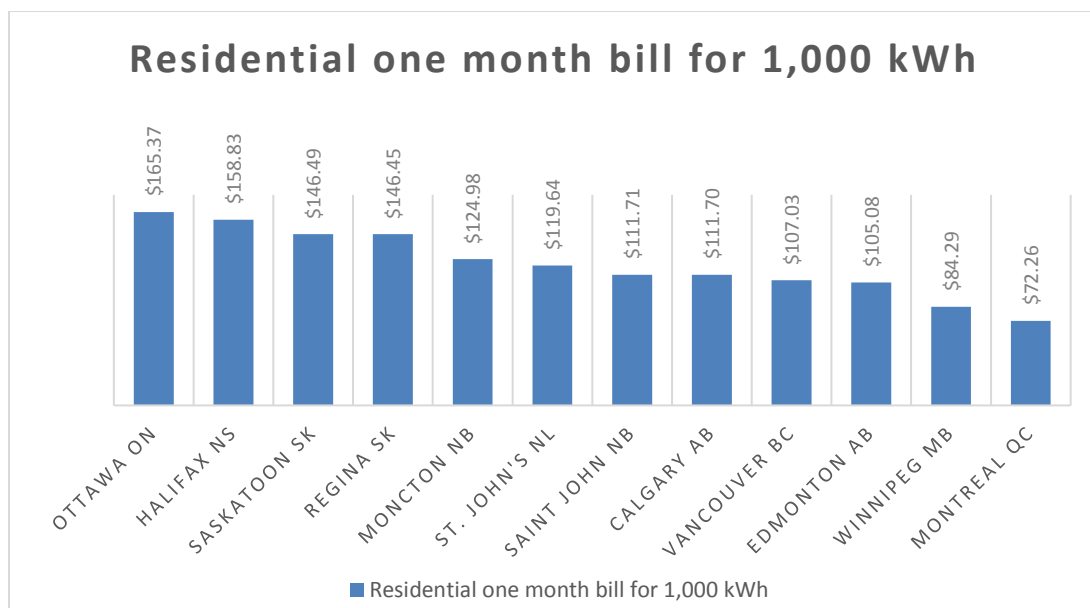


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per year, while all-electric customers pay an average of \$2,133. Customers with shared heating (predominantly renters in multi-unit buildings) pay an average of \$435 annually. While most households in Winnipeg, Brandon and other urban centres in southern Manitoba have access to gas heating, much of rural and northern Manitoba is off the gas grid, leaving fewer options for reducing energy bills through fuel choice. Customers in northern Manitoba also experience much colder winters, with nearly double the rate of degree days of cooling (a standard measure of heating needs) compared to southern parts of the province.



Source: Manitoba Hydro.

https://www.hydro.mb.ca/regulatory_affairs/energy_rates/electricity/utility_rate_comp.shtml

Despite these low rates, many Manitoba Hydro customers experience energy poverty. In qualitative terms, energy poverty is defined as “circumstances in which a household is, or would be, required to make sacrifices or trade-offs that would be considered unacceptable by most Manitobans in order to procure sufficient energy from Manitoba Hydro.”¹ In plain terms, this means that households are choosing between buying groceries or other basic necessities and paying their electricity bill. This is too often the case for many Manitoba low income households.

In 2016, a working group of Manitoba Hydro, interested stakeholders, and community members, including Social Planning Council of Winnipeg was convened to study the

¹ Prairie Research Associates. 2017. *Bill Affordability Research Services Final Report*. Winnipeg: Bill Affordability Working Group.



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problem of bill affordability in Manitoba. The resulting Bill Affordability working group defined energy poverty in quantitative terms as households with income below 125 percent of the Winnipeg low-income cut-off, and which spend more than 6 or 10 percent of their monthly income on energy costs. At the 6 percent threshold, approximately 9.7 percent of low income households in Manitoba experience energy poverty according to the research conducted by Prairie Research Associates. If rates increased by 7.95 percent for four years, they modelled that the number of households in energy poverty would increase by 40 percent.² The proposed changes would increase the poverty experienced by thousands of Manitoba households.

Options: Expanding energy efficiency programs

Manitoba Hydro should explore other options before burdening low income households with unaffordable energy costs. One option is to invest in energy efficiency of existing homes. Programs like BUILD and Manitoba Green Retrofit have shown enormous promise in reducing the burden of low income households, increasing energy efficiency while at the same time providing jobs and training for people with barriers to employment.³ The cost of improvements in energy efficiency is two to eight times cheaper than equivalent investment in built infrastructure.⁴ These programs should be scaled up. While Manitoba Hydro supports a pilot program in the William Whyte neighbourhood to help inner city homes transition to higher energy efficiency there are low income households in other parts of Winnipeg and across the province that could benefit from the program. Moreover, some of the constraints in the program, such as difficulty reaching homeowners and inability of households in arrears to access 'Pay As You Save' programs mean that the reach of efficiency programs is not as extensive as they could be.

Manitoba Hydro should explore ways to expand and improve its energy efficiency programs. These investments will rebound doubly through reduced impact of energy cost increases on low income households and through reduced energy use.

Options: better balance of industrial and residential rates

To the extent that increases in rates are needed, the PUB should not authorize rate increases that unfairly disadvantage the lowest income customers. As we saw above, Manitoba has among the lowest electricity rates in the country. This is true of average residential customers, but it is even more true of the largest industrial energy customers.

² Ibid. p. 51.

³ Fernandez, Lynne. 2016. How Government Support for Social Enterprise Can Reduce Poverty and Green House Gases. Winnipeg: Canadian Centre for Policy Alternatives.

⁴ Dunsky, Philippe. 2013. Manitoba Hydro's Power Smart Plan. Winnipeg: Green Action Centre and Consumers' Association of Canada



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Manitoba has the lowest electricity rate for large scale industrial users of eight power companies identified by Manitoba Hydro.

General service large (industrial) – 1 month bill for customer-owned transformation service at transmission voltage exceeding 100 kV⁵

Utility	100,000 kW/kVA 62,000,000 kWh
Nova Scotia Power	\$5,619,960
NB Power	\$4,631,000
SaskPower	\$4,465,355
Hydro Ottawa	\$3,055,761
BC Hydro	\$3,845,142
Hydro Quebec	\$3,028,740
Newfoundland & Labrador Hydro	\$3,026,500
Manitoba Hydro	\$2,636,460

In all provinces, large industrial consumers receive large discounts compared to residential consumers. In some, the discount is greater than others. While a Montreal resident pays a 44 percent premium compared to large industrial users in Quebec (\$70.70/1000 kWh compared to \$48.85/1000 kWh), a Winnipeg resident pays over double the rate of the industrial user in Manitoba (\$87.12/ 1000 kWh compared to \$42.52/ 1000 kWh). This inequity puts unfair pressure on residential consumers compared to industrial consumers and is particularly detrimental to low income households.

Increase Bill Affordability Assistance

Finally, to the extent that the PUB approves residential rate increases, Manitoba needs a more robust low-income hydro affordability program. Such a program could be either rate-payer funded, or as in Ontario, receive support from the provincial government to protect households from energy poverty.

This option was considered by the Bill Affordability working group but ultimately set aside. The cost of the program was estimated at anywhere between \$3.5 million and \$36.7 million depending on how generous the program was and how it is designed. The most robust program, called the Percentage of Income Payment Plan would

⁵ Manitoba Hydro Website: https://www.hydro.mb.ca/accounts_and_services/rates/electricity-bill-comparisons.shtml#lgs-industrial



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effectively eliminate almost all energy poverty by providing a benefit up to the amount of the affordability gap. If this program were funded through residential rate payers only, it would raise rates by between \$1.69 and \$4.59.

This plan did not receive consensus from the Affordability Working Group partly due to its cost on other residents. At that time however, the size of rate increases being proposed by Manitoba Hydro was much smaller. Given these new circumstances, and the higher rates of energy poverty that would result from 7.9 percent rate increases, we hope that Manitobans would reconsider measures to reduce energy poverty. We recommend that the rate burden of any measures to reduce poverty be shared among all classes of consumers. We all benefit from our shared energy resources, we must all pay the cost to ensure they remain affordable for everyone.

I, Josh Brandon, do hereby certify that the evidence, information and documentation filed as a written presentation in Manitoba Hydro's 2017/18 & 2018/19 General Rate Application is true.

Josh Brandon, Community animator, Social Planning Council of Winnipeg
432 Ellice Ave, Winnipeg MB
R3B 1Y4
204 943-2561 ext 1230