

AN OPEN LETTER TO MANITOBA PREMIER HEATHER STEFANSON AND ALL MLAs

KILL BILL 36: NOT IN THE BEST INTEREST OF MANITOBANS

Thursday, July 14, 2022

Premier of Manitoba, The Honourable Heather Stefanson
premier@leg.gov.mb.ca

Minister of Finance, The Honourable Cameron Friesen
minfin@leg.gov.mb.ca

All Members of the Legislative Assembly

Dear Premier Stefanson, Minister Friesen and Members of the Legislative Assembly:

We call on you to withdraw Bill 36 (*The Manitoba Hydro Amendment and Public Utilities Board Amendment Act*) from the agenda for the 2022 Fall Legislative Session. We urge you do so because this is the third attempt by the Manitoba government to intervene in the independent rate setting of our monopolies (Bill 44, Bill 35), and the same red flags remain in this problematic piece of legislation as the previous two bills.

Bill 36 is not in the best interest of Manitoba consumers. We reject political control of our crown corporations and value a strong Public Utilities Board (PUB) that holds timely public hearings on Hydro/Centra Gas rates and operations. We urge all MLAs, from all parties, to reject Bill 36. It is a step backwards for our province.

The Consumers Coalition has the following serious concerns on behalf of all Manitoba citizens:

- **Accountability:** Bill 36 once again limits the authority, transparency and effectiveness of the PUB. It gives politicians the power to make decisions effecting our Hydro and Natural Gas rates behind closed doors. No matter which political party is in power, this is a bad process for consumers. Even more concerning, politicians will have the power to make more rules behind closed doors after Bill 36 is passed, for instance, on natural gas operations.
- **Community engagement:** Bill 36 allows the government to interfere with the budgets given to intervenors by the PUB in rate processes. Intervenors have historically had the opportunity to apply to the PUB to have their costs paid for so the PUB could hear from groups representing consumers, low-income households, vulnerable Manitobans and remote First Nations. Under Bill 36, the Minister has ultimate approval over any financial support for intervenors. This risks less public participation in the PUB hearings, especially from historically disadvantaged groups. It is important to remember that crown corporations belong to all Manitobans, and we have the right and responsibility to participate in the decisions that will impact us. Closed door, government decision-making is a sign of an unjust consumer marketplace.

- **Value:** PUB hearings are cost-effective and provide good value for taxpayers. The Hydro hearings, for example, cost a typical residential customer \$2.50 extra on their bill per year. That same customer saved \$50 per year on their Hydro bill annually as a result of the PUB hearing (2017-2019 three-year average).
- The Manitoba government is not correct in stating publicly that Hydro hearings cost \$10 million annually. *(It's not in our interest, on an annual basis, (to have) a hearing that costs \$10 million," Finance Minister Cameron Friesen said. "That's a significant cost that could go to keeping rates lower." March 23, 2022 Canadian Press)*
- In fact, documents filed by Manitoba Hydro with the PUB last week (July 8, 2022) show that the average cost of the last 5 Hydro rate hearings is less than \$5 million annually.¹
- Only one year jumped above this average, when Manitoba Hydro was asking for a large rate increase of 7.9% and numerous expert testimonies were required. This was a once in a generation event including, at the government's request, a special examination of large capital projects. The result was a much lower PUB-sanctioned increase of 3.6%, saving Manitoba ratepayers more than \$50 million annually.
- **Public opinion:** Bill 36 ignores what Manitobans want. The majority of Manitobans (69%) consistently say an independent board should set rates charged by our Crown Corporations. Only 5% of Manitobans say the politicians should have this authority, according to a recent poll by Probe Research (June 2022). Public support for the PUB independent process has increased: A similar Probe Research poll in September 2020 found 52% prefer to give an independent, arm's-length commission or board the power to set rates charged by Crown Corporations and 8% of Manitobans said politicians should have this authority.
- **Financial gymnastics:** Bill 36 hamstring Hydro: on the one hand, it enshrines inflexible debt targets that Hydro must meet. And on the other, it limits what Hydro can charge customers to pay down its debts. This fiscal pretzel can come back to haunt Hydro customers. Manitobans may be forced to pay much more on Hydro bills down the road.

Manitoba Hydro can and should also be tightening its belt internally. Instead, administrative spending has steadily increased, with 2022/23 costs forecast to exceed 2019/20 levels by over 16%. That kind of spending spree is not sustainable. Under Bill 36, the PUB will lose much of its authority to reduce rates in response to imprudent expenditures.

- **Big picture engagement:** Bill 36 comes at a time when Manitobans are in the dark about Hydro's finances and future plans. In August 2021, the PUB agreed with the Consumers Coalition that Hydro must share up-to-date financial information with customers in a public process. That has not yet happened.

¹ (PUB/MH (1 a- e) shows a five-year average regulatory cost outlay of \$4.72 million per year. If internal staff costs are eliminated, the five-year average regulatory cost is 2.887M. PUB MH (1-3 c -f) shows that additions for regulatory costs (Manitoba Hydro's cash outlays for regulatory costs) over the last eight years are on average \$2.921 M per year. The eight- year average for the amount recovered in rates or cost to ratepayers (amortization of regulatory costs) is \$2.757 M. Elected officials set rates in one of those years.

- In February 2022, the Manitoba government announced it is developing a new, long-term energy policy framework for the province. Dunsky Energy + Climate Advisors has been hired to engage stakeholders. Hydro is key to our energy future, so it does not make sense for Bill 36 to go forward before the Dunsky report is released and examined by the public. The spring 2022 Probe Research survey finds only 18 per cent of Manitobans are aware a new energy policy framework is in development.

We ask each of you to think deeply about the strength that comes from a stable, evidence-based, transparent process. The PUB has served Manitobans well since 1913 as an independent, impartial, transparent and evidence-based watchdog, acting in the best interests of all Manitobans. All PUB hearings are open to the public and webcast. The PUB process provides a critically important opportunity for all parties to fully understand each other's interests and needs. This robust process leads to better decisions on behalf of all Manitobans, while providing a positive environment for transparency and accountability within our Crown Corporations.

The Consumers Coalition respectfully requests a written response to this Open Letter from Premier Heather Stefanson in a timely manner.

Thank you,

The Consumers Coalition includes Harvest Manitoba, the Consumers' Association of Canada (Manitoba), and the Aboriginal Council of Winnipeg, represented by the Public Interest Law Centre (PILC). PILC also represents Community Financial Counselling Services (CFCS) before the PUB on payday lending matters.

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attached: Probe Research survey June 2022