



Manitoba Metis Federation Inc.

Closing Submission –
2014/15 & 2015/16 General Rate Application



Introduction

- **Manitoba Metis Community**

- Form significant portion of Manitoba's total population
 - 140,000 individuals (est.) (MMF-Exhibit #3)
- Many residing in rural areas

- **Manitoba Metis Federation**

- Promotes, protects and advances diverse interest of its citizens
- Particular focus in this proceeding is the interest of its low income citizens residing in non-gas areas (“all-electric customers”)



Rate Impact – Affordability

- Manitoba Hydro seeking significant rate increase
- Rate increases have larger impact on consumers than simply an increase in utility bills
- Hydro is projecting 20 years of significant rate increase (Appendix 3.3 pg. iii)
 - Over double the rate of expected inflation (PUB-II-47)
- Competitive rates \neq Affordable rates
- For low-income consumers the rate of change just as important as absolute level of rates (Colton at transcript pg. 3356)



Rate Impact – All-Electric

- Rate increase has disproportionate impact on all-electric customers
 - \$3.20 monthly (\$38.40 annual) increase for standard electric customer
 - \$6.11 monthly (\$73.32 annual) increase for all-electric customer (Tab 2 pg. 12)



Rate Impact – All-electric

- Present disparity between standard electric and all-electric customers – PUB-II-58b at pg. 2

Average Annual All-Electric Bill:

YEAR ENDING	ANNUAL ELECTRIC BILL	
	AVERAGE YRLY KWH	ANNUAL ELECTRIC BILL
2015	24,913	\$1,926
2016	24,776	\$1,992
2017	24,693	\$2,064
2018	24,601	\$2,138
2019	24,501	\$2,213
2020	24,419	\$2,293
2021	24,341	\$2,377
2022	24,280	\$2,465
2023	24,230	\$2,557
2024	24,192	\$2,654

Average Annual Standard Electric (Non-Electric Heat) Bill:

YEAR ENDING	ANNUAL ELECTRIC BILL (Non-Heating)		ANNUAL NATURAL GAS BILL		TOTAL ANNUAL ENERGY BILL
	ANNUAL KWH	ANNUAL ELECTRIC BILL	ANNUAL m3	ANNUAL GAS BILL	
2015	10,377	\$853	2,271	\$766	\$1,619
2016	10,412	\$890	2,232	\$755	\$1,645
2017	10,484	\$931	2,188	\$744	\$1,675
2018	10,538	\$972	2,176	\$741	\$1,713
2019	10,577	\$1,013	2,166	\$738	\$1,751
2020	10,625	\$1,058	2,159	\$736	\$1,794
2021	10,663	\$1,103	2,150	\$734	\$1,837
2022	10,706	\$1,151	2,143	\$732	\$1,883
2023	10,749	\$1,253	2,109	\$723	\$1,926
2024	10,794	\$1,253	2,077	\$715	\$1,968

- Gas rates have decreased May 1, 2015 by 1.7% and gas prices expected to require long recovery time (Transcript pgs. 2792 - 2593, 3180 - 3182) (Order 43/15)



Rate Impact – All-Electric

- Board has noted disparity in bill amounts for all-electric customers

While some ratepayers have the option to switching to gas heat if electricity gets too expensive, this option is not available to many other Manitobans to whom gas is not available. These customers will be especially affected by rising rates, as they are dependent on electricity to meet their heating needs” (NFAT Final Report at pg.29)



Rate Impact – Low Income All-Electric

- 71,737 rural all-electric customers of which 26,589 are LICO-125 (37%)
(GAC-I-66-ci-vi at pg.3)
 - Total number of LICO-125 customers in Manitoba comprise 24% of total residential customers
(MMF-I-24 att. 2 pg. 4 and MH-Exhibit #64 pg.9)
- Average percentage of accounts in arrears is 29.4% and 17.9% for residential-Northern and all-electric (no-gas areas) customer segments respectively
 - Only 12.2% for entire residential sector
(Transcript pg. 3195-3196)
- Average percentage of arrears accounts greater than 90 days in arrears is 45.1% and 34.2% for residential-Northern and all-electric (no-gas areas) customer segments respectively
 - Only 21.8% for entire residential sector
(MMF-I-45a(rev) pgs. 1-3 and 4)



Rate Impact – All-Electric Summary

- 1. Significant demarcation between the bills of all-electric and standard electric customer
- 2. Gap likely to expand in future as Hydro projects electricity rates to increase significantly over next 20 years and gas prices forecasted to endure long recovery period
- 3. All-electric customers experiencing greater financial strain as compared to residential customer segment
 - Greater percentage of accounts in arrears
 - Greater percentage of accounts 90+ days in arrears



Mitigation Factors All-Electric

- Board has noted in past the importance of using DSM as a tool to mitigate impact of rate increases:

“Given an outlook where rates are forecast to more than double over the next twenty years, which is twice the expected level of inflation, the Board is of the view that Manitoba Hydro should be providing ratepayers with the tools to mitigate their exposure to rising electricity bills through Demand-Side Management.”
(Board Order 43/13 at pg. 44 – see also pg. 3 of Order 43/13)

- The Board has also noted that DSM can lead to lower utility bills even with an increase in rates

“For consumers, DSM is attractive as it can lower their total consumption of energy, which mitigates the impact of higher rates. Consumers who fully avail themselves of DSM measures have the potential to lower their total energy bill even as rates increase.”
(NFAT Final Report at pg. 21)

- Hydro has also noted the importance of DSM in terms of reducing a customer’s utility bill

“Manitoba Hydro’s overall strategy to mitigate bill impacts for its customers involves Demand Side Management, bill management and emergency financial assistance...”
(MMF-I-41 at pg. 2 – TAB 20)

- Important to note, however, that some DSM program spending and benefits may have differing impacts on customers



Mitigation Factors – All Electric

- Board has expressly and repeatedly recommended to Hydro to increase its DSM efforts with respect to vulnerable customers

“...continue and increase its efforts with respect to the Lower Income Energy Efficiency Program, as low income individuals will find it more difficult to meet ever increasing energy rates contemplated in Manitoba Hydro’s rate increase forecast.
(Board Order 42/13 pg. 7)

“A significant concern of the Panel is the impact of Manitoba Hydro’s projected rate increases over the next 20 years on lower income and vulnerable customers. The Panel notes that DSM measures can help customers mitigate the impact of expected rate increases on their bills. The Panel is of the view that until a new independent arm’s length entity is established to implement DSM programs, Manitoba Hydro should continue to address barriers to lower income customer participation in Power Smart Programs.”
(NFAT Final Report at pg. 94).

“Given the length of time projected for these rate increases and their magnitude, especially in the early years, the Panel is concerned about intergenerational fairness and the impact on vulnerable residents and communities. Lower income consumers, particularly those in northern and aboriginal communities where energy choices are limited or non-existent, will especially feel this impact.”
(NFAT Final Report pg. 252)

- Government of Manitoba has provided similar recommendation to Hydro

“...we are requesting that the Manitoba Hydro-Electric Board oversee a special priority initiative to develop and implement without delay enhancements to DSM programming in areas identified as priorities in the NFAT review, including special outreach to low income families, Aboriginal and northern communities and customers presently excluded from eligibility due to overdrawn accounts”.
(MH-Exhibit #45 - Attachment 1 pg. 5)



Mitigation Factors – All-Electric

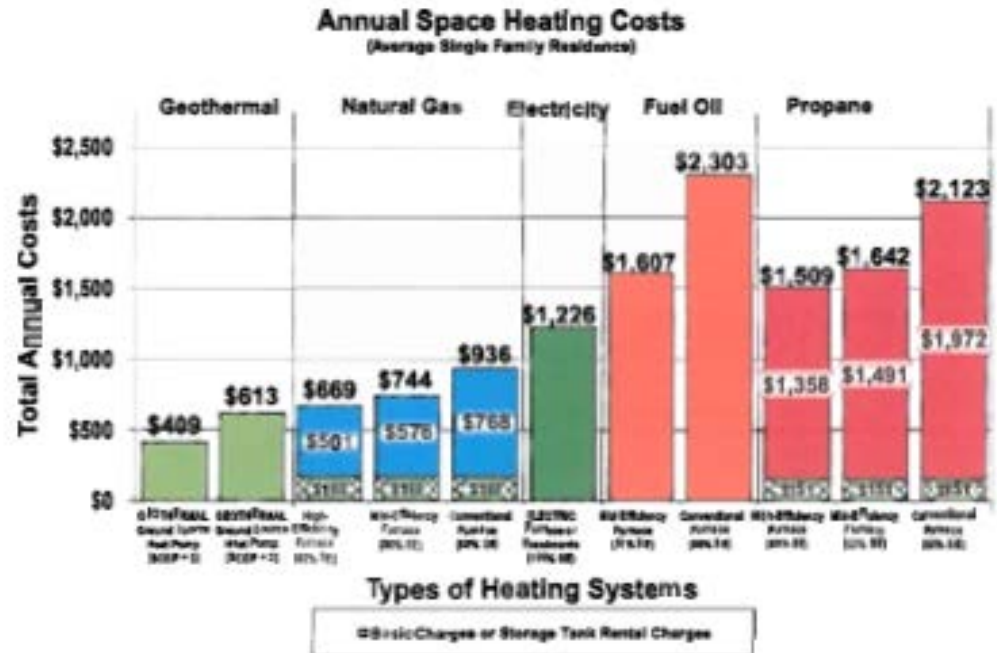
- Significant savings can be achieved when DSM is directed towards space heating (Transcript pgs. 501–502)

- Space heating costs for electric furnace = \$1,226 / year and total average utility bill of an all-electric customer is \$1,926 / year (64%) (PUB-II-58d – att. 1 pg. 37 and PUB-II-58b)

- Operating costs of a natural gas furnace can be reduced by 30% – 35% when conventional furnace replaced with high-efficiency (MMF-I-24 att. 1 pg.12)

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Mitigation Factors – All-Electric – Affordable Energy Program

- Furnace Replacement Program
 - Provides significant savings for natural gas customers
- Home Insulation Program
 - Can provide significant savings for both natural gas and electric customers but only 9.9% of LICO-125 customers rate insulation as “poor”
(GAC-I-45 a-b att.1 pg. 6)
 - Questionable reliance on current target population – 2009 Residential Energy Use Survey (Transcript pgs. 3142 – 3144)
 - Needs more reliable baseline by way of a physical survey
 - Very slow pace – approx. 20% coverage of target population over 6 years
(Coalition-I-69 att.1 pg. 11)
- Other measures offered do not provide significant savings for customer
(i.e. basic measures)



Mitigation Factors – All–Electric – Affordable Energy Program

- Community Geothermal Program

- Provides significant savings for First Nations customers (up to 67%)

- Affordable Energy Program

- Large gap in program offerings for all–electric customers

- No real impactful measures

- Achieving far less participation from all–electric customers as compared to actual market share

- Confirmed by Hydro’s independent consultant (Dunsky Energy Consulting):

“The main gap in the current offering is the lack of a good alternative for homes heated with electric baseboards. As we’ll discuss further in a following section, the AEP is getting far less electric–heated participants than their actual market share, and savings per participant are also lower than for gas customers”.

(MKO–Coalition–I–9 att. 1 pgs. 48, 50)(See also Transcript pg. 3112)



Mitigation Factors – All-Electric – Affordable Energy Program

- In response to gap in Affordable Energy Program, Dunsky recommends:
 - Air Source Heat Pumps worth considering to both increase participation rates and depth of savings for electric customers and could be offered on the same basis as the furnace replacement program (MKO-Coalition-I-9 att. 1 pg.50)
 - Dunsky recommends that Hydro expand its field monitoring of cold climate air source heat pumps (MKO-Coalition-I-9 att. 1 pg.50)
 - Dunsky recommends that Hydro consider offering an appliance replacement program
 - May be worth while considering low-income customers use older refrigerators than customers who are not low income (GAC-I-46 att.1 pg. 130)
- Not withstanding gap in AEP, pace of program is very slow
 - 8, 462 customers served (from Dec. 2007 to Mar. 31, 2014) (Coalition-II-55 att.1 pg. 31)
 - LICO-125 category = 115,000 customers (Coalition-I69r-55 att.2 pg. 17)
 - Total participation as of March 31, 2014 just over 7%



Mitigation Factors – All-Electric – DSM

- On-bill financing
 - Likely not utilized by low-income customers
- Home Insulation Program (separate from program offered in AEP)
 - Pace is very slow
 - Since May 2004 – 11,324 homes using electricity out of program's initial target of 35,000 homes
 - Will take an additional 20 years to reach target market



Mitigation Factors – All-Electric – DSM

- DSM budget consistently underspent by Hydro
- DSM deferral account ordered by the Board meant to ensure DSM budget spent by Hydro (Order 43/13 – pg. 5 and 44)
 - \$16.3 million in DSM deferral account as a result of under expenditure by Hydro in two years
 - Hydro doubled DSM budget in MH14 but underspent by \$19 million in fiscal 2014/15 (Transcript pg. 2791-2791)
 - Total under expenditure = \$35.3 million in three years
- DSM deferral account should not be rescinded by the Board



Mitigation Factors – All–Electric – Affordable Energy Fund

- Purpose of Affordable Energy Fund

- Provide support for programs, services and projects that encourage and realize energy efficiency improvements and conservation and which are designed to be accessed by and delivered to individuals living in rural or northern Manitoba, seniors and people with low–incomes

[*The Energy Savings Act*, s. 5(1)(a)(i) and 6(a)(i)]

- Hydro has no intentions at present time to contribute additional funds into the AEF despite the fact that it will be almost entirely depleted by next fiscal year (2016/17) (Board Book of Documents Vol.5 pg. 165) (MMF–I–36)

- Despite direction from the Government of Manitoba in 2014 to:

- “...develop and implement without delay enhancements to DSM programming in areas identified as priorities in the NFAT review, including special outreach to low income families, Aboriginal and northern communities”

(MH–Exhibit #45 att.1 pg. 5)



Mitigation Factors – Bill Management

- Late Payment Fee

- 16.08% interest charged per annum on outstanding account balance
- Hydro not aware of effectiveness of late payment charges as an incentive for customers to pay bills
- Hydro does not track whether or not late payment fee is ultimately collected
- Hydro is not aware of whether and to what extent late payment fees are reducing collection costs or how they are impacting customer's ability to pay

(Transcript pgs. 3190–3193)

- Late Payment Fee should be waived or reduced at least until Hydro can provide objective basis for charging such a fee



Mitigation Factors – Emergency Assistance

- Neighbours Helping Neighbours
 - One-time emergency assistance
 - As of March 31, 2014 running a \$31,077 deficit
(GAC-I-34f att.3 pg. 1)
 - Highest amount (since at least 2008/09) of assistance grants issued in 2013/14 – \$476,569
 - Hydro advises that it is likely that vast majority of participants in program are from Winnipeg (Transcript pg. 3050)



Mitigation Factors – Bill Affordability Program

- Generally supportive of a collaborative approach with respect to implementation of a Bill Affordability Program
- Proceed cautiously with respect to the potential introduction of bill affordability assistance
 - Needs to reach significant percentage of target market
 - Assess impact on non-participants
- Funding required for collaborative process for stakeholders who require it



Mitigation Factors – Government of Manitoba

- Government of Manitoba should increase efforts to assist vulnerable customers
 - Within mandate of Government
 - Province will receive dramatic increase in revenue from Hydro as a result of Capital Taxes and Water Rentals
 - Capital Taxes expected to double from \$55 million to \$104 million (from fiscal 2013 to 2019) (Transcript pg. 2582–2583)
 - Water Rentals to increase by \$15 million per year by 2022 as a result of Keeyask (Appendix 11.15 pg. 4)
 - Ratepayers shouldering risks with additional revenue being realized by the Province relatively risk-free (See pg. 191 of NFAT Final Report)



Residential Load Growth – Electric space/water heating systems

- Hydro projects growth of electricity use due to increasing saturations of electric space and water heating systems (MMF-I-11c-d pg.2)
- Hydro's response is Heating Fuel Choice Initiative (Transcript pg. 3186 – 3188)
 - Educational approach – no financial incentives currently
 - But decision of selecting heating equipment typically rests with home builder
 - Average upfront cost for natural gas furnace is almost twice as high as an electric furnace
 - Recommend providing special designation/label to participating home builder
 - Provides added incentive to home builder (i.e. builder can market the special designation provided by Hydro)



Recommended Incremental Minimum Filing Requirements

- See Handout



Recommendations

- See Handout



THANK YOU