

IBEW Local 2034



Presentation to the Public Utilities Board

May 27th, 2015

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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. Our local union represents 2849 employees at Manitoba Hydro. Our members are all of the field workers at Manitoba Hydro who generate, transmit and distribute Manitoba Hydro's power. Our members have a long history of operating and maintaining the Corporation's facilities, properties and equipment, and in assisting with the Corporation's administration.

Our membership works everywhere Manitoba Hydro operates (within the province). We're comprised of responsible and involved citizens in every major community of the province. We proudly work for all Manitobans providing them with 24 hour a day, 7 days a week electrical service and security. Our efforts, over the years, have resulted in Manitobans enjoying some of the lowest electrical rates in the world.

It may come as a surprise to many that we are here today to speak in support of Manitoba Hydro's rate application. We will share with you observations and experiences as employees intimately involved with Manitoba Hydro, which convince us that no change to the current rate structure will accelerate the erosion of this Crown Corporation's very mandate to the point that it could well be lights out for many Manitobans in the not too distant future.

As per the Manitoba Hydro Electric Board, Manitoba Hydro's mandate is as follows:

The corporation is charged with responsibilities which include, to ensure a safe, reliable, economical, and environmentally responsible supply of energy for Manitobans, and to earn revenues to keep rates low for Manitobans through the export of power and the provision of energy related services.

The rate increase being sought by Manitoba Hydro is important for many reasons. Hydro has been following the PUB's direction with respect to finding internal efficiencies. Because of this, it has been placed in a position where it has had to adopt practices that, while seemingly efficient in the short term, are detrimental to the long term welfare of the utility and its customers. More importantly, because of its fiscal circumstances, Manitoba Hydro is being forced to conduct its business in ways that are in direct opposition to its mandates of **safety**, **reliability**, and **economy**.

As evidence of Manitoba Hydro's attempts to find efficiencies, we offer the following examples which we will expand upon later:

- We have seen audits being conducted and changes to practices taking place as a result.
- We continue to witness the management of vacancies which, simply put, means not filling empty positions.

- We see a continued freeze on the training of adequate numbers of employees needed to accomplish the work that Manitoba Hydro must complete.
- We've seen internal restructuring and the re-organization of departments, facilities, and regions, which, although we may not agree with, we recognize has been Hydro's attempt to comply with the direction from the PUB.
- We have witnessed increased levels of anxiety and concern as a result of the stresses that these changes have created on employees and their families.
- And we have seen an increasing migration of well trained and experienced Hydro workers to other employers and provinces.

Hydro's efforts to find efficiencies as directed by the PUB has negatively affected the Corporation's mandate on at least three fronts. The first of these is **Safety**.

Because of financial constraints, Manitoba Hydro has over the years fallen into a deficit position when it comes to maintaining its assets. It is an acknowledged fact that much of Manitoba Hydro's infrastructure is in need of replacement or repair. In fact, today approximately 40% of the substations that our members work in daily are operating above their technical limitations. This places employees at risk of being subjected to arc flashes, while at the same time creating risks for consumers relying on electricity to power critical equipment.

This shortcoming needs to be addressed as quickly as possible. As time goes on, and without access to additional revenues, Manitoba Hydro's plight will worsen. The huge backlog of work (e.g. the modest estimate of 117,000 poles currently needing replacement) will never lessen, and will in fact, increase as time moves forward. Without additional resources, Manitoba Hydro will not be able to address the lack of staff that it currently faces. Yearly, only 60% - 65% of the original intake of apprentices graduate. While we have been urging for an increase in initial intake numbers to insure that sufficient qualified employees are available to complete the ever increasing workload, Manitoba Hydro has not had the capacity to increase its training numbers. An increase in rates is necessary to help overcome this deficit.

Manitoba Hydro's inability to train sufficient numbers of employees necessary to carry out its work creates a number of safety concerns. 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. If this work is not done properly, it doesn't last and it's Manitoba Hydro employees who are put at risk if equipment and infrastructure are not properly installed.

While using contractors gets the work done, it is invariably performed by people who have not been trained to the same extent, or in the same way, as Manitoba Hydro employees. Outside contractors also do not have the same overall understanding of Manitoba Hydro's operations, and of how all of the parts of the system interact with each other. Contractors also do not have the same commitment to Manitoba Hydro as do Hydro's own

employees, and 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. And if and when contractors leave substandard work behind, it is Manitoba Hydro employees and customers who have to deal with it. But, without an increase in available resources to augment the amount of training it can provide, Manitoba Hydro will never be able to keep pace with growth and demand, and it will be relegated to relying more and more on the use of outside contractors to simply keep its head above water.

As a result of Manitoba Hydro's sincere effort to find efficiencies, we have recently witnessed the closure 24 rural offices. It is our understanding that there will be the closure of another 12 rural offices. While this might appear to be a good way to reduce certain overhead costs, the savings so realized pale in comparison to the safety risks now being imposed on Manitoban consumers.

In order to be efficient, Manitoba Hydro has amalgamated, reorganized and centralized districts into larger geographical areas. This is now having an enormous impact on response times for Manitoba Hydro's customers. Our members respond to accidents where motor vehicles come into contact with our infrastructure, - electrical contacts such as grain augers contacting overhead lines, dig in's to our underground system, house fires, barn fires, and the like. In many of these instances, employees require assistance from their co-workers. And such events can take place at any time of day and under all weather conditions. Because of the recent office closures, this kind

of assistance is often hours away today and creates the potential for greater harm or damage than otherwise was the case.

Manitoba Hydro will say that response times have not been affected. However, they have little choice but to say that. Hydro has been given marching orders to find efficiencies but it's quickly running out of options.

Manitoba Hydro's earnest attempts to comply with the PUB's directive to find efficiencies has unfortunately led to some ill-advised decisions. While not all such decisions have had dire consequences, many of them have created situations just waiting to happen. One ill-fated example of this was Hydro's determination that it would no longer provide Flame Resistant Clothing for a particular workgroup. That decision was based on the unlikely need for such clothing by the group. Unfortunately, an accident occurred and an employee was seriously burned – something that would have been minimized had Flame Resistant clothing still been provided to employees in that group. That decision has now been reversed, but at an unacceptable cost.

As stated earlier, Manitoba Hydro appears to be running out of options for realizing efficiencies. It can only stretch a dollar so far. It's now important to allow Hydro access to additional income and by so doing reduce the pressure to make unsound and unsafe decisions on the backs of employees and customers of this crown utility.

A second area of the Corporation's mandate that has been negatively affected by Hydro's efforts to find efficiencies as directed by the Public Utilities Board is that of **Reliability**.

As I already mentioned much of Manitoba Hydro's infrastructure is in need of replacement. We agree with Hydro that its infrastructure is failing. Failing infrastructure can be anything from a failed exciter, to rotten poles, to broken conductor, to system breakers, to insulator failures, to transformer malfunctions and the like. We know from our members out in the field that outages are already becoming more frequent and the duration of those outages are becoming longer.

The insufficiency of staffing levels is obvious when one looks at Manitoba Hydro's organizational charts for work units. We have countless examples of vacant positions that are being left unfilled, even though they had been filled in the past. When queried on this, Hydro has indicated that this is being done purposely to try and reduce costs. One work area, as an example, shows that 60% of the positions originally assigned to the area are vacant. Yet Manitoba Hydro has indicated clearly that the workload is increasing, not decreasing.

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. It is not possible to keep piling productivity demands onto the Corporation, while at the same time restricting its ability to raise revenue in response to the increased pressure it is facing.

A third focus of Manitoba Hydro's mandate is to insure that the electricity Manitobans enjoy is provided to them at an **economical rate**.

As stated earlier, Manitoba's electrical rates have been the envy of North America for many years. Our rates are a source of great pride for both the Corporation and the province, not to mention a talking point in many political campaigns. However, it appears that, over time, we've turned our entire focus and attention to the notion of an "economical rate" and forsaken all other obligations under Hydro's mandate. We are now seeing the results of a shift in thinking that has gravitated to making every decision and calculation solely on the basis of cutting costs. Worse yet, we're now seeing the fruits of simply interpreting "economical" to mean "cheapest."

Manitoba Hydro has tried to show economies in a number of ways as previously outlined. But for each of these, the only calculus seems to have been in terms of straight dollar equivalencies. There are very real costs attached to all of the decisions that Hydro has been forced to make in an effort to follow the PUB's directions, and many of those aren't easily quantified in dollars and cents. But have no doubt, at the end of the day, many of those costs are greater than the straight dollar value. Ignoring these in favour of a simpler approach encourages a false economy.

During the last PUB hearing, and in response to the Board's urgings, Scott Thomson, President and CEO, indicated that Manitoba Hydro will be reducing its workforce by 300 employees per year for each of the next three years for a collective total of 900 positions. While on the surface this may appear to be a real cost saving, one has to question whether or not this is so. Will the forced shrinkage of Hydro's workforce by some 12% between 2014/15 and 2016/17 be matched by a corresponding reduction in the workload required of the utility? If not, what are the implications?

An escalating workload and diminishing workforce, coupled with a denial of rate increases will force Manitoba Hydro to find further shortcuts and short term savings. The increased use of outside contractors will no doubt be reflected in the quality of the work that is done. Will the lifespan of the work that's undertaken be as long as work done in-house? If the work endures for 10 years instead of 20, have we realized a true economy?

As workload increases and staffing levels decrease, what will happen to Manitoba Hydro's well trained workforce? Manitoba Hydro tells us that the cost of training a Journeyman is between \$400,000 and \$500,000. We are already seeing the exodus of fully trained employees being lured to other employers and provinces because of better wages and working conditions. Keeping employee numbers down to a level below what's needed to accomplish the necessary work may seem economical, but the hidden spin off costs far exceed any economies so gained. The loss of a fully trained employee is the loss of a \$400,000 – four to six year - investment.

The cost of training a replacement, coupled with the reduction in the efficiency and output of that employee during his or her training period, add up to a staggering total cost. When assessing how well Manitoba Hydro is meeting its mandate of providing electric power in an **economical** fashion, it's clear that all of the costs have to be considered.

Manitoba Hydro understands the real costs associated with the practices that it has been forced to adopt because of the economic constraints and PUB directives that have been imposed on its operations. Unfortunately, that understanding means nothing if the only yardstick against which the Crown Corporation will be measured is a dollar figure and a balance sheet.

Manitoba Hydro has been directed to find bottom-line revenues through internal savings, and it has pursued this instruction tirelessly. However, we must never forget that Manitoba Hydro is a Crown Corporation and, as such, has broader societal obligations that it cannot forsake in the name of fiscal responsibility.

As an example, in an attempt to find efficiencies for this Board, Manitoba Hydro closed 24 district offices and is presently poised to close another 12 in the near future. While this may make sense from an accounting perspective, it has taken away an integral part of each affected community, and altered each community's service and security base.

Manitoba Hydro has a long history of balancing social responsibility with its fiscal responsibility. An example of this is the operation and maintenance of the "Diesel Zone". The communities of Brochet, Lac Brochet, Tadoule Lake and Shamattawa are off the grid and powered by diesel generators. There are less than a thousand customers in these communities, and the revenues generated do not come close to covering the cost of operating the diesel units. We know that there is no private company that would ever support these northern communities at such a loss. However, Manitoba Hydro as a Crown Corporation supports them because of its long standing commitment to all Manitobans.

Manitoba Hydro has been charged with certain societal obligations that must never be sacrificed on the altar of fiscal expedience. The citizens of this province are Hydro's shareholders, and they understand and accept the need to invest in that utility in order to secure safe and reliable power for the future. A reasonable planned increase in rates for the purpose of improving service and reliability is the very embodiment of "economical" power.

Without the ability to access additional revenue through a rate increase, Manitoba Hydro will continue to be forced into making operational decisions that take away from the province's social fabric instead of contributing to it.

At the outset of this presentation I indicated that IBEW 2034, representing approximately 40% of the employees at Manitoba Hydro, was here to speak in support of the utility's application for a rate increase. We appreciate the important role that the Public Utilities Board plays as a regulatory body charged with protecting the interests of all Manitobans. The IBEW plays a similar role in monitoring and protecting the interests of its members. In both our cases, that responsibility is a complex one. We have to balance competing rights and interests and move to solutions that, in the end, provide the greatest amount of good for the greatest amount of people. Because of this, we cannot be seduced by quick and easy superficial answers. We have to go beyond that and get to the root of problems. We have to constantly guard against simply treating the symptoms while all the time ignoring the illness.

In closing, Mr. Chairman, I would like to make it clear that while we are in support of Manitoba Hydro's rate application, we are not asking the Board to grant the Corporation "carte blanche." What we are supporting is Hydro's application for a modest and reasonable rate increase which will enable it to focus on all aspects of its mandate. Appropriate rate increases will stop forcing Hydro to cut corners, and to jeopardize safety and reliability by virtue of constantly having to focus on cost cutting as opposed to service and quality improvements for its customers. Purposeful understaffing, outsourcing of work, and failing to train, all as cost saving measures, are harming the utility and putting Manitobans at risk. This is a disservice to all Manitobans who, at the end of the day, are the true owners of this utility.

This Board has the ability to help Manitoba Hydro fulfill its mandate and provide the best and most efficient return to its shareholders, the people of Manitoba. IBEW 2034 strongly urges you to allow Manitoba Hydro's rate increase application.

Thank you.

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

Mike Velie
Business Manager
IBEW Local Union 2034