

MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION
PUBLIC UTILITIES BOARD
INTERVENER EVIDENCE INFORMATION REQUESTS
COALITION (SIMPSON)
NOVEMBER 15, 2017

PUB/COALITION I – 9

Reference:

Simpson Evidence Page 4 of 20

Preamble:

“As a “made-in-Manitoba” definition of energy poverty, however, the Report immediately stumbles.” Manitoba Hydro's response to Coalition/MH II-44 provides us with some visual evidence, reproduced as Appendix A at the end of this paper, that shows the expected pattern of a substantial rise in the hydro expenditure share as household income declines (around \$50,000), but more statistical analysis with the raw data would be needed to develop criteria for the definition of energy poverty among Manitoba Hydro customers.”

Question:

- a) Please describe the statistical analysis that should be undertaken to develop criteria for the definition of energy poverty?
- b) If the recommended statistical analysis was to be undertaken, please indicate the form of the resulting definition of energy poverty. That is, is it a fixed income amount like LICO, or a simple ratio of income approach, or some other measure?

Response:

- a) There is no review of the statistical basis in the literature for the energy poverty definitions adopted from evidence in other jurisdictions, i.e. 6% or 10% SRIA and income below LICO-125. A comparative statistical analysis of evidence associating the hydro expenditure share with household income, adjusted for household size (which is not done in Coalition/MH II-44 reproduced in my report), is needed. The comparison would be between the evidence used to develop the criteria used in the report and the evidence available on Manitoba Hydro customers. The analysis would need to involve nonlinear, and likely nonparametric, statistical models to

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see whether there are statistically significant differences between the evidence used to develop the energy poverty criteria used in the report and the evidence available for Manitoba. By nonlinear models I mean that the analysis would need to allow for a change in the relationship (correlation or slope of the regression line) between the SRIA and adjusted household income as income declines; since this may be difficult to specify precisely. Nonparametric methods that do not require specification of the exact nonlinear relationship between the SRIA and income may be useful.

- b) The criteria using SRIA and some household-size-adjusted measure of low income to categorize energy poverty makes sense, although the LICO does not reflect important regional differences in the cost-of-living, as I indicate in my report (pp.4-5).

PUB/COALITION – 10

Reference:

Simpson Evidence Page 6 of 20; AMC/MH II-23

Preamble:

“In other words, energy poverty not only grows for a longer period, as the proposed extension of substantial rate increases for three more years would suggest would happen, but assumes for all intents and purposes a permanently higher level than the current experience.”

Question:

Please explain whether, given Manitoba Hydro’s unchanged debt:equity target of 75:25 in 2027 (which drives the addition of a sixth 7.9% rate increase and a 4.54% rate increase), further rate increases in the short term that are less than

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what Manitoba Hydro requests (i.e. less than 7.9%) will exacerbate the numbers of customers experiencing energy poverty.

Response:

If I understand this question correctly, this appears to be so from the evidence provided in the Affordability Report, although the third scenario in the Report is not exactly the same as the original Hydro financial plan before the interim increase was announced.

PUB/COALITION – 11

Reference:

Simpson Evidence Page 14 of 20

Question:

Please identify potential options for Manitoba Hydro to collect income information and determine eligibility for the Affordable Energy Program or for rate assistance programs (i.e. lower income rates), with reference to successful practices in other jurisdictions.

Response:

A rate assistance program tied to low income would likely have to follow the Ontario plan and link the assistance to tax records, specifically the income tax filing of the previous year for the individual and his/her spouse (if any).

PUB/COALITION – 12

Reference:

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Preamble:

“Manitoba Hydro develop an efficient rate assistance program that provides assistance to low-income energy poor households but that is not directly tied to the level of energy consumption, along the lines of the fixed credit approaches taken by Colorado and Ontario.”

Question:

Please identify the entities or customer groups that should fund the recommended assistance.

Response:

I address this issue on p.10 of my report: “The Ontario experience raises the question of how assistance to low-income households or the energy poor should be financed. It is evident in the Manitoba Hydro GRA that it is reluctant to finance any new and possibly expensive affordability program at the expense of other ratepayers or its own revenues and that such programs require new funding. The Ontario experience suggests that ratepayer concerns might be eased if the program were financed from government revenues. In this regard, the report (p.40) echoes an earlier proposal from the NFAT report (p.252) “that the Government of Manitoba direct a portion of the incremental capital taxes and water rental fees from the development of the Keeyask project to be used to mitigate the impact of rate increases on lower income consumers, northern and aboriginal communities.” Since the affordability program should be designed to ensure energy security for those unable to cope with rising energy costs, however, funding from all taxpayers rather than simply higher income ratepayers or dedicated fees seems most appropriate, much as other income security programs such as Manitoba’s Employment and Income Assistance are financed from general revenues. Moreover, funding from our progressive system of general taxation would ensure that higher income households provide the most support for energy poor households.”

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PUB/COALITION – 13

Reference:

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Preamble:

“Manitoba Hydro enhance its Affordable Energy Program that provides assistance to lower-income households to implement energy efficient upgrades.”

Question:

Please identify the recommended enhancements to Manitoba Hydro’s Affordable Energy Program, with specific references to shortfalls or inadequacies in the existing program.

Response:

I have relied (pp.11-12 of my report) on the Affordability Report (pp. 22-24 in particular) which would appear to reflect Hydro’s own assessment of its Affordable Energy Program. The Report reports modest program uptake and significant barriers to participation that include program awareness, unspecified features of the program, and program eligibility conditions and benefits. All of these features could be studied and enhanced, although time is limited due to the rapid nature of proposed energy cost increases. The Affordability Report also calls for better coordination to refer customers to programs to assist them to manage their energy bills, which could include enhancements to the AEP along the lines of the Colorado system that integrates weatherization assistance programming with rate assistance and arrearage management for low-income households.