

Manitoba Hydro Needs for and Alternatives To (NFAT) Review

Manitoba Public Utilities Board

Presentation of Councillor Roger Ross, Manto Sipi Cree Nation

March 14, 2014 – Thompson, Manitoba

The Manto Sipi Cree Nation is concerned about the potential impact of the proposed increases in Manitoba Hydro electric rates at approximately double the rate of inflation, or about 4% per year, for at least the next 20 to 22 years.

Manto Sipi understands that these rate increases would be consistent with moving forward with a Manitoba Hydro Preferred Development Plan that involves the construction of both Keeyask and Conawapa Generating Stations. Manto Sipi also understands that some amount of rate increases are related to covering Manitoba Hydro's cost of the repair of maintenance and replacement of existing infrastructure.

Manitoba Hydro and the province of Manitoba must do everything possible to reduce the Hydro bills being paid by First Nations. This can be done by maximizing Power Smart in every home and facility in our communities and by reducing the rates that First Nations are being charged for electricity.

The residential and commercial and First Nation facility accounts at the Manto Sipi Cree Nation are already experiencing difficulty in paying electricity bills at the current Hydro rates, let alone paying bills resulting from rates that increase at about 4% per year for the next two decades or longer.

I have reviewed a list provided to MKO by Manitoba Hydro of the number of Residential and General Service accounts in each of the MKO First Nations and the amounts that are in arrears as of April, 2014 (see Tab 3 of the MKO Panel Book of Documents).

This list indicates that there are a total of 120 Residential accounts and 36 General Service accounts at the Manto Sipi Cree Nation, for a total of 156 electricity service accounts. Of these, 133, or 85.2%, are in arrears as of April, 2014. According to Manitoba Hydro, the amount in arrears as of April, 2014 for all electricity accounts at the Manto Sipi Cree Nation is \$962,609.

There are many existing issues surrounding payments, arrears and disconnections as a result of the existing Manitoba Hydro rates and bills.

Every year we have an Equal Payment Plan amount and every year there is an increase in the EPP amount because of the rate increases.

It is important that Power Smart initiatives be available to everyone in our community to help us reduce our bills. When Manitoba Hydro worked with Manto Sipi on phase one of a home insulation program, Hydro only selected the houses that pay their electricity bills. Manitoba Hydro told us that people who are in arrears don't qualify.

When Manto Sipi asked Manitoba Hydro about doing a phase two home insulation program, Manitoba Hydro said that there were too many accounts in arrears and so there would be no phase two home insulation program.

With such a high percentage of accounts in arrears, the very people who need Power Smart programs the most to reduce their bills don't get the help they need. Manitoba Hydro has to do everything it can to help reduce our electricity bills, particularly for low income people and people who are in arrears.

Another important issue for the Manto Sipi Cree Nation is that the First Nation is usually called upon by First Nation citizens to pay the amounts of individual accounts that are in arrears when their accounts are subject to disconnection. Manto Sipi understands that this is the situation in most northern Manitoba First Nations.

Manto Sipi simply does not have any independent sources of revenue that can be used to provide loans to our citizens with jobs so they can pay their hydro bills when they find themselves in arrears. When this happens, Manto Sipi has to pay Manitoba Hydro with monies that are intended to provide other programs and services in the community. With the increasingly tightened rules on contribution arrangements, such payments to Manitoba Hydro to pay arrears accounts may someday be at risk of being subject to a claw back if the loans are not repaid.

Another approach to bill reduction is rate mitigation or special electricity rates that take into consideration the circumstances of northern First Nations.

Manitoba Hydro says that we pay the same rate for electricity in Manto Sipi as in Winnipeg. Because of our high Hydro bills, our citizens believe that we are still charged more for our electricity than in Winnipeg.

Before we were connected to the North Central Transmission Project in 1997, our Hydro bills were less than \$100 per month, even at the higher diesel service rates. We replaced most of our wood stoves with forced air electric furnaces when retrofitted our homes from 15 amp service to 200 amp service. Today, the largest part of the Hydro bills in our community is related to heating and our bills are often \$300 to \$400 per month. The Manto Sipi Cree Nation is still paying off the cost of these retrofits, which we had to carry out at our own expense.

I have reviewed Manitoba Hydro Exhibit 181 from the NFAT hearings about the two electric meters used on the houses of Hydro employees living in Hydro corporate housing north of the 53rd parallel.

If every home and facility in the Manto Sipi Cree Nation were equipped with two meters and charged a flat rate that is based on the lowest average heating costs in Winnipeg, this would go a lot way toward reducing our Hydro bills.

It would be fair to charge the same flat rate for heating to all northern First Nations which are north of the 53rd parallel.

Another very important issue when it comes to rising electrical costs is AANDC's O&M funding policy. Under the O&M policy, in most cases except for the school, AANDC only contributes a percentage of the estimated cost of operating our buildings and of providing services, including electrical costs.

For example, AANDC only contributes 20% of estimated electrical costs for what AANDC describes as Category III assets such as the Band Office and Arena. In addition, AANDC only contributes 80% of the estimated costs for Category II assets such as the water and wastewater treatment systems and 90% of the estimated costs for Category I assets such as roads. In the case of the school, AANDC contributes 100% of the estimated operating costs, including electricity costs.

It is AANDC's policy that a First Nation must use own-source revenues and user fees paid by citizens to make up the gap between AANDC's estimate of operating cost and the percentage of the estimated O&M costs that is actually contributed by AANDC.

Manto Sipi is a remote community without all-weather road access. The Manto Sipi Cree Nation does not generate or receive sufficient "own-source revenues" to cover the gap between AANDC's estimate of the operating cost and the percentage of the estimated O&M costs that is actually contributed. In addition, the citizens of the Manto Sipi Cree Nation do not have the income to pay the magnitude of user fees that is necessary to cover these gaps.

The result is that First Nations like the Manto Sipi Cree Nation are placed in the situation of managing a perpetual financial shortfall between estimated O&M costs of our building and facilities and the percentage of these estimates received as contributions from AANDC.

It is important to keep in mind that the shortfall between the AANDC O&M contribution and actual costs – including electricity costs - is actually much larger. This is because AANDC uses a national "Cost Reference Manual" instead of the record of our actual bills to calculate the estimate of annual O&M costs. That is, AANDC uses a reference manual to estimate how much electricity should be used each year by our buildings and services, instead of looking at the record of our actual Manitoba Hydro bills. Our actual Hydro bills can be 40% higher, or more, than the AANDC formula estimate of electricity use and cost for the same building. Keep in mind that AANDC only contributes a fraction of the estimated electrical costs for that same building.

All of this affects our ability to pay the Hydro bills in our community.

As well, Manto Sipi does not expect that AANDC would automatically increase the annual electrical cost component of the O&M contribution to match Manitoba Hydro rate increases at double the rate of inflation. In fact, the O&M funding envelope at AANDC Manitoba Region is increased by an average of only about 2% per year.

The AANDC “funding envelope” for Manitoba is limited. If AANDC decided to match annual Manitoba Hydro electricity rate increases of about 4% per year, this may mean that AANDC would cut funding to other programs and services. There may be less funding to address investments in infrastructure or emergencies.

Manitoba Hydro and the province of Manitoba must do everything possible to reduce the Hydro bills being paid by First Nations. Otherwise, the proposed annual rate increases at about double the rate of inflation will result in an ever-widening gap between our Hydro bills and will adversely affect our ability to pay these bills.

It is important that effective bill reduction measures including Power Smart and rate mitigation are implemented by Manitoba Hydro and the province of Manitoba, including to ensure that payment of increasing Hydro bills does mean a reduction in levels of community programs and services in northern First Nations like Manto Sipi.