

THE PUB POST – Vol. 4



PUB Board Members recognize the decisions they make affect every Manitoban, in one way or another.

The PUB regulates and sets rates for public utilities such as electricity, natural gas, basic automobile insurance, and water and wastewater outside of Winnipeg. It would be hard to find a Manitoban who isn't affected by our decisions. In meeting our mandate to set just and reasonable rates, we balance the impact of rates on ratepayers with the financial health of the utility through a transparent hearing process that holds the public utilities accountable.

Inadequate rates for the utility could result in a decline of a utility's financial position that may affect its ability to provide expected services. The financial impact could change the government's overall financial position and could trigger a downgrade by bond rating agencies which would increase the borrowing costs of the Government of Manitoba.

Excessive rates could slow economic activity as it takes money out of ratepayers' pockets that is not needed by the utility. This causes hardship among ratepayers and could trigger rate shock for lower-income users, especially those who are required to rely on electricity to heat their homes. In Manitoba's cold climate, heating is not a matter of comfort, but of necessity. Water and wastewater services are also necessities, and rates in many communities have gone up much more than any other utility cost.

Bill Affordability and Energy Poverty

Issues relating to 'affordability' are in the news every day, from the cost of groceries to the ability to finance homes and drive a car.

In the last edition of The PUB Post we told readers about the decisions and recommendations the PUB made following Manitoba Hydro's 2023/24 and 2024/25 General Rate Application. In Board Order 101/23, the PUB emphasized its longstanding concern for bill affordability and energy poverty in the context of energy rates, especially given Manitoba's climate, where heating is not a matter of comfort, it is a matter of necessity and safety.

Board Order 101/23 also noted that reconciliation in Manitoba cannot take place without acknowledging that northern First Nations disproportionately bear the adverse effects of hydroelectric development. Under the principle of substantive equity (equity of outcomes that takes into account a particular group's disadvantages or an unequal distribution opportunity), the PUB also believes an energy poverty program is required under The Path to Reconciliation Act. The Act requires government to develop a strategy that builds upon meaningful engagement with Indigenous nations and peoples, and establish actions responsive to their

priorities and needs. The PUB heard in this proceeding that 61 of 63 First Nations communities in Manitoba do not have access to natural gas for heating purposes, and in those communities, annual electricity bills are twice as high as compared to off-reserve customers and account for a disproportionate amount of residential service disconnections and bill arrears. The PUB also heard that many people in these communities saw their lands flooded and lost their livelihood through northern development.

The Executive Summary for Board Order 101/23 (pages 16-17), Section 16 Energy Poverty Issues (pages 188-200) and Section 18 Recommendations (pages 220-222) contain detailed information on these issues.

Affordability has now been raised in relation to water. In a recent case the PUB heard that the cost of water had increased dramatically in one municipality because it had not sought a rate increase in many years despite a Board directive to do so. The rate increase could trigger serious problems for low-income customers. The Board recommended the municipality consider a special program designed for low-income customers in light of the inaction of the utility administrators. The Board is concerned this same issue may arise in other municipalities, and regularly reminds utilities that good planning, along with regular rate reviews and increases to match inflation, helps mitigate against large increases to rates.

Recently some PUB members and staff watched a webinar about water regulation in the United States conducted by the National Association of Regulatory Utility Commissioners. Water poverty is becoming an increasing problem in the United States as a result of climate change and programs have been created at the national level to address it, as well as at the state and local level in many instances.

The Manitoba Public Insurance 2024 General Rate Application Hearing



MPI filed a General Rate Application on June 15, 2023, which did not request an overall rate change, but did include a rate indication reflecting a decrease of 0.13% based on market interest rates as of March 31, and calculated in accordance with Accepted Actuarial Practice.

Prior to filing the Application, the former Minister of Justice had directed MPI not to request an increase in its rate for 2024/25 pending an organizational review, which is to be completed no later than December 31, 2023. As an independent tribunal, the PUB is not bound by that directive.

The hearing commenced October 10, 2023, and concluded October 27, 2023. After careful consideration of the evidence submitted by all hearing participants, on December 18, 2023, the

PUB issued Board Order 145/23 in which the PUB rejected MPI's application, ordered an overall 5.0% rate decrease, and noted several important findings.

The order for a decrease of 5.0% does not mean that rates for all motorists in each Major vehicle class will decrease by that amount. Rates paid by individual ratepayers within each customer class are determined by their driving record and actual claims experience, the kind of vehicle (make and model and year) registered, the purpose for which the vehicle is driven, and the territory in which the ratepayer resides. As a result, some individuals will experience increases in insurance premiums, and others will experience decreases.

MPI's spending on its information technology (IT) modernization project (Project Nova) was again a central focus in this GRA. The overall project budget, including the high end of the contingency is \$290 million, double the amount budgeted in its original business case. This amount does not include the costs of projects upon which Project Nova is fully or partially dependent for implementation. The Board is concerned the final expenditure on Project Nova may exceed \$290 million. Given the history and challenges of Project Nova, the Board finds that ongoing and thorough review is required for Project Nova and all MPI IT initiatives in several areas.

MPI's request for approval of a Blanket Policy insurance framework for Vehicles For Hire, but deferral of a request for approval of rates to be applied, was denied. Analysis of the rates was not possible, as Uber was not prepared to share its kilometre data. Until evidence of all aspects of the proposed Blanket Policy, which would include the rates and the methodology for calculating the rates, the PUB is not prepared to approve the Blanket Policy framework.

A detailed summary is found within Board Order 145/23 on pages 6-25 which explains the history of the issues, the decisions made, and the reasons behind them.

On January 17, 2024, MPI filed an application with the PUB requesting a review and variance (R&V) of Board Order 145/23, which is currently under consideration. Details of the R&V request can be found on the PUB website at http://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2024-mpi-gra/2024_gra_jan_17_2024_review_and_vary_145_23.pdf. Further details will be made available on the PUB website and in the next edition of The PUB Post once a decision has been issued by the Board.

The usual newsletter closing information will be inserted here: links to follow us on Facebook, share with friends, etc.