

**A Public Hearing on Bill 19--The Efficiency Manitoba Act  
by the Manitoba Standing Committee on Legislative Affairs  
A Presentation by the Bipole III Coalition  
May 11, 2017**

Good evening. My name is Garland Laliberte. I am presenting tonight on behalf of the Bipole III Coalition.

Like others have said, or are likely to say tonight, it would have been nice to have more than 36 hours to prepare for this presentation. The Committee would have benefitted from a presentation that might have been a little more polished and a little less rough around the edges than this will likely be.

**Introduction**

Luckily, we in the Bipole III Coalition have been thinking about this initiative of the Government for more than 16 months, in fact, ever since it was introduced as a plank in the then-Opposition's election campaign and, prior to that and to a lesser degree, when the concept was proposed by the PUB and endorsed by the then-Government. We advised the then-Opposition against it in January 2016 and again in March 2016.

Fundamentally, we are supportive of efficiency and conservation in the production, delivery and consumption of electricity. Who could not be? We are concerned, however, about the instrument proposed by Bill 19 to achieve that end and about the timing of the initiative.

We recognize the Government's desire to integrate conservation and efficiency in the use of electricity into its climate change policy. And we commend the Government for that. This presentation focuses only on electricity and not on the broader services and commodities caught in the Bill's net.

We are not starting from scratch here. We already have a functioning delivery vehicle for DSM n Manitoba Hydro. However, to base our concern entirely on an argument against change would be foolish. We know that

things get done better some times by doing things differently than they have been done in the past. Our concerns are more deeply rooted.

### **The model is unworkable**

Our first concern is that the model chosen is unworkable. In fact, we see the model as so unworkable that we were tempted to sit back and let it happen, then wait for it to implode. But as some of you in this room may have noticed, that is not the way we do things in the Bipole III Coalition. So here we are tonight.

There are no examples in a situation similar to ours that are successful over the long term in which the right to set the goals and call the shots is given to one entity but the responsibility for program delivery rests with another entity independent from the first. The budgeting model proposed by Bill 19 with authority resting in one entity (Efficiency Manitoba) but financial responsibility in another (Manitoba Hydro) is, to say it kindly, strange. No amount of legislative framework can compensate for the strange reality upon which this initiative is founded.

Evidence that the architects of this Bill were acutely aware of this fundamental flaw is provided in the role prescribed for Manitoba Hydro in Bill 19. The overriding authority given to The Efficiency Act over The Manitoba Hydro Act in situations of conflict (Clause 18.5) and the provision (Clause 11.2) that limits Hydro only to be heard and to make submissions in the review of an efficiency plan. These are but two examples that reveal they must have been aware of this basic fault. Many more examples of that awareness can be found throughout the Bill but particularly in Clause 19 which sets out the role of Manitoba Hydro.

### **Unwise use of limited resources**

We understand that, at the moment, Manitoba Hydro has the equivalent of about 100 full-time equivalent staff who devote all or a significant part of their time to Manitoba Hydro's Power Smart program. Presumably, some part of this human resource would be transferred to the new Government entity and some part would remain. Most of the transferees would come

from the Power Smart program but, presumably, a few would come from Communications.

However, with a divided jurisdiction for this effort, the total staff resource required will predictably increase. It adds new responsibilities to existing agencies, for example, the PUB which is expected to act as an arbitrator when inevitable disputes arise between Manitoba Hydro and Efficiency Manitoba. Predictably, other costs beside staffing will also increase. This is counter-productive to the Government's stated policy of controlling costs and of guiding a managed reduction in the size of the public sector staff complement. It is also a bad fit with Manitoba Hydro's recent action to reduce staffing by 15% (involving 900 employees).

Because Bill 19 expands efficiency beyond the use of electricity, for example water and other forms of energy, it complicates the future tracking of the budget resource impact of transferring electricity to Efficiency Manitoba.

Manitoba Hydro currently has responsibility for both Demand Side Management (DSM) and Supply Side Management (SSM), responsibility for conservation and efficiency on both sides of the meter if you will. Bill 19 would transfer only DSM to Efficiency Manitoba. These two functions are symbiotic and, indeed, to some extent rely on similar talents. Bill 19 tears these two functions apart.

### **Timing is off**

The casual observer can be excused for wondering if the timing is off for this initiative. The Needs for and Alternatives To (NFAT) review conducted by the PUB concluded in 2014 that, even given a number of uncertainties, "new generation will likely be required no later than 2024" and recommended proceeding with Keeyask. However, since then, the Manitoba Hydro-Electric Board, leaning heavily on charts produced in a 2016 report of the Boston Consulting Group, reported that the shortfall in 2024 would be only temporary in nature and that, depending on how a number of uncertainties play out, the year of need could be anywhere from 2027 to 2034. We don't know yet what the model runs that underpin the recently filed General Rate Application will reveal about the "year of need". It may be even later.

Basically, we know that we are overbuilt! We just don't know yet by how much.

The problem is that we are trying to balance the Manitoba Hydro's mandated requirement "to engage in and to promote efficiency in the development, generation, transmission, distribution, supply and end-use of power" with its need to maintain financial stability. And we are trying to do that from a system with more excess capacity than the market wants.

The result is that we currently sell our excess energy into a market willing to pay well below our time-averaged cost, certainly one that does not allow us to get out quickly and without pain from the high-financial-risk scenario that we are now in. The evidence for this is provided by requests by Manitoba Hydro for rate increases of 7.9%, over four times the rate of inflation, over the next five years. It is also provided by suggestions by the Manitoba Hydro-Electric Board Chair of the need for an "equity injection" and by ominous threats of further downgrades in both the province's and Manitoba Hydro's credit rating.

We will not know until tomorrow the realism of Manitoba Hydro's 'adjustments' to its load forecasts, export prices and assumptions about the debt-servicing interest rates used in its recently filed General Rate Application. That information is due to be posted on the PUB website on May 12, tomorrow. One has to wonder what the rush is with Bill 19, conceived before this information is available!

Manitoba Hydro needs time to expand its markets. The US is a tough market, given the expanding availability there of fracked gas that began about seven years ago and the arrival of a new 'America First' administration in Washington that thinks it can revive coal.

I was at the Multiple Pathways to Clean Energy for Canada's Western Provinces conference hosted by the Energy Council of Canada in Regina earlier this week. Preceded by a workshop organized by Natural Resources Canada, the conference was attended and addressed by about 150 of Canada's energy planning leaders. I may have been the only one there not on expense account.

I bring this up because there was considerable dialog and, I believe, consensus that it is high time we get on with planning and, yes, starting to build a national transmission grid. There were suggestions that the initiative might need to start with segments of that grid, say between Manitoba and Saskatchewan and between British Columbia and Alberta. Some even dreamed that it could start with a western Canadian grid without taking time to develop the western Canadian grid piecemeal.

The Government of Canada has incentive funding in infrastructural accounts already established but the planning initiative is expected to come from the provinces. Manitoba's neighbouring provinces, both fossil-fueled Saskatchewan and nuclear-powered Ontario, represent an attractive market for Manitoba's renewable and green hydro-electricity. Our approach to efficiency and conservation would change if we found a welcoming home for our surplus. We need time to advance the concept of a trans-national grid before we start tinkering with how we deliver DSM in Manitoba.

Another opportunity explored at the workshop and conference was electrified transportation. President Kelvin Shepherd of Manitoba Hydro pointed to the lead we already have in Manitoba with four city buses fully powered by electricity and industry-leading bus manufacturing right here in Winnipeg. Electrified transportation could be a game-changer in Manitoba. But it needs a little more time. Electrified transportation would hasten the day when we could engage in a full-court press on conservation and efficiency.

### **Unintended consequences**

Revenue from the export market is set by external factors and, therefore, is theoretically relatively unaffected by whatever conservation and efficiency can be achieved domestically. In practice, as our extra-provincial buyers become increasingly aware of the greater surplus occurring as a result of DSM efforts, our success in achieving a fair price for our surplus energy will be even further challenged. Consequently, to the extent that targets for reduction in domestic consumption are achieved, any reduction attributable to DSM will have to be at least offset by an increase in domestic rates.

DSM will at best be neutral to cost and, if anything, slightly counter-productive, the result of it not being taken up uniformly by consumers.

DSM is a good thing but, in the Manitoba context, it will be a long time before it decreases the cost of electricity to Manitoba consumers. That will be true whether it remains part of Manitoba Hydro or is hived off into Efficiency Manitoba. It is misleading at best and disingenuous at worst to claim that conservation and efficiency will save Manitobans money both now and in the future (the Throne Speech as quoted in Hansard, page 1216, Vol. LXX, No. 36).

An additional factor is that, to the extent that not all consumers will be able to afford even incented DSM programs, targets mandated by Efficiency Manitoba will shift the cost of electricity from those Manitobans who can afford to take advantage of DSM programming to those who cannot. It will negatively impact those living below or near the poverty line. It will be hardest on those in remote communities and rural areas who have no alternative to electricity for space and water heating. In particular, it will negatively impact northern Manitobans and our indigenous brothers and sisters.

This Bill has far-ranging consequences for other legislation. It requires the repeal of The Energy Savings Act. The architects of the Act have caught four other Acts that require consequential amendment. In the rush to have the Bill approved, how many unintended consequences have they missed?

### **Let's consult**

We take time for thorough public and expert input into decisions about a new generation plant, typically two or three years. Likewise, we take time to listen to thorough public and expert opinion on decisions about new transmission, although Bipole III stands as a notable exception to that. We even take time for public and expert input on such things as rate increases. Why would we make an exception for an initiative like Efficiency Manitoba that requires the passing of new legislation and the establishment of a new organization?

Even Alberta which is currently considering separating DSM from the generation and delivery of electricity is taking time to make sure it gets it right.

The Bipole III Coalition respectfully asks the Government to delay the passing of Bill 19 until the concept it advances has been thoroughly vetted.

### **Closing comment**

I love this province. I was born in northwestern Manitoba in a log house chinked with clay. We had no running water and no electricity on our farm. Heated with wood, it got cold in our house at night and, if someone forgot to empty the wash basin at night, the water in it was frozen in the morning. The battery-powered radio was just for getting news about the war. After 'hydro' came, it was a luxury and a privilege for me, as a young boy, to listen on the 'electric radio' to hockey games and boxing matches.

I was there when the Manitoba Power Commission began electrifying our rural area. In fact, in high school by then, I shared my rented room for a few weeks with three MPC workers who were installing the poles and stringing the conductors. The MPC workers and I all ate at the same boarding house table. The lines were going up on rights-of-way cleared by my cousins and other Metis from the district where I grew up.

Manitoba has been good to me. I returned here after a brief sojourn in southern Alberta at the beginning of my engineering career because, as I said, I love Manitoba.

The passage of this Bill is not in the interest of Manitobans. We urge the Legislative Assembly to set Bill 19 aside and to take the necessary time to conduct a thorough review of the issues, a review that is supported by independent expert opinion.

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Bipole III Coalition