

MANITOBA GOVERNMENT ARBITRARILY RAISES MANITOBA HYDRO RATES BY 2.5 PER CENT

In July the Manitoba government announced that, effective 1 October 2021, the price of electricity and natural gas would increase by 2.5% per year for the next three years. Finance Minister Scott Feilding said that the increase was lower than the 3.5% increase requested by Manitoba Hydro to help ratepayers deal with the effects of the COVID-19 pandemic.¹

Government Defends Secretive Rate Decision as More Efficient

Until recently the Public Utilities Board (PUB) had the statutory authority to review and approve changes in Manitoba Hydro's rates. The PUB used an open process to review rate requests and based its decisions on a cost of service model to determine whether the change was just and fair. Various interveners participated in the reviews, which generally spanned a number of months.

Relying on a third-party to review and set prices, or to approve major capital projects, allows the government to delegate often complex decisions involving monopoly, or near monopoly, utilities. However, this theory often breaks down when the third-party regulator makes decisions that may be contrary to the policies or objectives of the party in power. This is especially true when the regulated utility is a Crown corporation, as the finer points of the distribution of authority and responsibility quickly disappear when the customers are also electors.

On 5 November 2020, the Progressive Conservative government sidelined the PUB and legislated a 2.9% increase in Manitoba Hydro rates, effective 1 December 2020.² Normally, a rate increase proposal with detailed justification would have been submitted to the Public Utilities Board (PUB) for an open review, and a final decision by the Board.

Apparently, the government believed that the PUB process was too expensive, and that a direct decision by cabinet aligned with the government's affordability objective.³ By taking direct control the government avoided possible embarrassment caused by an

¹ <https://globalnews.ca/news/8012646/manitoba-raise-electricity-rates-3-years/>

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https://www.hydro.mb.ca/accounts_and_services/rates/news/#:~:text=Electricity%20rates%20news,%25%20effective%20December%201%2C%202020

³ <https://www.winnipegfreepress.com/local/pcs-very-sneaky-for-imposing-hydro-rate-increase-572694272.html>

independent commission ordering changes to rates that may not conform to the government's priorities. The proposed legislative change would limit the PUB to a rate review every five years based on a ten-year load and financial forecast.

The government will introduce the annual rate increases as amendments to Bill 35: The Public Utilities Ratepayer Protection and Regulatory Reform Act. It claims that the elimination of the PUB process will reduce regulatory costs paid by ratepayers by about \$40 million by switching to multi-year general rate applications.

Apparently, Manitoba Hydro had requested a 3.5% increase for the coming year, in part to reduce the high level of debt created by two major capital projects. No detailed request was made public, nor was any specific rationale for the government's decision to only approve a 2.5% increase.

No Transparency or Accountability

The government's decision to directly legislate the annual rate changes was opposed by the opposition parties and consumer groups. The NDP critic said that the elimination of the PUB from the annual rate review process was unprecedented; "Manitobans won't have that benefit because the PC government wants to set Hydro rates at the cabinet table and that's a huge concern for regular Manitobans who should be really worried about overpaying for their hydro rates," he said.⁴

In a statement, Dougald Lamont, Leader of Manitoba's Liberal Party, branded the government's action as a "blatant declaration of corruption." He stated that the government was "abusing their power" and putting the financial future of Manitoba Hydro at risk in hopes of gaining political popularity. "Hydro's rates should be set by the PUB after public hearings, not figured out on the back of a napkin in the Premier's office," Lamont wrote.⁵

The new approach is a clear retreat from the previous standards of transparency and accountability for Manitoba Hydro. To date, the public utility has not yet released its annual report of 2020/21, which is approaching six months after the close of the last fiscal year. The only public inquiry into the operation of Manitoba Hydro has been the brief review of the legislative committee on Crown corporations on 29 June 2021.⁶

⁴ <https://www.iheartradio.ca/cjay92/manitoba-proposing-rate-increases-for-manitoba-hydro-for-next-3-years-1.15577409>

⁵ <https://globalnews.ca/news/8012646/manitoba-raise-electricity-rates-3-years/>

⁶ <http://www.pubmanitoba.ca/v1/proceedings-decisions/appl-current/pubs/2021-cc-motion/hansard-standing-committee-on-crown-corporations.pdf> The BC legislature has not had a meeting of the equivalent committee for a number of years.

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The writer is a retired senior BC government public servant whose paper describing the BC government's manipulation of the finances of BC Hydro from 2008 to 2014 was published by *BC Studies* in November 2016. *BC Studies* published his paper on the 40-year financial history of ICBC in 2013. He is an intervener in the BC Utilities Commission's recent reviews of ICBC's and B.C. Hydro's rate requests.