



LEADERSHIP, ADVOCACY AND SERVICE FOR MANITOBA'S PUBLIC SCHOOL BOARDS

**March 1, 2023**

**To: The Public Utilities Board of Manitoba**

**Re: Written submission from MSBA re: application by Manitoba Hydro for 2 per cent general rate increases in 2023/24 and 2024/25**

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Dear Colleagues:

I, Alan Campbell, do hereby certify that the evidence, information and documentation filed as a written presentation in relation to Manitoba Hydro's 2023/24 and 2024/25 General Rate Application is true.



(Signature)



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**To: The Public Utilities Board of Manitoba**

**Re: Application by Manitoba Hydro for General Rate Increases in 2023/24 and 2024/25**

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Dear Colleagues:

Achieving balance in terms of the needs and requirements of an important Crown asset such as Manitoba Hydro, and promoting the public interest through the ability of Manitoba ratepayers to continue to address those needs and requirements, cannot be an easy task for the Public Utilities Board.

The Manitoba School Boards Association, representing the 38 public school boards in our province, can offer no expertise towards addressing the longstanding budget deficit inherited by Manitoba Hydro; the lingering financial impacts of last year's drought; along with increased cost pressures arising from Manitoba's economic performance in 2022 and continuing through to 2023 and beyond. These three factors are very challenging to say the least— and we well empathize with Hydro's tough budgeting decisions in view of the comparable and analogous context in which Manitoba's public school boards must themselves operate.

We well understand how difficult it is to return to our respective ratepayers to shoulder a greater portion of the needs that we respectively face. Yet that seems, *prima facie*, the only lever that remains available to us, short of substantial reform. In sum, we understand all too well the many complexities and factors that have directly led to Manitoba Hydro's present application for a general rate increase of two per cent percent in each of the next two fiscal years.

Why is MSBA tabling a submission in conjunction with this present rate application? Keeping the lights on in our schools and our students and teachers warm in their classrooms, is our chief relationship to Hydro. To this end, we are very grateful for an in-province and Crown-subsidized supply of what to date has been relatively affordable electric and gas utilities.

Like Manitoba Hydro and the Public Utilities Board, all school boards remain accountable to our local ratepayers. Therefore, when we came to understand the scope of what has been proposed by Manitoba Hydro under the current application, we felt it necessary to make every reasonable effort to promote our shared accountability by conveying important information to you, as you finalize decisions concerning the proposed general rate increase. We seek to help you as members of the Public Utilities Board, to better understand how Manitoba Hydro's proposed general rate increase stands to impact our local public education system.

The 2023/24 budget year represents a crossroads for all school divisions in Manitoba. Following six years of sustained underfunding of public education, the "windfall funding of schools announcement" made this past January regrettably does not reverse the cumulative years of damage done to our system through this underfunding. Many smaller rural and northern school boards are making very difficult choices as to which programs, supports and services will be reduced, while even those larger metro school boards that have historically drawn upon larger assessment bases are now facing reductions to key programs, along with staffing reductions.

Based on a recent poll of our membership (December, 2022), we have found that collectively, across all 38 school boards, total annual costs for hydro during the previous school year (2022), were approximately \$30 million. This total figure represents an annual contribution of approximately \$21.00 from every person who works and lives in this province. The reality is however, that not every Manitoban shoulders expenses within the public school system, and so this figure is actually much higher for each actual ratepayer.

The proposed rate increase by Manitoba Hydro over the next two year period would increase our collective expenditures on hydro by an additional \$1.2 million, resulting in a total annual investment of \$21.97 from every Manitoban by the end of 2025. And here, once again, this figure would be much higher for the average ratepayer, given that not every Manitoban contributes to the education levies that would serve to address such an increase.

We feel it important, given how the rate increase has been communicated publicly, to interpret the overall burden that these rate increases would signify for the average Manitoban— beyond the statements made by Hydro itself that the increase for 2024 “will result in an additional increase of less than \$3 and \$6 a month for average residential customer without and with electric heating respectively” (Manitoba Hydro, Dec 16, 2022), it must be understood that the additional pressure borne by public school boards, and indeed by municipal and Crown entities province-wide, will mean that these figures ought to account for the reality of public finance in this province, where the combination of these public entities draw revenue from the same ratepayers to address their own Hydro rate increases.

It therefore stands to reason that the average ratepayer will have to pay substantially more in hydro costs under the current application beyond those expenditures normally required for their own homes and to run their own businesses. We feel that it is very important that this be taken into consideration under the current rate increase application. For the school board portion alone, monthly costs to ratepayers will be approximately \$0.16. While this may seem marginal, again one must consider that this calculation is premised on the rate increase being distributed across all 1.4 million people (estimated by Statistics Canada to be resident in Manitoba as of the fourth quarter of 2022). The reality is that a much smaller portion of that population bears this burden and by extension, this must be placed in a greater and wider context of the larger public burden that the same ratepayers will bear on their local tax bills to accommodate the overall rate increase in relation to provincial and municipal hydro expenses.

School boards face tough budget decisions every year, and this includes growing inflationary adjustments on the price of the basic operating goods and services upon which we rely to produce educated graduates who can better meet the needs of our shared future. In setting their budgets, school boards are restricted from incurring deficits or overruns, even as the proportionate share of Provincial funding in support of school operating requirements, which also comes entirely from the Manitoba ratepayer, has steadily declined from previous years. It must be understood that 2023/24 will be the first year where every board receives any form of increase and as mentioned previously, years of underfunding mean that even this increase does not address status quo operating requirements. Further imposition of restrictions on the ability of school boards to raise additional local revenues, given the ongoing repealment of education property taxation authority by the Manitoba Government, has meant that boards are no longer able or in any position to absorb outside pressures as was once the case. While the Manitoba Government has established a Provincial Taxation Offset Grant (PTOG) that is equivalent to the traditional maximum annual 2 per cent increase that would typically have been raised based on local revenues, the reality that many boards incurred a -2 percent reduction to equalization grants meant that in reality “0” was granted to boards under the creation of the PTOG.

We all reside in a world where resources are finite. Through their core responsibilities, school boards strive to maintain affordability of public education for all residents of Manitoba. Given that we already seek to reduce reliance upon our ratepayers when providing the current goods and services that we make available to students through our

public schools, there is little option remaining for us when faced with substantial proposed increases to our basic operating costs but to reduce the level of programs, supports and services that we are able to provide. In this respect, \$1.2 million in additional annual expenditures on hydro province-wide, if the Public Utilities Board chooses to approve Manitoba Hydro's proposed rate hikes, will come with a significant impact upon our children and their future, for it would necessitate the removal of \$1.2 million from existing programs, supports and services. We share this with the Public Utilities Board, as we feel that this also ought to be taken into consideration. While all of this may appear to be of marginal impact, we are very aware of the reality of what ongoing rate hikes would mean for our future sustainability.

Before the Government of Manitoba recently intervened to reduce the scope and impact of this present application, ratepayers were faced with a 3.5 per cent increase in each of the next two years. This does not include the pending 3.6 per cent increase that Hydro seeks your authority to confirm. Prior to that, Manitoba Hydro itself stated its clear intentions to impose consecutive rate increases in every fiscal year over the next two decades. Bill 36, recently enacted by the Manitoba Legislative Assembly, also comes with significant impacts given the possibility that the increases could amount to the rate of inflation or five percent, whichever is lower. Given what we have attempted to convey in our analysis above, given the existing impacts and outcomes of a two percent increase in 2023/24 and 2024/25 alone, such ongoing and upward pressures would only exacerbate our ability to sustain much needed programs, services and supports for our students.

As public entities, school boards understand the challenges that are faced by Manitoba Hydro. However, given that we are also accountable to the same ratepayers, we cannot support any proposal that would seek to acquire more from these same ratepayers through to the end of 2025 (under the present application) and well beyond. We feel that it is important for all public entities to avoid imposing added burden upon what the Manitoba ratepayer can afford to contribute towards the sustainment of our current way of life.

In this final respect, we would encourage the Public Utilities Board to adopt a more restrained and gradual approach to the increases that have been proposed by Manitoba Hydro. This would ensure that this vital Crown asset continues to provide quality services to Manitobans in terms of its own goods and services, while not compromising the ability of other public entities, such as school boards, to deliver their own quality goods and services to residents.

School boards recognize that we all have a share in the future of Manitoba Hydro and its ability to address the multiple challenges it faces. Adopting a more gradual rate increase over a longer period of time would certainly assist school boards in sustaining any increase that may contribute towards meeting Manitoba Hydro's needs and requirements, while at the same time avoiding significant impacts to public education programs, supports and services for children and their communities across our province.

Sincerely,



Alan M. Campbell  
President