



# Manitoba



***SHOULD AND COULD  
REGULATORS TRY TO IMPROVE  
THE LOT OF THE LOW-INCOME?***

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# WHO ARE WE TALKING ABOUT?

- ❑ Who are the poor?
- ❑ How are they impacted?
- ❑ Can regulation help?
- ❑ Why help?

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## THE POOR

- ❑ Rising in numbers
- ❑ Globalization didn't help everyone
- ❑ Bottom 40% of household incomes have had no after-inflation gain for 20 years
- ❑ Savings rate negligible
- ❑ Housing costs soaring
- ❑ Energy pricing soaring

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## FOCUS ON THE POOR

- ❑ Budget for utilities can approach 20% or more of disposable income- overall housing costs over 50%
- ❑ Heating a necessity, not a luxury
- ❑ Energy inefficient homes (46%)
- ❑ No funds to improve efficiency
- ❑ Confluence of:
  - ❑ High child poverty
  - ❑ Large number of working poor
  - ❑ Low/ fixed-income pensioners
  - ❑ It's cold in Manitoba in winter



# U.S. METRICS CONSUMERS- LOW INCOME

- The following few slides are drawn from a report issued in November 2004 by the US National Regulatory Research Institute located in Ohio

(Sometimes it is easier to consider another jurisdiction's problems than our own)

- While U.S. results are stark, we cannot help but wonder about the Canadian experience- Manitoba is a might colder than Columbus, Colorado and California

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## U.S. METRICS CONSUMERS- LOW INCOME

- As at May 12, 2001, nearly 4.3 million households in 19 states and D.C. were at risk of disconnection due to arrears
- Xcel disconnected heat to 38,855 customers from Jan 1 to Nov 30 of 2003
- Energy prices have risen substantially since

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## U.S. METRICS CONSUMERS- LOW INCOME

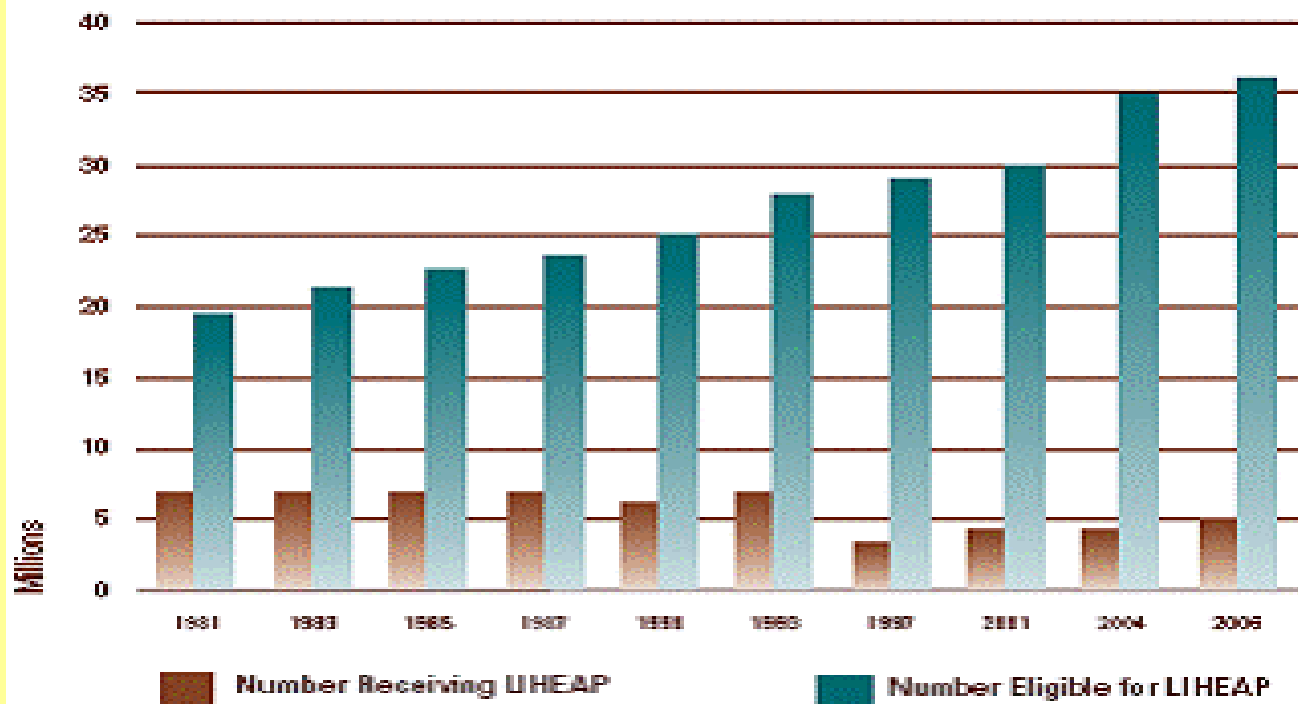
- Low-income Home Energy Assistance program (LIHEAP)
- Sixteen states reported increases of more than 20% in 2003 of households receiving LIHEAP
- Only 16% of eligible families received help
- Between two gas providers in Philadelphia, approximately 200,000 termination notices were sent out to delinquent customers
- Natural gas uncollectible accounts were up 30% from 2003 to 2006

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# U.S. METRICS CONSUMERS- LOW INCOME

**The Gap Between Number of Households Eligible for LIHEAP and the Number Receiving LIHEAP Continues to Widen**



Source: LIHEAP Home Energy Notebook, US Dept of Health & Human Services, June 2006. Data for 2006 estimated on NEADA data and trend in eligible households.



# U.S. METRICS CONSUMERS- LOW INCOME

## IDENTIFIED IMPACTS AMERICAN SURVEY

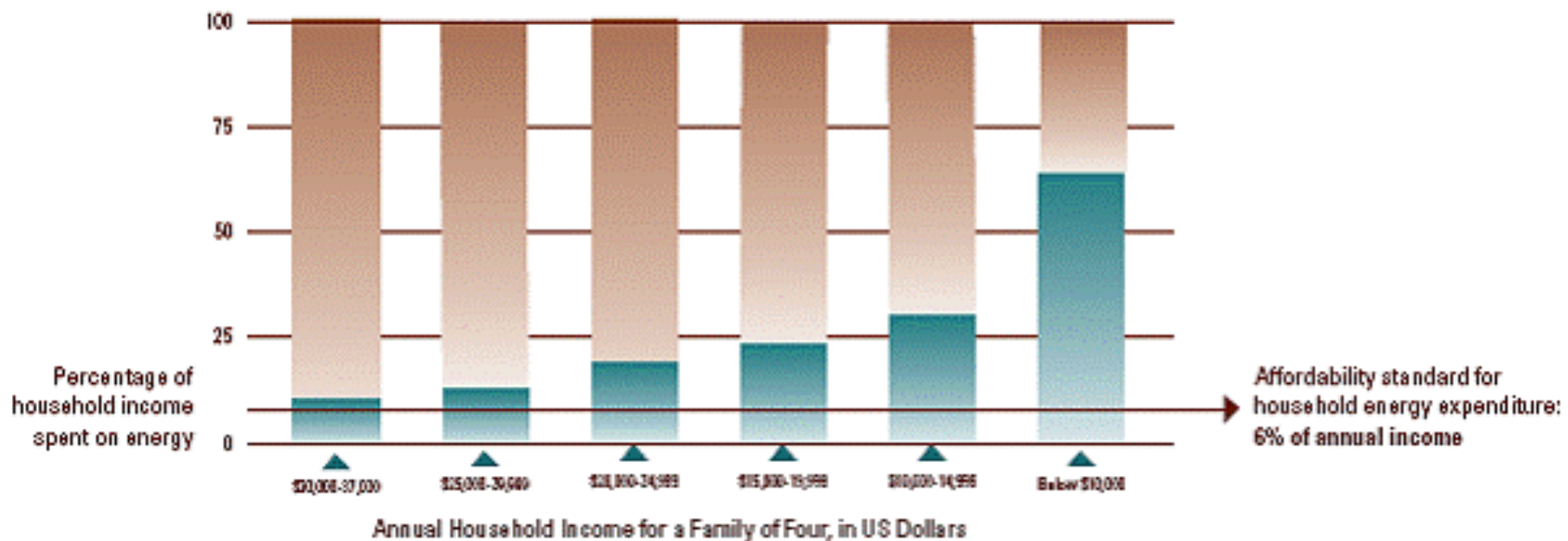
- 22 % went without food for at least one day each week
- 38% went without medical or dental care
- 9% moved in with family or friends
- 4% were evicted
- 4% went homeless as a result of eviction/  
non-payment



# U.S. METRICS CONSUMERS- LOW INCOME

## As Income Decreases Family Budgets Stretched to Breaking Point by Energy Costs

While 6% of income for energy is considered affordable, low-income families pay far more. Low-income families must spend a greater percentage of their income on home energy costs, leaving less money available for food and other necessities.



Source: [www.homeenergyaffordabilitygap.com/index.html](http://www.homeenergyaffordabilitygap.com/index.html), 2005 Massachusetts data



# U.S. METRICS CONSUMERS- LOW INCOME

## WHY DON'T THEY PAY UP?

- 88% viewed themselves as helpless to cope
- Threats of disconnection did not produce an increase in the collection of arrears
- Operating at the financial margin, a single family event may cause a crisis

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# U.S. METRICS CONSUMERS- LOW INCOME

## WHY DON'T THE POOR HELP THEMSELVES?

### ALMOST ALL TRY

- 44% put plastic on their windows
- 76% turned down the heat at night
- 83% kept shades and curtains drawn in summer
- 78% used fan and opened windows
- 65% washed clothes in cold water
- 44% used CFL's





# U.S. METRICS CONSUMERS- LOW INCOME

## WHAT IS U.S. DOING FOR LOW-INCOME?

- **LIHEAP 2008 budget- \$1.98 billion**
- Minnesota gas utilities required to spend at least 0.5 percent of their revenues on conservation improvement programs, including a portion for low-income persons.
- California's Alternative Rates for Energy program (CARE) provides low-income customers a 20 percent discount on their electric and natural gas bills; funded through rates
- In 2006, utility programs provided \$1.8 billion in assistance, yet:

“the need continues to be far greater than utility programs are able to fulfill despite our best combined efforts”

David Parker- Pres & CEO AGA

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# U.S. METRICS CONSUMERS- LOW INCOME

## WHAT IS U.S. DOING FOR LOW-INCOME?

- In a Kentucky gas utility, there is a mandatory contribution from residential customers that is matched, dollar for dollar, by the company

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# CANADA WHO'S DOING WHAT?

- ❑ Federal, Provincial and Municipal Governments
- ❑ Programming to aid the poor

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# MANITOBA WHO'S DOING WHAT?

- Power Smart Loans for both gas and electricity
- DSM for natural gas & electricity programs
- Family Service & Housing Income support programs

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# IMPEDIMENTS

- ❑ Renters cannot renovate without approval
- ❑ Low-income cannot afford capital cost investment
- ❑ Social Assistance Direct Utility Payment no motivator
- ❑ Landlords have little incentive- cost reflected in rent or paid by renters

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## WHAT COULD BE DONE

- Energy Audits
- Retrofitting:
  - Insulation, attic & walls
  - Windows & doors
  - Furnaces
  - Light bulbs
- Energy & financial counselling
- Emergency Financial Help

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## WHAT COULD BE DONE

- General Education on Conservation
- Increasing standards for energy efficiency (heat loss) in all buildings
- Making landlords responsible for renter space heating utility bills
- Getting landlords to cooperate with energy efficiency programs as a pre-condition for social service clients

## WHAT COULD BE DONE

- Federal Funds- energuide, Kyoto, Housing, GST rebates or cancellation on GST on residential natural gas and electricity costs
- Provincial – Housing- Social Services, tax credit programs
- City- Housing programs

# CONCLUSIONS

- Not much time; the current approach does not always reach those in need in time
- Urgent need for coordinated effort from all players, especially to deal with emergencies
- Time for direct income tested assistance
- The poor are unlikely to get richer

THERE WILL BE MORE KATRINA's AND MORE PRICE SPIKES.





# SO WHAT'S MANITOBA DOING?

## ❑ TARGET-

❑ LOW-INCOME

❑ FIXED-LOW-INCOME- SENIORS

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# THE MANITOBA METRICS CONSUMERS- LOW INCOME

Home Type	Centra's Estimated Number of Low Income Customers in Manitoba*
Single	28 723
Multiplex	4 053
Townhouse	2 122
Mobile	311
Apartment	15 647
<b>Total</b>	<b>50 856</b>

*\*Based on Manitoba Hydro Residential Study, 2003 where*

*Low Income has been determined by customers indicating they have an annual household income of less than \$30 000.*

Low –income households generally housed in Aged Houses and Apartments with poor insulation & low efficiency furnaces





# MANITOBA

## AN INDICATOR OF THE PROBLEM

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	27/8 /05
Total customers disconnected	3346	3284	3924	3151	3650	4151	3177	2765	3389	288	5901	7110
Total customers reconnected	3277	3158	3842	3065	3557	3922	2851	2418	3011	5867	5513	3921
Vacant, Alternative Heat, etc and disconnected	69	126	82	86	93	229	326	347	387	421	388	3189

Disconnections:  
2600 units left off after December 31

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# THE MANITOBA METRICS CONSUMERS- LOW INCOME

- 1000 sq ft poorly insulated bungalow cost \$1500 pa to heat (46.4% of inner city homes built before 1946)
- Add \$500 electricity
- =10% of a \$20,000 pa salary of working poor BEFORE statutory deductions
- 2001 Census indicates 41.6% of tenant occupied households spent 30% or more on shelter

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# THE MANITOBA METRICS

## WASTED GAS

ENERGY SOURCES AND CO <sub>2</sub> EMISSIONS			
Furnace types- Gas	Efficiency	Energy units m <sup>3</sup>	CO <sub>2</sub> kg/yr
Hi-efficiency	92%	1838	3492
Mid- efficiency	80%	2114	4016
Conventional (still the majority)	60%	2818	5354

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## WHAT'S MANITOBA'S MOTIVATOR?

- Increase in social assistance requirements
- Pushing the poor over the edge- leads to non-recovery
- Reduce energy costs- smaller bills means less disconnection
- Environment- Saving on energy consumption

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## WHAT'S MANITOBA'S MOTIVATOR?

- Risk of further price spikes- natural gas
- Bill arrears could cause customers to go to high cost loans to stave off disconnection
- Avoid eventual bankruptcy
- Avoid family break-ups

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## THE ANOMALY

- The utility sets aside funds/ budgets for demand side management (PowerSmart)
- **Low-income folks have been subsidizing PowerSmart users as they pay the same rates with little or no chance to participate in DSM**
- They pay as much (or more) in gas bills but cannot afford to fund their required contributions to participate in DSM

## IN PROCESS

- Pro-active DSM programs:
  - Up-front assistance to upgrade residential heating
  - Subsidization from electricity exports (Affordable Energy Fund)
  - Provision in natural gas rates to create pool of funds to address low-income
  - Target federal funds to low-income
  - Reduced interest rates



## MPUB'S SPECIFIC DIRECTION

- ❑ Direction to Utility to develop a furnace replacement program for low-income
- ❑ Direction to employ & expand Residential Loan Program for low-income
- ❑ Subsidize interest rates on program, modestly for low-income
- ❑ Combine furnace replacement program with existing weatherization programs, with existing federal and provincial grants
- ❑ Establish an accreditation program for installers
  - ❑ Pre & post installation audit
  - ❑ Check quotes for fairness

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## AN OPPORTUNITY TO ADDRESS MULTIPLE OBJECTIVES

- ❑ Up-grade thousands of low-income residences
- ❑ Reduce gas waste by 50% (save a non-renewable resource & reduce GHG emissions by 60,000 tonnes per annum)
- ❑ Reduce bills for the low-income by 40%
- ❑ Allow more people to stay in their homes
- ❑ Provide more work for accredited contractors, keep skilled trades people

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MPUB will monitor:

- Take-up rates
- Co-operation of landlords
- Disconnection trends
- Action of the utility

*MPUB's MANDATE- DETERMINE THE PUBLIC INTEREST*



*Questions?*

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