

ANALYSIS

Keeping PowerSmart a bright move

COST-CUTTING MEASURE WOULD BE SHORTSIGHTED

By: Chris Mravinec

Posted: **10/24/2016 4:00 AM**

THE new provincial government clearly wants to find budget savings, with government operations and Crown corporations, such as Manitoba Hydro, on the top of the list. Why, then, is the government considering an action that could increase costs by \$1 billion?

The Conservatives' planned removal of PowerSmart from Manitoba Hydro will cost ratepayers too much at a time when efforts are being made to contain costs. Manitoba Hydro has been reviewed extensively by the Boston Consulting Group, resulting in heavy-duty recommendations for the utility's and province's financial outlook. The consultant's report notes the need for effective "demand-side management" as a tool to reduce domestic energy requirements but makes no mention of removing PowerSmart from Hydro. Demand-side management, known as PowerSmart to the consumer, reduces energy consumption and energy bills by providing energy auditing, education, incentives and energy alternatives to residential, commercial and industrial customers.

PowerSmart gives Hydro an edge because the program helps attract and retain export customers who value our energy, gets us closer to greenhouse gas reduction targets, provides lower-income ratepayers with affordable upgrades such as high-efficiency furnaces and insulation and creates good jobs. PowerSmart helps the bottom lines of ratepayers, Hydro and the province.

Whatever your view on the consultant's recommendations, it may surprise you that Manitoba Hydro's PowerSmart program represents \$1.4 billion in capital spending over the next 15 years. Even more surprising is it would cost \$1 billion more to remove PowerSmart from Hydro and implement targets found in Manitoba's Climate Change and Green Economy Action Plan.

In spite of the benefits of the current PowerSmart model, the Conservative government still wants to remove the program from Manitoba Hydro. This idea was first raised by the Public Utility Board in 2014. With no evidence presented to support the carve-out, the PUB alleged it was a conflict of interest for Hydro to be a provider as well as a saver of energy and recommended removing it. They seem to have been unaware of its excellent value and award-winning history.

PowerSmart at Manitoba Hydro has a long and successful history. It was established in 1989 and for 27 years has provided programming to support energy efficiency in Manitoba, from individual households to the industrial level. It helps households and businesses achieve significant year-to-year cost savings on energy bills. The program has won many industry awards, including the prestigious Energy Star Utility of the Year award by Natural Resources Canada.

Industry expert and past PUB witness Philippe Dunsky made the following statement in a letter to the editor of the *Winnipeg Free Press* Oct. 1, 2014: "I am certain of one thing: the know-how and expertise Manitoba Hydro has developed over the years will be needed more than ever, which is why I expect Hydro to play an important role helping consumers save energy far into the future."

This does not sound like something that is broken and in need of fixing.

A deeper look at the scheme to remove PowerSmart from Hydro shows there would be considerable risk and increased costs. The energy savings resulting from the program are needed for the current financial plan. The review of Hydro was in part to determine and manage financial risk. And the lack of questions or answers about PowerSmart is notable.

Would startup costs, business-transition costs and the resulting general disruption to existing services and programs be worth the perceived gain? Would these short-term and long-term costs benefit the ratepayer and the Manitoba economy? How much would it cost to move the work out of Hydro? How much institutional knowledge and expertise would be lost in the transition? Let's not forget these costs would be in addition to the \$1 billion required to achieve more aggressive targets prescribed by the PUB. We deserve answers with the same degree of scrutiny as was exercised during the review of other capital expenditures.

As the expression goes, it takes money to save money. In this case, the dollars spent on PowerSmart programs are dollars wisely spent. Removing the program from Hydro now will increase costs and force our public utility to pay for services Manitobans already own and receive. Let's take Manitoba's energy savings to the next level — the smart money is on keeping PowerSmart with Hydro.

Chris Mravinec is the president of CUPE Local 998.