

# Recommendations regarding Bill 212 an Act to Amend the Public Utilities Act

## AFFORDABLE ENERGY COALITION

### Introduction

The Affordable Energy Coalition (AEC) is a group made up of individuals and community organisations committed to equitable and universal access to energy and eradicating energy poverty. Electricity is necessary to maintain adequate housing and for about 1/3 of Nova Scotia households provides the main source of heat. The AEC believes that equitable and universal access to electricity is a matter of human rights both in terms of equality and the right to housing.

We live in extraordinary, challenging times. Regarding NS Power rates we face two challenges – affordability and ensuring our electricity system helps us make the rapid transition to a zero carbon economy. Zero carbon electricity is fundamental to the transition to a zero carbon economy. It costs money to make the transition and it is vital that no one is left behind in the transition.

The extraordinary fact is that when we have accomplished the transition to a zero carbon economy, energy bills will be lower. In other words, the two challenges are inter-related. This is due to lower use of energy because of efficiency and efficient equipment like heat pumps to replace oil heat and because of lower use of energy as we electrify transportation and the dropping costs of renewables. The challenge is getting from here to there.

While saying it costs money to make the transition, I want to emphasize two key points:

1. **The main driver of the rapidly increasing electricity rate increases is fossil fuel pricing and NOT the cost of the transition to zero carbon system.**

This was true of the massive increase in electricity pricing over the first decade of the 2000's too, but many people falsely placed the blame on renewables and efficiency. The Ukraine war and its consequences have artificially driven up the world price of fossil fuels. The switch to renewables, efficiency and all the other elements of the transition does contribute to rising prices. But it's crucial to remember that it is not the main driver, by far.

2. **While electricity rates are being affected by rapidly rising fossil fuel costs, the cost of home heating fuel is going up even more rapidly.**

The fact is that switching from oil heating to highly efficient electric heat pumps both makes home energy much more affordable and it also cuts greenhouse gas emissions, even more so as we close coal plants. It is ironic that electricity rates get so much more attention than home oil and gas prices. That's because electricity is more heavily regulated so there is more public conversation about it.

## **The nature of energy poverty**

Nova Scotia has one of the highest rates of energy poverty in the country. The requested rise in electricity rates will only make this worse.

Energy poverty has a discriminatory impact on disadvantaged groups in our society including those living in poverty who are disproportionately comprised of women, single mothers, persons with disabilities and people of colour. It undermines people's right to housing because in the absence of lights, refrigeration and heat homes in Canada are not habitable.

Energy poverty in Nova Scotia occurs when people have unsustainable energy burdens and their access to energy is undermined. The fact is that low income households have precarious access to electricity now. Inadequate income is the primary reason for disconnection of electrical service. Arrears build up. Low income households are forced to use food banks or to stop buying medicine so they can pay electricity bills. Or they lose their electricity which means they can't store or prepare food or lead a normal life. In some cases they cannot heat their homes.

## **Concerns**

We have 3 concerns about the amendments proposed to the Public Utilities Act in Bill 212.

**1. The first is that there is no direct relief to low-income customers.**

We know that Nova Scotia has one of the highest levels of energy poverty in the country. Low and modest income Nova Scotians have struggled with energy bills for years. The coming increases in NS Power rates and the current high cost of oil bills means that the pain will be more acute.

**2. The second concern is that the 1.8% limit will undermine the transition to zero carbon energy society wide.**

The transition to zero carbon energy is essential to achieve lower bills in the long run and to do our part in reducing the devastating impacts of climate change like the extra wind force and storm surge from storms like Fiona. This government has legislated a closure of coal plants by 2030. This is laudable but we can't pause now on our journey in this direction.

**3. The third concern is that this Bill undermines the independent review process by UARB.**

Independent regulation by the UARB is important. It is a public process with experts reviewing proposed increases in the light of changing legislation and with an opportunity for members of the public to make comments. It's not perfect, but it improves the chances of the system remaining stable and effective and the chance that the laws established by government regarding goals like closing coal plants will be followed.

## **Solutions**

We will propose solutions to the 1<sup>st</sup> 2 concerns. But first we would like to make clear that we support 2 elements of the legislation:

- 1. We support the exemption of Demand Side Management from the 1.8% cap on expenses, in clause 3 of Bill 212.** The contract for Efficiency Services approved in September for the next

3 years includes dramatic increases in low income programming and it supports the transition to a zero carbon economy.

2. **We also support the proposed restrictions on profit to no more than 9.25% on no more than 40% equity thickness (in clause 4 of Bill 212) and no sharing of profit above the 9.25% cap (in clause 5 of Bill 212) and recommend these provisions be strengthened.** Our Opening Statement to the UARB regarding the Rate increase proposed stricter restrictions, including lowering the profit rate cap to 8%. The Consumer Advocate also supported a rejection of NSPI's proposed profit increases, backed up by expert testimony far more substantial than ours. We believe these measures will make a difference on affordability while making a small dent in the inequality that arises from excessive profits and rising rates.

### **RECOMMENDED CHANGES:**

We believe the best answer to the affordability crisis is to create a systematic program targetting low and modest income households with on bill energy credits to reduce energy poverty.

We believe this is much wiser than deferring the transition to zero carbon energy as this Bill does, in part, by eliminating financing for the transition, except for the very important exemption of Demand Side Management.

This view is expressed in our first two recommendations below, to address the 1<sup>st</sup> 2 concerns we have.

1. **Create a system of on-bill credits for low income customers so they can afford their electricity bills until lower bills are possible due to the transition to zero carbon energy.** It is puzzling to say the least, that Bill 212 does not address the issue of rates for lower income households. Many US utilities use a ratepayer funded system for on-bill credits to low income households, to cap their bills at 6% of income. Ontario adopted a ratepayer funded system several years ago and then changed it to a taxpayer funded system – the Ontario Electricity Support Program. Appendix A shows the legislation in the Ontario Energy Board Act that authorizes this system.

We recommend 2 changes to accomplish this. Either one or both together would work:

- (a) **Change Section 67 of the Public Utilities Act to enable the Board to consider rates that are different for low income households.** We proposed this in April when you were considering Bill 147. Here is what that could look like:
  - i. Amend Bill 212 by adding a clause changing Section 67 of the Public Utilities Act as follows, with the proposed amendments in bold:
 

**67 (1) Except as required for purposes of rate assistance programs to address energy poverty for low income domestic (residential) consumers, [a]**All tolls, rates and charges shall always, under substantially similar circumstances and conditions in respect of service of the same description, be charged equally to all persons and at the same rate, and the Board may by regulation declare what shall constitute substantially similar circumstances and conditions.

- (b) **Change Section 67 of the Public Utilities Act to enable the Board to recommend a system to address energy poverty for low income domestic (residential) consumers, including different options for financing the system.**

This is a new proposal that we did not present at the time Bill 147 was adopted. This would provide a better understanding of the costs and benefits of such a system to address energy poverty so that a good decision can be made about implementation.

- i. Amend Bill 212 by adding a clause adding a new subsection (2) to Section 67 of the Public Utilities Act to read as follows:

**67 (2) Notwithstanding subsection (1), the Board will conduct such research and direct NSPI to conduct such pilot programs as it deems appropriate, to determine the most effective program designed to reduce energy poverty for low income domestic (residential) consumers. This research shall consider alternative sources of financing for such a program such as general tax revenues or different rates paid by ratepayers. This research shall be conducted in cooperation with the Consumer Advocate, the Affordable Energy Coalition, Nova Scotia Power Incorporated and any other parties the Board deems appropriate. AND**

**Change the existing subsection 67 (2) to 67 (3).**

2. **Enable climate action and lower future energy costs by adding the costs of transition to a zero carbon electricity system to the list of exemptions to increases above 1.8% in clause 3**

To ensure the success of the transition to a zero carbon electricity system, it is essential that investments are made today. Otherwise, the goal of increasing renewables to 80% and closing coal plants by 2030 will not be achieved. Nova Scotians will not be able to benefit from the shift to a zero carbon economy where energy costs are much lower than they are now. Here is the specific recommendation:

- i. Amend Bill 212 by adding to Clause 3 the new Subsections (3) to Section 64A (3) of the Public Utilities Act to read:

**(3) costs related to a transition to a zero carbon electricity system**

3. **Strengthen the restrictions on profit:**

- (a) We would support making the changes in Clauses 4 and 5 apply to all general rate applications rather than only the current rate application.
- (b) We would also support a lower cap on profits of 8% and using an equity thickness of 35% with a cap of 40% as stated.

The current high cost of fossil fuels must not delay the transition to zero carbon electricity which will lower overall energy costs for consumers. It is also essential in this era of high inflation and given Nova Scotia's historically high levels of energy poverty that we adopt a systematic method of reducing bills for low and modest income Nova Scotians. We encourage you to adopt the changes we have proposed in order meet both challenges head on.

Respectfully submitted,  
Brian Gifford  
Chair, Affordable Energy Coalition

**APPENDIX:****Ontario Energy Board Act provisions for the Ontario Electricity Support Program  
Compiled by Dalhousie Legal Aid Service student Keita Szemok-Uto****Ontario Energy Board Act 1998**

- 36(2) Board may make orders approving or fixing just and reasonable rates for the sale of gas by gas transmitters
- 78(3) Board may make orders approving or fixing just and reasonable rates for the transmitting or distributing of electricity... as may be prescribed
- 79.2(1) The Minister shall make provision for rate assistance for rate-assisted consumers having regard to their economic circumstances, and where the minister makes such provision, shall do so out of the money provided for in subsection (4)
  - (4) money appropriated for those purposes by the Legislature (tax-funded)

**Regulations: Ontario Electricity Support Program (under the Ontario Energy Board Act 1998)**

- 3(1) Rate assistance shall be provided to rate-assisted consumers on a monthly basis
- 3(2) \$35 for Class A; \$40 for B; \$45 for C; \$51 for D; \$52 for E... up to \$113 for M

**Schedule 1: Classes of Rate-Assisted Consumers**

Class A: household income \$39-\$48k 3 persons; \$48-\$52k with 5 persons  
(it lists income brackets and household sizes for each of the classes from A to M)

...

Class M: household income under \$28k with 6+ persons, between \$28-\$39k with 7+ persons, etc. where the dwelling is heated primarily by electricity, or the account-holder or any member of their family living in the household is an Indigenous person, or the account-holder or any member of their household regularly uses, for medical purposes, an electricity-intensive medical device at the dwelling to which the account relates