

Comments for Law Amendments Committee

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Check Against Delivery

Good morning/afternoon/evening Chairman Johns and Committee members. Thank you for the opportunity to provide some context regarding the proposed legislation that amends the Public Utilities Act.

Our customers are at the centre of everything we do, and we take very seriously our role as a regulated utility with a mandate to serve Nova Scotians. Nova Scotia Power employs more than 2000 Nova Scotians who live and work in communities right across this province. They work extremely hard, every day, to deliver electricity reliably and safely, along with the more than 4500 local businesses and contractors who work with us to build and maintain the grid.

I am immensely proud of their contribution to our company and province. Each and every one of these employees is a customer too, balancing the same concerns about cost of living, reliability and the environment.

There is no question that this is a hard time for many Nova Scotians. Costs are up across the board and an increase to electricity rates can make things harder for the people out there who are already stretching their budgets to the limit.

But we know too that Nova Scotians also want to know their power will always on and ready for them. To trust that the system can withstand the impacts from more frequent and more severe storms. We know Nova Scotians want to do their part to fight climate change, by investing now to end the use of coal in this province as soon as possible and to have a grid operating with 80% renewable resources by 2030.

Nova Scotians want this.

Nova Scotia Power wants this.

This Nova Scotia government wants this.

The federal government wants this.

And this. Costs. Money.

These are the investments that NSP put forward in the regulatory process. This is the future that NSP wants for Nova Scotia. These are the investments this legislation constrains, delays or cancels, for what would ultimately amount to an increase of \$15 per month for the average household by 2024.

No one here is saying that \$15 per month is pocket change. What we are saying is that we need to have a clear conversation of what we're actually saving here. This legislation puts Nova Scotia's reliable and clean energy future at risk.

Our original request to the UARB was a 2.8% increase in each of 2022, '23 and '24. Over 90% of the UARB application was to fund costs and invest to improve reliability and remove coal from Nova Scotia's energy mix.

The aggregate 1.8% cap over this same three-year period translates to effectively 0.6% per year in additional support for the system. At well below the rate of inflation, this is a reduction in real dollars. Unfortunately, this will not be enough for NSP to make the investments required to achieve what customers are asking us to do for the system. It will prevent NSP from even keeping up.

This is an arbitrary cap that will result in a \$150 million reduction to revenues over 2023 and 2024 compared to what was submitted in the GRA. Just like any business faced with a reduction in revenues, costs will have to be reduced to adjust.

We've been asked to meet some important and specific targets for Nova Scotians. At this time, the grid needs support. It needs work to protect our customers from undue outages resulting from aging infrastructure and from the impacts of the increasing frequency of more severe weather. It needs investment to meet our clean energy targets. This is important work. It's work we want to do.

NS Power did not make its submission lightly. We know what it takes to achieve the goals that everyone wants. We know because we are the ones doing the work.

Over the past 20 years Nova Scotia Power has become one of the most efficiently run utilities in North America. When Nova Scotia Power submitted its rate application earlier this year, it was the first one filed by NSP in more than a decade.

After ten years of driving greater efficiencies with new technologies and business processes, there are no more efficiencies to find while still maintaining and improving service levels and the performance of the grid.

The global economy has impacted markets and investors' risk tolerance, which the announcement of this legislation has made more challenging. The immediate reaction of credit rating agencies and the approximate \$1 billion reduction in Emera's market capital directly caused by this legislation in the few days since its introduction is tangible proof of investors' reaction. These market reactions directly result in higher cost for future investments.

The need to make further investments in Nova Scotia's electrical system is real.

If we don't immediately start funding the transition Nova Scotians want, we are ignoring our collective responsibility to do better. So, there is a choice to make. You can support Bill 212 or you can support 2030 climate goals, but you can't logically support both.

Regulator

The independent regulator is an integral part of how the utility operates fairly and justly, ensuring that consumers receive safe, reliable and cost-effective service. Nova Scotia's regulatory process is overseen by a politically-independent body in the UARB, designed to ensure the long-term best interests of customers are achieved without political influence or interference.

The Government of Nova Scotia proposes to use a legislative tool to override a politically independent process to, in the government's words, protect ratepayers. Let's be clear: This legislation delays and increases the inevitable cost of the work we all agree needs to get done for our customers, for our environment and for our future. Delaying these investments is not a solution, and it ultimately results in higher, not lower costs for customers.

More than 30,000 pages of evidence and expert testimony – including strong and expert customer advocacy – were provided for the UARB's consideration on the GRA, with an expected decision just weeks away.

This legislation undermines decades of strong, independent regulation of a cost-of-service utility by the provincial regulator. This form of regulation has repeatedly been proven to be the most cost-effective model for delivering energy to customers.

Regulatory independence is a key determinant of sound decision making across the utility sector, globally. This kind of interference in the oversight of an electric utility is unprecedented in North America and it's unprecedented for a reason. It results in worse outcomes for customers over time, and it sends the message that Nova Scotia is not a stable and reliable jurisdiction for business investment.

You don't need to take my word for it. S&P Global Ratings, an independent credit rating agency, described the impact of the government's proposed legislation earlier this week:

I quote: "Regulatory independence is one of the key attributes that underpins the credit quality of the utility industry. If the proposed legislation is passed, it would override Nova Scotia's robust regulatory process. Under our base case, we expect that utilities operate under a regulatory system that is sufficiently insulated from political intervention to efficiently protect the utility's credit risk profile **even during stressful events.**" *{emphasis added}*

In terms of our customers, we know that news of a capped rate increase has been, in many cases, well-received. But many other customers recognize the long-term, painful consequences to this apparent short-term gain. They worry about the impact of coal-fired generation on our environment. They worry about the more frequent and intense storms hitting our coast. They worry small savings now lead to bigger costs later. We've heard some of their voices, and they are concerned.

It must be understood that there are serious consequences to this amendment.

Major storms in our province are becoming more intense and more destructive and they are getting more frequent. There are additional costs required to protect the system from them. There are costs to meet governments' mandated targets of closing coal plants and adding renewable energy to make our generation mix 80% renewable by 2030.

As a result of this legislation, the plan to achieve these goals – the plan that we developed with our stakeholders and customer representatives through the Integrated Resource Planning process – can no longer be funded. There is no cost-effective Plan B.

We are turning to our people who work every day to deliver a safe, more reliable and greener grid to Nova Scotia, to understand the exact impacts of the government's interference with the regulatory process, and what it means for what we realistically can – and cannot – achieve as we move forward with the constraints put on us by this government.

This legislation forces difficult and damaging changes to the plans for Nova Scotia's grid in a way that inhibits the ability to deliver a more reliable, storm-hardened and greener system for customers.

Here is what we know of the impacts of Bill 212 so far:

- It will remove over half a billion dollars of investment from Nova Scotia's economy over 2023 and 2024, with significant negative downstream impacts on local suppliers and a direct impact on hundreds of jobs in Nova Scotia.
It will break the regulatory structure that allows Nova Scotia Power to attract debt capital at the lowest possible cost. Already, as noted earlier, bond rating agencies S&P and DBRS have published ratings reports stating our utility is at risk of a downgrade "of one or more notches". That will increase the cost of debt for NSP's customers, potentially for decades, and will wastefully de-fund reliability initiatives. The first year impact of a two-notch downgrade on NSP would be approximately \$6.5 million per year, and once all of NSP's \$3 billion of debt was repriced on this basis, would be \$20 million more a year – all to servicing debt, with zero offsetting benefits to customers.
- The federal and provincial legislated environmental targets are aggressive. Nova Scotia Power has been all-in on meeting them because it's the right thing to do. But we cannot meet them with rates that do not support the necessary work and which impair our ability to raise the debt and equity investments needed to get there.
 - » If the Nova Scotia government eventually moves to extend their legislated environmental target of 80% renewables beyond 2030, make no mistake: This legislation is the reason. Full stop.

- » The Atlantic Loop is the only realistically affordable way to transition off coal by 2030 and it cannot happen with the constraints of this legislation. Wind, solar and green hydrogen are wonderful, but they aren't nearly enough.
 - > The wind is not always blowing.
 - > The sun is not always shining.
 - > Green hydrogen technology is not near advanced enough to carry our system through the gaps of wind and solar and is, indisputably, far more expensive.
- » The federal government has been clear on the importance of the Atlantic Loop as a regional project and its interest in participating which could represent meaningful financial support that will go 100% to the benefit of customers to reduce the cost of closing the coal plants in Nova Scotia. Based on our understanding of potential federal government support, we believe any alternative will cost Nova Scotian customers at least \$2 billion more.
 - > THIS is the reason this plan to close the coal plants in Nova Scotia is the most cost effective for Nova Scotians in comparison to any other alternative. But this legislation effectively precludes NSP's ability to continue its participation. It also extends the timeline that NSP customers are subjected to the volatile cost of fossil fuels, and the cost of carbon taxes.

This is the reality of the situation. None of this is news to the government.

We have a long history of working with government and stakeholders, and firmly believe the best outcomes result from a collaborative effort to find solutions to the challenges we all face as Nova Scotians.

We prepared our case to work through the regulatory process. We wanted to work with the Government and customer representatives to find solutions that would alleviate cost of living concerns while keeping Nova Scotia's clean energy plans intact. We still want to do that.

Let's be clear - the consequences of this legislation are not temporary. There will be real, long-lasting impacts for our customers and for the financial health of the utility.

NS Power will, as always, remain focused on our customers to provide the best levels of system performance, safety, and service it can within the cost constraints imposed by this proposed legislation. We continue to stand willing and ready to engage with partners and government to find solutions that will meet the expectations of Nova Scotians, including our collective desire for a greener, more prosperous, and more environmentally and economically stable future.

In closing, we would urge the government to carefully reconsider this legislation and work with us on an alternate path that truly does serve our customers without the need for damaging and expensive consequences that this legislation imposes on Nova Scotians.

Thank you.