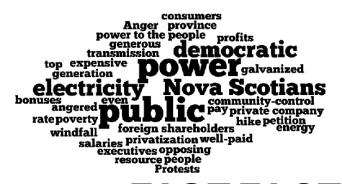
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## FAST FACTS Power to the People?

A million workers working for nothing, you better give 'em what they really own. Power to the people, power to the people, right on. – John Lennon

nger continues to grow. Nova Scotia Power Inc.'s (NSPI) application for a six per cent rate hike over two years and generous bonuses to already well-paid executives have angered and galvanized many Nova Scotians. An online petition opposing the rate hikes has garnered almost 31,000 signatures. Protests have already been held in Bridgewater, Halifax, and Sydney and at the AGM of Emera (the parent company of NSPI).

Rob Bennett, the CEO and president of NSPI, has had his annual compensation jump 23% to \$1.1 million last year and in 2011, NSPI earned a record-breaking \$123.5 million in profits<sup>1</sup>. The seeming contradiction of a private company owning a public resource, making windfall profits, boosting its salaries to top executives into seven figures, and then asking Nova Scotians to pay even more for electricity (consumer rates have already been increased six times in the last decade) in a province that already has expensive electricity has many people asking if the channel ought be changed.

Energy analyst Larry Hughes<sup>2</sup> has highlighted that "In some Nova Scotian households, the combined cost of electricity and heating exceeds eight to 10 per cent of household income, pushing them into energy poverty." Hughes is critical of NSPI's Domestic Service Tariff (DST), a flat 13.336 cents/kilowatt-hour which provides no incentive for users to change consumption patterns from peak to off-peak (when electricity is generated from less expensive sources). NSPI has not implemented such time-use billing

that would allow customers to shift usage patterns

and employ "smart" appliances. Nor is it employing

"smart-grid" technologies that work towards the same end. Why? Hughes writes, "As a regulated monopoly, NSPI will do only what it is told to do by the Utility and Review Board (URB). And to date, the URB hasn't told NSPI to change." Others, such as Solidarity Halifax<sup>3</sup> are demanding stronger action, to whit a return to public control of the utility. Should power be returned to the people of Nova Scotia?

It's worth reflecting on the circumstances that lead to privatization, an episode chronicled in Richard Starr's book, Power Failure?4. The Nova Scotia Power Commission was established in 1919 by the provincial government to build hydro works, transmission lines, and distribute electricity at cost to various municipalities. It came into being because hitherto the province had only a patchwork network of small private electrical utilities, which gradually coalesced to become Nova Scotia Light and Power (NSLP). This private network was purchased by the province in 1971 under the Liberal Regan administration for \$73 million through a hostile takeover. In 1973, the Nova Scotia Power Commission and NSLP were amalgamated as the Nova Scotia Power Corporation (NSPC), marking the culmination of over a half-century's work to establish a single provincially owned power utility. Only some twenty years later the effort was undone.

In 1992 Conservative premier Donald Cameron abruptly decided to privatize the utility.

The reasons for this action remain unclear (aside from Cameron's neo-conservative belief in small government) since NSPC president Louis Comeau told a legislative committee that no cost-benefit analysis of privatization had been done, "It's just something I believe in."

Despite nominal opposition on the part of both the Liberals and NDP, after only four days of debate in the legislature the deal was done. Sixty-five million shares were put on the market and despite some incentives for Nova Scotians, 75 per cent were purchased by out-of-province investors. The Conservative government decided to divest itself of all ownership and sold its equity for \$192 million which it trumpeted as a capital gain and claimed would help balance the province's books.

As Starr pointed out, the sum was really a \$108 million loss since the combined equity of NSPC was in the vicinity of \$300 million. Thus the initial transaction established an ongoing template: the public interest taken to the cleaners at the expense of private profit. And indeed, since then, NSPI has grown fat at the taxpayer's expense, generating more than \$2 billion in profits for its shareholders.

## So, how would a different channel look?

Although Premier Darrell Dexter has recently said that spending the \$4 billion that NSPI is valued at would be too steep a price for the province to afford, NSPI has two main assets:

- 1. Electrical generation plants, of two kinds:
- a) Fossil fuel powered: including four coal fired plants; one oil/natural gas plant; and three smaller combustion turbines; and
- b) Renewable energy resources: including one tidal plant; four wind farms; and 14 small hydroelectric generating stations; and
- 2. The transmission and distribution grid.

Of the 2,368 MW of generating capacity that NSPI owns, something like 2,121 MW (89.6%) consists of the fossil fuel plants<sup>5</sup>. Why would Nova Scotians want to acquire these? In large measure they consist of old coal-fired plants that need to be shut down (and sooner rather than later), which will then become liabilities as they have to be decommissioned. These should be left with Emera.

The grid, on the other hand, is a fabulous asset. Whoever controls the grid controls who gets to connect to it and where power goes. Owning the grid would allow the Nova Scotia government to continue to establish competitive feed-in tariffs (FIT) that would foster the development of renewable sources of energy (wind, tidal, hydro, wave, solar, etc.), and to determine where such energy was utilized, in other words, not just for-profit sales to the highest bidder (i.e., to the United States) but so as to foster energy security in the province.

A re-publicized NSPC would purchase electricity from various providers (including coal and oil plants) and sell it to provincial customers (and surplus out of province). If the Lower Churchill Falls hydro development goes ahead, owning the grid would be a profitable arrangement since the utility would charge a transmission fee to the government of Newfoundland and Labrador for transmitting electricity onwards to points in Canada and/or the United States.

What would it cost? It is difficult to determine the exact book value of NSPI's transmission and distribution grid, but energy analysts I have consulted believe it is in the neighbourhood of \$1.5 billion. The fair market value (which would presumably be the basis for expropriation) might be greater since it would reflect what the assets were worth on the open market, plus perhaps some fuzzy things like "shareholder profit expectations."

The Nova Scotia government would have little difficulty raising money for such a purchase on the bond market since this kind of public debt is like no other being "serviced debt" (i.e., with customers). Power would return to the people.

## What are potential problem areas?

1. While publicly owned, its policy should remain at arm's length from government. Richard Starr's book, *Power Failure?*, documents centuries of energy policy in Nova Scotia that has alternated between folly and sheer folly. Almost every idiotic, shortsighted, harebrained, and unrealistic idea imaginable has been contemplated or attempted and coal, oil, gas, and hydro have been used as political footballs since the time

Nova Scotia was settled by Europeans. A public utility should rigorously serve the public's interests, not those of a political administration. Maintaining this distinction can be a non-trivial task.

In 2001, NDP energy critic Howard Epstein proposed legislation to establish an arm's length Energy Council that would develop energy policy (sources of supply, conservation, allocation of supply) through public consultation. An updated version of such a council could serve to keep short-term political objectives from intruding upon long-term energy policy.

2. Public ownership implies a public interest, and in defining that public interest there can be conflicting objectives. Investments in the grid – which benefit both consumers and individual, community, and private generators of electricity – cost money, and may therefore entail rate increases. Economically attractive feed-in-tariffs to encourage renewable energy development (an environmentally desirable policy objective) would also tend to increase electricity rates, at least in the short term.

Moreover, in the near term, coal-powered electrical generation is apt to remain the cheapest source of electrical generation in the province, unless subject to a carbon tax to factor in climate change remediation and other full-cost accounting of utilizing this highly polluting energy source.

Were this to happen, electrical rates would be certain to increase. While environmentally desirable, this might nonetheless be cold comfort to some consumers facing energy poverty, whose immediate desires are to see lower costs for electricity. On the other hand, rather than channeling a small fortune in profits (\$123.5 million in 2011 and growing annually) to shareholders, profits could instead by invested in the objectives outlined above.

Christopher Majka is a biologist, environmentalist, writer, policy analyst, and arts advocate. Professionally he conducts research on the ecology, biodiversity and systematics of invertebrates, particularly beetles. He is a member of the Project Democracy team.

<sup>1</sup>Alberstat, J. 2012. Emera's Quarterly Profit Doubles Chronicle Herald, 10 February 2012. Available from: http://thechronicleherald.ca/business/61470-emeras-quarterly-profit-doubles

<sup>2</sup>Hughes, L. 2012. Electricity pricing in Nova Scotia: Time for change. Chronicle Herald, 6 June 2012. Available from: http://thechronicleherald.ca/opinion/104057-electricity-pricing-in-nova-scotia-time-for-change

<sup>3</sup>Solidarity Halifax. 2012. Available from: http://solidarityhalifax.ca/

<sup>4</sup>Starr, R. 2011. Power Failure? Formac Publishing, Halifax, Nova Scotia. 264 pp.

<sup>5</sup>Nova Scotia Power. 2012. Available from: http://en.wikipedia.org/wiki/Nova Scotia Power



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