1. Why is the Opposition intervening in this general rate application hearing?

   The Opposition believes the current block structure system is unfair to Islanders. Under the current system, first block users (those who use the least energy) pay the greatest per-kWh rates for their electricity while second block users (those who use the most energy) pay a lesser per-kWh rate for electricity.

   The current system penalizes those with reduced electricity use, especially low- and middle-income Islanders, and effectively subsidizes the use of electricity for high-energy users. It does not encourage customers to find efficiencies in their energy use.

2. What is the Opposition caucus's proposal?

   Under our model, we would go from a descending two-block structure (i.e. where the first block is the most expensive and the second block is cheaper) to an ascending three-block structure (where the price increases as you consume more electricity).

   Considering the heavy seasonal impacts on electricity use in Canada, the kWh boundaries for each block would vary between a summer period (beginning May 1 and ending October 31) and a winter period (beginning November 1 and ending April 30).

Opposition Proposed Model		
Period	Use	Rate
Summer (May 1 - Oct 31)	Up to 650 kWh	TBD (lowest)
	651-3000 kWh	TBD
	3000+ kWh	TBD (highest)
Winter (Nov 1 - Apr 30)	Up to 1300 kWh	TBD (lowest)
	1301-5000 kWh	TBD
	5000+ kWh	TBD (highest)

In the absence of precise energy consumption data, we are unable to formulate exact rates. If we had access to this information, as Maritime Electric does, it would not be time consuming to set rates according to our proposed structure. We are asking IRAC to issue an order to have Maritime Electric return to the Commission with a costed plan under this model, and we are also asking for the model to be implemented in 2021.

3. How will the Opposition proposal affect the average Maritime Electric customer?

The proposal will affect customers differently depending on their energy use. In the winter, roughly 76% of customers will fall under the first block, while roughly 70% would fall under the first block in the summer period.

Approximately 1.3% of customers would fall into the third, most expensive block in the winter, while 0.3% would land there in the summer. The remainder of customers would fall in the second block.

4. How will this proposal affect high energy users?

In the short term, high-energy users will pay a higher rate for their electricity. However, these users typically have the means to invest in efficiency measures and alternate energy sources such as wind and solar. There are also a number of incentives these users can access to offset investment costs in reducing energy usage and accessing alternative sources.

5. How will this proposal affect low-income Islanders?

This proposal will provide low-income Islanders with lower cost electricity while freeing up their limited resources to meet other basic necessities such as shelter and food. Research suggests that low-income households spend a greater amount of their household budget on energy costs than non-low-income households. Our proposed structure would make energy more affordable for low-income Islanders while encouraging high-energy users to find and adopt efficiencies.

6. How is this proposal different from Maritime Electric's proposal?

The proposal by Maritime Electric simply carries on an out-of-date rate structure. In 2010 the Commission noted:

> "*In true cost of service terms, the Commission was not presented with evidence that warrants retention of the declining 2nd block rate. However, evidence was heard that the residential rate class itself is seriously flawed.* ***Adopted in 1994 from the NB Power rate structure, this rate structure is out of date***."[1]

While we have continued to employ an out-of-date rate structure, other Canadian jurisdictions have shifted to rate structures that discourage excessive electricity use either through the implementation of an ascending block structure that charges more for greater electricity use, or through the introduction of time-of-use rate structures that encourage electricity use at off-peak hours. British Columbia, Ontario, and Québec are all examples of provinces that have taken such approaches.

The preamble of the *Electric Power Act* states:

> *"public utilities should utilize energy efficiency and demand-side resource measures whenever it is cost-effective to do so"*[2].

A cheaper second block runs contrary to demand-side management.

As the Commission notes in paragraph 58 of Order UE16-04R:

> *"[t]he residential second block is not based on cost of service; in effect, it is a method to subsidize electricity costs for certain classes of consumers…" and furthermore stated, in paragraph 59 of the same order, "any proposed continuation of the residential second block rate in future rate applications will require compelling evidence of its equity to ratepayers."*[3]

Based on the submissions of Maritime Electric, there is no compelling evidence of the second block's equity as it exists presently. Farm customers continue to disproportionately benefit from a cheaper second block rate while a majority of non-farm residential customers fall under the more expensive first block. As the Commission wrote in Order UE10-03, this contravenes the principle of fairness enshrined in the *Electric Power Act*:

> *"...rates must be based on the cost of providing this service. That means rates do not take into consideration the characteristics of the customer such as farming, fishing, home heat or industrial usage. Rates developed with a rate design objective of fairness based on cost of service are the requirements of the legislation."*[4]

7. Does this proposal improve our climate change mitigation efforts?

Yes. By investing in energy efficiency and alternative energy sources, we can reduce our dependence on 'dirty' energy generated by nonrenewable resources such as coal and diesel. Prince Edward Island continues to face the challenges posed by climate change, a transition toward electricity rate structures that encourage energy efficiency will be a meaningful step towards reducing our carbon footprint and meeting our greenhouse gas reduction targets.

While PEI has relatively clean electricity (approximately 69% from non-carbon-emitting sources), commercial, agricultural and residential electricity still make up a considerable percentage of the province's total carbon emissions.[5] By establishing an ascending block rate system, the province will be in effect providing larger energy consumers - those with the greatest financial capacity to increase their energy efficiency - incentive to reduce their carbon footprint.

8. How does this proposal compare to other jurisdictions?

Over the last several years, many Canadian jurisdictions have adopted electricity rate structures that discourage excessive electricity use either through the implementation of an ascending block structure that charges more for greater electricity use, or through the introduction of time-of-use rate structures that encourage electricity use at off-peak hours. British Columbia, Ontario, and Québec are all examples of provinces that have taken such approaches.

9. How are electricity rates applied?

According to the application made by Maritime Electric, electricity rates are applied in a descending two-tiered structure. First block residential users are charged at a rate of $0.1456/kWh. Second block high-use customers are charged at a rate of $0.1155/kWh.[6]

Under this structure, high-use customers continue to disproportionately benefit from a cheaper second block rate while a majority of residential customers and low- and middle-income Islanders fall under the more expensive first block. A cheaper second block runs contrary to demand-side management as required by the *Electric Power Act*.

10. How will this proposed rate structure affect high-use consumers such as farmers?

The Opposition is in favour of supporting farmers however we believe subsidized electricity rates is not the best way forward. These subsidies have unintended consequences such as higher rates for low- and middle-income Islanders.

Under our rate structure, most farms would remain as a first block customer. Our proposed rate structure is geared towards high-use customers - those with the greatest capacity to increase their energy efficiency.

We believe the rate structure we are proposing encourages higher-use consumers to explore and invest in other technologies that will reduce their dependence on high cost electricity. There are already existing programs available to help offset the cost of investment into these technologies. An example of available programs is the Solar Initiatives program recently announced. Other examples of programs provided by Efficiency PEI include Equipment Upgrade Rebate, Business Energy Rebates Program, etc.

We believe smart investment will mitigate increasing costs for energy, reduce demand on nonrenewable energy sources while making meaningful steps in meeting our climate targets for reducing greenhouse emissions.

11. How can the public comment?

Public feedback and comment on the rate application by Maritime Electric can be made in two ways.

The Commission will hold an evening session so members of the public may make submissions with respect to the Application. **The evening session will commence at 6:30 p.m. on Thursday, August 8, 2019 in the Commission's hearing room located in Suite 501, 5th Floor, 134 Kent Street, Charlottetown.**

Any person wishing to comment on the Application may also submit written comments to the Commission via email to info@irac.pe.ca or by mail to:

Island Regulatory & Appeals Commission
P.O. Box 577
Charlottetown, PE C1A 7L1

In order to be considered, written comments must be received by the Commission no later than 4:00 p.m. on Wednesday, August 14, 2019. All written comments received by the Commission will be available to the public and posted on the Commission website.

[1] http://www.irac.pe.ca/document.aspx?file=orders/electric/2010/ue10-03.htm

[2] https://www.princeedwardisland.ca/sites/default/files/legislation/e-04_0.pdf

[3] IRAC. “Order UE16-04R”. July 11, 2016. Available here:
http://www.irac.pe.ca/document.aspx?file=orders/electric/2016/ue16-04r.htm

[4] IRAC. “Order UE10-03” at paragraph 89. Available here:
http://www.irac.pe.ca/document.aspx?file=orders/electric/2010/ue10-03.htm

[5] “Prince Edward Island Carbon Pricing Plan” September 2018. Available here:
http://www.assembly.pe.ca/docs/carbon-pricing-plan-sept-2018.pdf

[6] UE20944 – MECL – General Rate Application – November 30, 2018. Available here:
http://www.irac.pe.ca/infocentre/documents/UE20944-MECL-General_Rate_Application-2019-113018.pdf