

# Options for a Universal Service Program

Updated December 21, 2022 - Prepared by Brian Gifford, Affordable Energy Coalition

Note-heating assistance programs changed to respond to COVID conditions. The information below does not reflect these temporary changes.

## **What is a Universal Service Program?**

- A four part program to ensure low income households can afford the electricity they need. *Electricity is an essential service. It must be universally accessible regardless of income. This is what is meant by a Universal Service Program (USP).*
- Recommended by the Affordable Energy Coalition for over 17 years, since 2004, including 2 presentations to the NS Utility and Review Board.
- Used in many US jurisdictions for electricity. Ontario has a simplified version.
- The concept could be expanded to include oil and wood heating.

## **How would a Universal Service Program work?** It would have 4 parts:

### **1. Electricity bill affordability:**

The proposal would target electricity bill relief to the most vulnerable to bring their costs down to 3% of their income (or 6% if they heat with electricity). *Energy costs as a percentage of income is a household's **energy burden**.*

### **2. Management of arrears:**

The proposal would reduce arrears payments to a level the household can afford. The household could pay 1% of their income toward arrears with the rest of the arrears forgiven as long as they pay their affordable rate on time. A monthly credit would be applied to reduce the household's arrears every time they pay their bill under the new rate relief plan so that all of their arrears are eliminated within 2 years.

### **3. Crisis intervention assistance:**

Crisis intervention help would still be needed due to unexpected emergency expenses or rapid changes in income that low income households don't have the resources to handle. The demand for this type of assistance should be lower than occurs now.

### **4. Energy efficiency programs targeted to low income households:**

Nova Scotia already spends substantial energy efficiency funding on homes owned by low income households. Over 18,000 low income homeowners save over \$500 in home energy bills per year because of substantial retrofits by the HomeWarming and earlier programs. This includes electrically heated and oil heated homes. NS has efficiency programs to help shelters, rental households and Mi'kmaw communities with high impact conservation measures as well. These programs must expand to enable deeper energy efficiency retrofits for more households. Retrofits would be coordinated with the other 3 USP actions- i.e. those receiving the highest monthly bill relief would receive efficiency retrofits to reduce or eliminate the need for monthly relief.

### How would a Universal Service Program (USP) be funded?

- A small monthly fee could be added to all electricity bills to pay for the program. This is how over 50 American programs are paid for.
- Or it could be paid out of general taxes, which is what Ontario does.
- Under Nova Scotia's HomeWarming program, efficiency retrofits for electrically heated homes owned by low income households. Starting in 2023, these will be paid for out of the contract for efficiency services provided by Efficiency NS to NS Power. Retrofits for low income homes heated by other fuels (oil, wood) are paid for from general tax revenues.

### USP programs in Canada and the US

- Over 50 electrical utilities in the US have USP programs paid with a small fee on everyone's bill. Low income households who apply receive a monthly credit to lower their bills to about 6 % of income. The credit is calculated based on income and how much their bills are, to reduce electricity bills to 6% of income.
- Ontario has had a rate relief program since 2016, the Ontario Electricity Support Program (OESP). Based on income level and household size, those qualified receive a predetermined credit on their electricity bills each month. This is in addition to emergency assistance and efficiency upgrades. It is funded from provincial taxes.

<https://ontarioelectricitysupport.ca/> ; <https://ontarioelectricitysupport.ca/FAQ>

### Universal Service Program assumptions *(for electrical customers only)*

- About 80% of low income households are eligible – these are households that pay for their own electricity directly instead of having it included in their rent.
- 40% participation by eligible customers (based on US experience).
- 25% cost saving in bill collection and related costs, that would help cover costs.
- 12% program administration cost.

### Comparison with other energy assistance costs in NS:

- NS normally budgets over \$12 million/year for HARP– the Heating Assistance Relief Program and also contributes millions to the Salvation Army's HEAT fund– Heating Energy Assistance Top Up.
- Your Energy Rebate Program costs the NS Government about \$115 million per year.<sup>1</sup> It provides an annual rebate of the 10% provincial portion of the HST on oil, wood and gas heat as well as all household electricity; this includes over \$10 million in rebates to households earning more than \$100,000/year.

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<sup>1</sup> This was the estimate in the 2021-22 Nova Scotia Budget (P 49).

**OPTIONS** – There are several options in how a Universal Service Program is designed.

- **Choice 1: What home energy to include in a Universal Service Program**  
American models and the Ontario Electricity Support Program are for electricity. Over 50% of Nova Scotians heat their homes with non-electric fuels, primarily oil. A NS program could be for home electricity only or for electricity and oil or wood heat.
- **Choice 2: How to calculate the on-bill credit**  
**Option 1:** Follow the American model which calculates what % of household income is spent on electricity and provides a monthly credit on the household's electricity bill to bring the bill down to 6% of income on average over a whole year for an electrically heated home or 3% of income for a non electrically heated home.  
**Option 2:** Follow the Ontario model. Calculate the monthly credit based on several standardized incomes and family sizes. This is simpler than the American model and does NOT take into account the actual electricity bills for the household.
- **Choice 3: Who to include in the Universal Service Program**  
**Option 1:** Households with incomes below the Low Income Cut Offs (LICO). These households are at greater risk of experiencing unsustainable energy burdens (above 6% of income spent on home energy).<sup>2</sup>  
**Option 2:** Low and modest income households paying over 6% on home energy and earning less than \$60,000 or \$70,000 per year. National research recently revealed that there are more households with modest incomes experiencing energy poverty (paying over 6% of income on home energy) than those on low incomes. This includes people living in older more drafty homes with high heating costs.
- **Choice 4: How to fund the Universal Service Program:**  
**Option 1:** Fund a Universal Service Program with a small fee on all electricity rate payers' bills and a small fee on oil bills if oil is included.  
**Option 2:** Fund a Universal Service Program from general tax revenues, including savings from HARP. This could include removing the Your Energy Rebate Program and redirecting some of the savings to low income households who are most

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<sup>2</sup> The Affordable Energy Coalition has considered including modest income households that experience energy poverty but hasn't recommended a particular model for this. Alberta's rebate of the Carbon Tax during the NDP government's term of office could be used as a model. It provided a rebate to households with incomes up to \$70,000.

severely impacted by rising energy costs. See the Canadian Centre for Policy Alternative's Nova Scotia Alternative Budget proposals.<sup>3</sup>

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3 See: <https://www.policyalternatives.ca/publications/reports/nova-scotia-alternative-budget-2017>;  
<https://www.policyalternatives.ca/publications/reports/nova-scotia-alternative-budget-2016>