



# **Polices Approved by ACCA Members**

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## Issue 1: Federal fuel charge bad debt - impact on service providers in Alberta

### **Background:**

Service providers of fuel-based products became exposed to bad debt associated with charging, collecting, and remitting Federally imposed fuel charges.

The co-operative fuel service providers (members of ACCA) and fuel service providers (energy and others as described in the federal Greenhouse Gas Pollution Pricing Act ["GGPPA"]), have been subject to the remittance of the Federal Fuel Charge to federal government or distributors since January 1, 2020. This remittance currently (as of April 1, 2021) represents approximately 26% of the cost for an average residential member/customer. Based on the announcement by the Prime Minister on December 11, 2020, Federal Fuel Charges will account for approximately 50% of an average residential bill by 2030.

With the ongoing increases in the Federal Fuel Charges and the lack of bad debt recovery under the GGPPA, we are concerned about the growing risk and potential unintended consequences impacting energy and fuel service providers and consumers. We request that government implement a carbon tax bad debt recovery mechanism within the GGPPA, which could mirror Section 29 of the former (now repealed) Alberta Climate Leadership Act.

In our view, the Federal Fuel Charge would be more just if bad debt were recoverable from the federal government and the government would only collect what is actually paid by members /consumers. If this is not the case, service providers will have to price energy/fuel products to reflect the risk that a portion of members/customers will not be able to pay their growing utility/fuel bills. This ultimately results in a double tax on paying members/customers. Making a change to the GGPPA to provide for carbon tax bad debt refunds would remedy this unintended consequence. This change would also align the Federal Fuel Charge with the treatment of uncollected GST, to the benefit of all parties.

With the pandemic, bad debt is growing, and this leaves co-operative service providers exposed to uncontrollable and rising bad debt on the Federal Fuel Charge with no ability to recover these losses except through increases to the prices of future energy/fuel products.

We believe it is in consumers' best interests to change the policy to ensure that the bad debt costs associated with Federal Fuel Charges are not passed onto paying members/customers, as service providers are unfairly forced to increase rates to cover these rising bad debt costs.

### **Recommended action:**

That the Government of Canada align the Federal Fuel Charge with the treatment of uncollected GST.

### **Policy authorities:**

Federal – Finance; Canada Revenue Agency, Environment / Provincial – Energy

## Issue 2: REA operating changes and potential regulatory impact

### **Background:**

Electric cooperatives are built by and belong to the communities they serve. They are led by members from the community and are uniquely suited to meet local needs. Electric co-ops are local energy and technology partners. Consumer-owned and not for profit, they are shaped by the specific needs of the communities they serve. This local, member-driven structure is one reason why co-operatives enjoy the highest consumer-satisfaction scores within the electric industry.

Recently, the Government of Alberta (Agriculture and Forestry, and Energy) commenced an engagement process with electric distribution entities (co-ops and investor-owned utilities – IOUs). The engagement process was purported to address two specific requests as submitted by EQUUS REA and the Alberta Federation of REAs (AFREA) that was to provide the basis of “Enhancing the Sustainability and Viability of Rural Alberta’s Electricity Distribution System”. While each of the submissions had its own separate intent to target specific areas of potential legislation and/or regulation changes, both were intended to provide growth for the REAs thereby enhancing sustainability of the electric co-op model.

EQUUS and the AFREA individually proposed changes to the rural electricity distribution regulatory environment that are consistent with those of rural gas co-ops in their own right:

EQUUS proposed:

- Ability for an REA to purchase another REA.
- REAs to serve both members and customers (non-members) within the designated service area.

AFREA proposed:

- REAs to obtain the exclusive rights to serve all consumers up to 500 KVA within their designated service area.
- All services with a size greater than 500 KVA will be negotiable between the consumer and the area wire owners.

Immediately following the introductory meeting where each of the proposals were introduced, the Government of Alberta issued a consultation document that states enacting either of the proposals (or potentially even governance by the same body) means that REAs would be subject to the same rules as IOUs. Essentially resulting in the removal of authority of each entity’s Board of Directors, a substantial increase in cost associated with reporting, and rate and tariff applications and hearings.

This would remove the member-controlled authority and threatens the co-operative foundation. The suggestion that REAs would have to follow the same rules as other IOU is being challenged because co-operatives are uniquely structured and operated to protect consumer interests. Members are owners; therefore, the owners control the business of the co-op and do not require the same level of government oversight and protection that is in place for customers of IOUs.

Applying the “same rules” as IOUs could not be imposed on REAs without significant change to the regulatory framework. If REAs were subject to the same rules as the IOUs, a key point of

differentiation, that being rate-setting and governance by a Board of Directors, would be undermined or removed altogether. Alberta Utilities Commission (AUC) oversight or “protection” for non-member consumers is not necessary. Those individuals can either choose to become members and then have recourse to the Board of Directors, or they can file a complaint with the AUC in accordance with section 7 of the Distribution Tariff Regulation. There is a precedent in legislation for this arrangement; the gas co-operatives and water co-operatives may serve non-members without AUC oversight.

Further precedence in the co-existence of electricity co-ops and investor-based utilities is provided for in the in the United States. The regulatory regime has been successfully structured to provide an efficient and productive electric distribution system that successfully interacts with over 9 million consumers, industry, and government without loss of member control.

**Recommended Action:**

Irrespective of the individual REA positions on the proposed changes, that ACCA show support for maintaining the rights of the electricity co-operatives, enabling them to continue to manage their business within the co-operative model in its entirety, including that of tariff and rates. Elimination of these rights and erosion of the co-operative model affects not only the electricity co-operatives but all co-operatives, irrespective of sector.

**Public Policy Authority:**

Alberta Energy / Alberta Agriculture and Forestry

## Issue 3: Patronage not to be promoted for co-op pharmacy member purchases

### **Background:**

In April 2014, the Alberta College of Pharmacies (“the College”) voted to amend its Code of Ethics and Standards of Practice for Pharmacists and Pharmacy Technicians to prohibit pharmacists from providing inducements – such as loyalty program points or other forms of consumer purchase rewards like Air Miles – to a patient for the acquisition of a prescription drug or a service from them. The primary reason for the prohibition is the ability of inducements to influence decisions made by patients on prescription drugs. The economic benefits provided by inducements is thought to be improperly influencing decisions made by patients on their drug therapy and systemically interfering with and/or disrupting the pharmacist-patient relationship. The patient-pharmacist relationship needs to be rooted in integrity and trust. Patients should select their pharmacist based on the pharmacist’s knowledge and quality of care, not based on inducements. Patients and pharmacists should be able to make health decisions free from competing economic and psychological influences. The prohibition applies to all pharmacy technicians, pharmacists, licensed pharmacies, and proprietors of licensed pharmacies in Alberta, but does not apply to Schedule 3 drugs that are not provided under a prescription, or products or services that are not drug products or professional services.

Sobeys has challenged this amendment in court (up to an application for leave to appeal to the Supreme Court of Canada), but was unsuccessful in restricting the prohibition.

To clarify the interpretation and application of the amended Standards and Code of Ethics regarding co-operatives, the College has published the following example on its website:

*“A sign at a pharmacy in a co-operative suggested that co-operative members earn equity and cash back on the “full price of prescriptions.” The College’s view was that this comprised an inducement and is prohibited. The College understands that co-ops are allowed to provide patronage returns or dividends to their members under the Co-operatives Act. The College cannot object to patronage returns that are general and based on overall economic performance of a co-op, including meeting solvency requirements and maintaining reserves for growth and improvement of services to members. (This would be similar to a shareholder of a publicly traded pharmacy chain earning dividends on their shareholdings.) However, there cannot be the offer of, or provision of, equity or cash “conditional on a patient obtaining a drug or professional service.” The Cooperatives Act does not mandate specified equity or cash back on specific products and services. In the College’s view patronage returns are not linked to purchases of a specific product and service like “prescriptions” but must instead be determined based on the entire range of purchases undertaken by a member of the co-op. Patronage dividends or returns that are tiered to offer or provide inducements on the provision of drugs or professional services also contravene the inducement prohibition.*”

### **Recommended action:**

Our view is the Alberta [Cooperatives Act](#) describes patronage as a Disbursement of Earnings to Member Shareholders and would like both the federal and provincial governments to clearly

spell out that when co-operatives distribute earnings in cash and shares, they are not an inducement to attracting business. Instead, it is like paying a dividend or a share appreciation for a corporation. Therefore, retail co-ops who operate pharmacies should be allowed to offer a member benefit of patronage connected to the purchase of products from their pharmacies.

**Policy authorities:**

Provincial – AB Health, Alberta Health Services, and Alberta College of Pharmacies.

## Issue 4: Expanding the Critical Worker Benefit Program

### **Background:**

The Critical Worker Benefit provides a one-time payment of \$1,200 to eligible Albertans in recognition of their hard work to provide Albertans with the care and critical services they need. Through the benefit, the Government of Alberta will distribute up to \$465 million in funding to eligible workers. This includes up to \$118 million in provincial funds, in addition to \$347 million from the federal government's benefit program for low-wage critical workers. The benefit will be distributed to up to 380,000 workers in the healthcare, social services, education, and private sectors. The Government of Alberta is working directly with social service, and education sector employers to distribute the benefit to eligible workers.

The application period is now closed. Private sector employers had until March 19, 2021 to apply on behalf of their eligible employees.

### **Recommended action:**

That the Provincial Government expand the length and eligibility requirements of the Critical Worker Benefit Program, so that more frontline workers who have been deemed working for essential services may be included.

### **Policy authority:**

Provincial - Ministry of Labour and Immigration



## Issue 5: Business Investment Tax Credit for Opportunity Development Co-ops in rural Alberta

### **Background:**

Advocates for rural and community development feel that there is a way to turn the tide on population and viability loss but need new tools to achieve that goal. The co-operative model works very well in an environment of limited population because people buying shares in a rural co-op are indirectly suggesting that they will be a loyal customer. The co-operative, in return, must satisfy the needs and expectations of the shareholders (customers).

Business Investment Tax Credits have been used by governments in the past to stimulate certain aspects of the economy. A provincial Business Investment Tax Credit of say 30% of the cost of investment shares would be a way to encourage stakeholders and residents to invest in Opportunity Development Co-operatives. The investor receives a tax deduction benefit while supporting a local co-operative that is trying to enhance local community vitality. Investment that grows will help to slow or reverse the de-population trend rural Alberta has experienced for decades and give the investor a sense of participation and achievement.

### **Recommendation Action:**

That the Government of Alberta create a pilot program that provides some form of incentive to investors of Opportunity Development Co-operatives in Alberta. This could be a Business Investment Tax Credit program, or some other program which addresses the issue.

### **Policy Authority:**

Alberta Ministry of Jobs, Economy, and Innovation; Treasury Board and Finance

## Issue 6: Co-operative Securities Exemption

### BACKGROUND:

- Alberta's securities legislation creates unmanageable cost and administrative burdens that preclude co-operatives from raising equity capital from their members for community investments.
- Securities regulations are necessary to protect investors from misrepresentation and fraud, but should not create administrative and cost burdens that make it too expensive for co-operatives to raise small amounts of capital from their members.
- The accounting costs necessary to file a registration and prospectus with the Alberta Securities Commission, combined with ongoing legal costs necessary to make changes to filings or offerings, are too high for small co-operatives that require small amounts of capital (less than \$10 million).
- Sections 75 and 110 of the Alberta Securities Act require applicants to register and file a prospectus with the Alberta Securities Commission. Co-operatives are member owned organizations and do not have the capital or required to complete the filings necessary to raise small amounts of investment capital.
- Current national and provincial securities exemptions do not reduce the cost and administrative burden on co-operatives applying to issue securities.<sup>1</sup>
- Although the Alberta Securities Commission has statutory authority to grant exemptions from these requirements on a case by case basis or via blanket order when it is in the public interest, the conditions of these exemptions create red tape for applicants equal to filing a full registration and prospectus.<sup>2</sup>
- While federal and provincial securities regulations in Canada create similar barriers for co-operatives in all jurisdictions, the state governments of Wisconsin<sup>3</sup> and Minnesota<sup>4</sup> each created explicit exemptions for non-financial co-operatives in their respective securities laws.
  - Co-operatives in these states have raised millions of dollars in capital, particularly in rural areas.
  - There has not been any instance of fraud, regulatory action or litigation related to the securities offered by a co-operative in either state.
- The principles on which co-operatives are founded, and the nature of the investments co-operatives raise capital provide inherent safeguards that mitigate the risks associated with an exemption from these securities regulations.
  - The nature of co-operative investments is in ventures that serve the members and broader community with tangible economic and social returns, not speculative investments driven by high returns or interest in unicorn companies.
  - Co-operatives are owned entirely by their members, meaning each member has an equal vote on organizational governance and important decisions,
  - Co-operative members have direct recourse to the board of directors on a basis that is entirely equal to any other investor, regardless of how much they invest,
  - Because members are owners, they are involved in the oversight and decisions of their co-operatives, creating a level of transparency and accountability unparalleled by any other business structure.

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<sup>1</sup> Refer to Schedule 1: National securities exemptions.

<sup>2</sup> Refer to Schedule 2: Alberta securities exemptions.

<sup>3</sup> Wisconsin Statutes 2019-20, Section 551.201(8), Exempt securities.

<sup>4</sup> Minnesota Statutes 2020, 80A.46 Section 202, Exempt transactions.

**RECOMMENDATION:**

- 1) Provide an exemption from sections 75 and 110 of the Alberta Securities Act for applicants that meet the criteria of a “co-operative” as defined by the Alberta Co-operatives Act.
- 2) Review the Alberta Securities Act & Regulation and the Alberta Securities Commission Rules and Forms for unnecessary red tape such as cost and administrative burdens for job creators and policies that discourage local investment.

**Policy Authority:**

Alberta Ministry of Red Tape Reduction, Rural Economic Development, Treasury Board and Finance