

**SCHOOL ENERGY COALITION ("SEC")  
SUMMARY STATUS REPORT**

**February 25, 2009**

At the beginning of the calendar year, the focus in energy is on electricity distributors, with about twenty applying for higher than usual rate increases. So far, two have already been settled (Enwin and Bluewater), and one decided (Hydro One 2008) resulting in about  
**\$1.1 million in energy cost savings for schools**

The busy spring continues, including new rates for **Powerstream, Hydro One, London, Oshawa** and other electricity distributors, a two year application to increase **Hydro One Transmission** rates, and the delayed **Integrated Power System Plan**

**ONGOING MATTERS - NATURAL GAS**

**Union 2009 Rates.** Union Gas rates have now been set for 2009 based on the multi-year plan negotiated between SEC, Union and others last year. The increase in bills for schools should be less than 1%.

**Enbridge 2009 Rates.** Enbridge Gas Distribution also had a multi-year plan approved last year, and new rates will see an increase for schools that is also less than 1%. They have asked for some additional changes, but those have been deferred to a hearing this spring. SEC is continuing a limited involvement in this case.

**Enbridge CIS.** SEC has taken a leadership role since 2007 in working with Enbridge on a \$600 million multi-year customer care plan, including a \$118 million new software system. Enbridge has now advised that in June it expects to go live with the new system, on budget. Enbridge credits ongoing stakeholder collaboration as one of the key reasons why this project has been so successful. As previously reported, this collaboration saved schools more than \$1 million.

**Gas Conservation Plans.** The Energy Board has initiated a process to review conservation programming by the gas utilities. SEC is active

in that consultation, which involves annual spending by the two gas utilities of more than \$50 million.

**ONGOING MATTERS - ELECTRICITY**

**Hydro One 2008-11 Distribution Rates.** Hydro One applied for a significant increase in rates starting in 2008, together with harmonization of the rates of the various acquired (town) franchises with the more rural legacy area. The impact on schools, which are mainly in towns, was disproportionate, and we fought hard against it. The Energy Board, in a decision released in December, expressed sympathy for the impact on schools, but allowed the harmonization to proceed anyway. They have directed Hydro One to further investigate its costs to serve town vs. rural customers. We were successful in getting small reductions in rates, but the main battle was lost on this round. **Savings for schools are estimated at \$500,000 over four years.**

**Hydro One 2009 Rates.** Hydro One has now also filed their 2009 rates application, using the previously established formula that provides for a 1% increase for the year. However, they have also requested approval of an exceptional capital budget totaling \$461 million for the year. This would bump the increase up to 4% in 2009 (i.e. an additional \$100,000 a year for

schools), and over the long term would cost schools about \$8 million. This is a test case for rate increases to fund incremental capital, and SEC is actively involved in opposing both the existence and size of the impact.

**Enwin Utilities 2009-12 Rates.** Enwin (Windsor) is one of the province's larger utilities, heavily impacted by the downturn in the auto industry. The 77 schools in Windsor faced rate increases of about 14%. SEC acted as lead negotiator for all ratepayers in a settlement that will see rates increase overall by about 6%. The increase is limited to a change in tax liability, and part of the impact of decreases in load. It does not include funds for additional spending. Rate structure changes were also negotiated to benefit schools specifically. As a result, the Windsor schools will see rate decreases of about 5%, and **school boards will, overall, save about \$400,000 over four years.**

**Bluewater 2009-2012 Rates.** Bluewater (Sarnia area) is a smaller utility with serious impacts from the current state of the economy. With current rates average compared to their peers, they sought a 2009 rate increase of about 35%, based partly on loss of large customers, and partly on cost increases. SEC was the lead negotiator in a comprehensive settlement of the case. Negotiated cost reductions, and changes to the rate structure, will result in the impact on schools being about a 6% increase, which will be more than offset by a 14% refund from previous years. The 43 Bluewater area schools are expected to save about \$50,000 a year for four years, for **an overall savings of \$200,000.**

**PowerStream Barrie Merger Application.** This was an application to merge PowerStream, with 218 schools, and Barrie, with 125 schools. SEC did not oppose the merger, but noted that its structure supposed that there would be savings, but they would not be reflected in applications for rate increases. At a December

hearing, SEC successfully argued that the merger savings must be considered in the upcoming 2009 rate case.

**Powerstream 2009-2012 Rates.** This utility has applied for an increase of about 7% in 2009 for its original franchise area (218 schools). Evidence filing is now complete, with a hearing expected by April.

**Other Electricity Distributors.** A total of about twenty electricity distributors have applied for 2009 based on forecast costs instead of the standard 1% formula. Those distributors include London, Thunder Bay, Midland, COLLUS, Welland, Oshawa and many others. Together they serve about 1800 schools. SEC is participating selectively in each of those applications to ensure that no more than the necessary increase is allowed, and rate structures are reviewed where it will affect the bills of schools.

**Hydro One Transmission.** The transmission arm of Hydro One, which last year sought, but failed to get, a substantial rate increase, has applied once more, this time for a 19% increase over two years. The hearing is taking place now, and a decision is expected in April.

**Deferred Taxes.** All electricity distributors have, since 2001, been accumulating tens of millions of dollars of credit and debit balances in tax true-up accounts. Ratepayers will pay, or receive, those balances, and the Energy Board is reviewing how to implement that reconciliation. This is a highly technical proceeding, in which the Energy Board and other ratepayer groups are relying on SEC to participate actively.

**Rate Design.** The Energy Board's electricity rate design project, in which SEC participated last year, was on hold for a while, but has now resurfaced with a proposal from the staff of the Energy Board for structural changes. This

could have significant implications for schools. The proposal includes some aspects that could increase costs for schools, and excludes some that would decrease costs. SEC is very active in the debate on the proposal.

## ONGOING MATTERS - OTHER

### International Financial Reporting Standards.

The accounting standards for utilities will change in 2011, and there is a risk that “costs” will be redefined at a level that is 15-20% higher than now. The Energy Board, after an initiative from SEC, has broadened its review of the impacts to include all stakeholders. In addition, SEC has put together a coalition of nine ratepayer groups, who are, with Energy Board funding, retaining an expert to help us sift through the rate implications of this change. Analysis is taking place over March and April, with Energy Board stakeholder meetings in early May.

Electricity Commodity Costs. SEC has recently learned that a number of school boards have returned to purchasing electricity through the Regulated Price Plan. This typically results in an increase in overall cost of about 10%. **School Boards should generally always buy the electricity commodity through the private market, either directly or through a consortium.**

Jay Shepherd  
Shibley Righton LLP

Questions? Contact Bob Williams  
([bwilliams@opsba.org](mailto:bwilliams@opsba.org)) or

Jay Shepherd  
([jay.shepherd@shibleyrighton.com](mailto:jay.shepherd@shibleyrighton.com))