

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

August 27, 2010

2010 has been a busy regulatory year, including electricity distribution decisions for the two biggest utilities, Hydro One and Toronto, as well as Veridian, Chatham-Kent, Burlington, Oakville and many others. We now have **total savings of about \$4.4 million in 2010 to date.**

In the past five years, school boards have saved at least \$63.4 million as a result of OESC Interventions. For an investment of 50 cents per student, boards have saved \$31.70 per student over the five years.

This is still a year of significant upward pressures on rates, including HST, the 4.4% increase in rates for the profit levels allowed to utilities, the cost of additional Green Energy Act infrastructure, and other factors. Notwithstanding these pressures, average 2010 rate increases for electricity distribution are less than 3%.

Major upcoming cases include 2011/12 rates for **Ontario Power Generation** and **Hydro One Transmission** (both of which have already started), and 2011 rates for about twenty-five electricity distributors, including **Toronto, Horizon, Ottawa and Brampton.**

ONGOING MATTERS – NATURAL GAS

Enbridge 2010 Rates. Enbridge, currently under a five year formula-based rate making plan, included in their 2010 application a number of add-ons that would have put the rate increase at 5% or more. As previously reported, in January we were able to fend off about \$400,000 in increases to schools. In March we reached a settlement on all other issues except one, leaving the resulting increase at less than 1%. That one issue was argued before the Energy Board, and the utility’s position (seeking to increase their allowed profit level) was rejected. Enbridge has appealed to the Ontario Divisional Court, with a January hearing likely.

The end result, at less than 1% increase, means that **the total savings this year were more than \$1.1 million.**

A further issue has arisen on the recoverability from customers of stock option expenses and similar amounts. SEC has taken the lead in opposing this, which is expected to add more than \$200,000 every year to the bills of school boards. A decision is expected in October.

Union Gas Conservation Plans. SEC has been elected by the other ratepayers to be a representative on the audit and evaluation committee for the Union Gas 2010/11 conservation programs. A series of meetings in the spring and summer have resulted in some new proposals to make conservation spending more efficient. Impacts are not yet known.

Conservation Framework. The gas utilities are pressing for a major expansion of their role in delivering conservation programs, which ultimately could cost schools another \$1 million a year, but also see more programs for school initiatives. SEC is working with the Energy Board on the framework under which this will be considered.

ONGOING MATTERS - ELECTRICITY

Hydro One 2010/11 Distribution Rates. Hydro One sought a substantial rate increase for 2010 and 2011, which would have cost schools in the Hydro One distribution areas more than \$4 million extra over the two years affected. SEC took a harder line than normal, given the lack of co-operation by Hydro One on school-related issues, and in the end **the increase**

was reduced by about \$1.4 million.

The total increase, still higher than we would like, is caused in part by the 4.4% general profit level increase, and in part by the harmonization decision two years ago.

On the disparity of costs between rural and urban customers, the latter of which include most of the schools, Hydro One was chastised by the Energy Board for failing to do a study of the issue as they had been directed. As a result, Hydro One has now asked SEC to work with them to develop an approach to the analysis that will identify whether urban rates charged by Hydro One are too high.

Toronto Hydro 2009 Special Recovery. Toronto Hydro sought recovery of about \$14.4 million spent on contact voltage problems in 2009, and proposed a new charge to customers in 2010. SEC opposed recovery. In December the Energy Board reduced the amount to \$9 million less any 2009 under spending. Toronto Hydro has filed for the full \$9 million, and SEC is reviewing the claim. The impact on schools is small.

Other Electricity Distributors' 2010 Rates.

Agreements have now been reached in all 2010 distribution rate applications that have been completed (except Hydro One, which was decided by the Energy Board) including, since our last report Veridian, Burlington, Oakville, and others. Only a few remain.

The agreed results range widely. In the case of Veridian, for example, with 117 schools, a proposed increase averaging about 9.5% was reduced to an agreed decrease of about 4.2%, saving those schools about \$90,000 per year for four years, i.e. \$360,000.

At the higher end of the scale, Oakville (55 schools) proposed an increase of 61.5% for schools, but settled for an increase of 22.2%, a saving of \$400,000 over four years. The reason for the large amount was that schools' rates had been artificially low in past years. They remain just below the provincial average.

In total, **the savings from the 2010 rate agreements will be more than \$1.6 million**, some immediate, and some over 2011-2013.

Great Lakes Transmission. Great Lakes, the second largest electricity transmitter in the province, sought a substantial rate increase for 2010 and beyond. Almost

all issues were resolved in a settlement in which SEC took the lead negotiator role. **The savings for schools are expected to be about \$250,000.**

One issue, an unusual tax plan that resulted in taxes being collected from ratepayers but not paid to the government, remained outstanding. Although SEC fought hard against it, the Energy Board sided with the utility that their tax plan would be accepted...

Horizon Z Factor. Horizon applied for recovery of losses arising out of the shutdown of one of their large customers. SEC fought the increase, and in a decision released in March the Energy Board agreed with our position. The result was a **saving this year of \$100,000 for schools** in Hamilton and St. Catharines.

Ontario Power Generation. OPG planned to file an application for new rates for its nuclear and large hydroelectric generation in March, but after a request for a review from the government, delayed until May. In the end, the increase requested amounts to 3.9%, but there is an additional claim for past costs that adds another 4.0% or more. For schools, the additional cost over the next two years could be \$20 million. While most of that is not subject to challenge, SEC is actively pursuing those parts of the application in which the result can be influenced. Former Energy Board head of rates Mark Garner is working with SEC as an expert consultant on this matter.

Deferred Taxes. This proceeding is to establish the rules for including in rates tens of millions of dollars of tax collection variances that arose in 2002 - 2005. It has been delayed repeatedly due to the complexity of the issues, but settlement discussions continue and an end is now in sight, probably by October. It is premature to estimate savings, if any.

Hydro One Transmission. Hydro One, fresh off a major reduction in their proposed distribution rates, is seeking a large (27%) increase in transmission rates for 2011 and 2012. The cost of the increase to schools over the two years is estimated at \$6 million. While a large part of this is the ramping up of spending for Green Energy Act and related initiatives, the problem of insufficient expense control at Hydro One continues. SEC is actively involved in this application, which will likely be determined by year end.

OTHER MATTERS

Representation.

Well known energy economist and author Tom Adams has agreed to assist SEC on the upcoming Toronto Hydro 2011 rate case (just filed this week), hopefully the first of a number of similar collaborations.

Jay Shepherd
Counsel for SEC

Questions? Contact :

Wayne McNally
(wmcnally@opsba.org)

or

Jay Shepherd
(jay.shepherd@canadianenergylawyers.com)