

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

August 31, 2011

Starting with a surprising victory on gas conservation spending, SEC’s efforts have in total saved a further **\$6.9 million** in the last five months, bringing the 2011 annual total to \$18.5 million, and the cumulative total over almost eight years to about \$88 million.

The big impact came in the debate over conservation spending by gas utilities, a net impact of **\$2.6 million** over the next three years. Another **\$1.9 million** came from withdrawal of Hydro One and Toronto Hydro conservation spending plans; the remainder is electricity distribution rates.

Electricity distributors have started filing for 2012 rates. Applications are also expected in the fall for the long term electricity plan, and five year gas rates for both Enbridge and Union. However some dark clouds are looming as Ontario Power Generation and its unions pursue appeals of the recent decision criticizing their high compensation levels.

ONGOING MATTERS – NATURAL GAS

Gas DSM Framework. We have previously reported that the utilities, with the support of some staff of the Energy Board, proposed a large increase (150%+) in conservation spending funded by rates, and that SEC was taking a leading role in opposing that proposal. In a surprise April communication to the industry, the Energy Board agreed with SEC, and mandated instead what amounted to a freeze on spending until 2014. After much discussion, the Energy Board decided to allow small increases over each of the next three years.

For schools, which faced an increase of about \$3 million over three years, this means a net increase of about \$400,000, for savings of **\$2.6 million**.

2010 Earnings Sharing. Enbridge and Union have now filed their calculations of earnings for 2010, the third year of their current five year rate plan. Under those plans, 50% of earnings in excess of a threshold are returned to ratepayers, to reflect our share of efficiencies created during the multi-year rate period.

The total earnings sharing, about \$30 million, will result in a repayment to schools of about \$600,000, which will be included in the clearance of other amounts in the fall. This continuing annual benefit has been previously reported as part of the overall impact of the five year plan.

Enbridge and Union Rate Applications. Applications for new five year plans for both Union Gas and Enbridge will be made in November, for rates commencing January 1, 2013. SEC will continue to push for long-term rate stability with low annual increases, as with the last very successful plans covering 2008-2012.

Enbridge Customer Care Template. Enbridge has been working with SEC and two other parties to extend their existing six year customer care cost deal for a further six years, to 2018. This week an agreement was reached. The utility continues to use the comprehensive cost template originally developed by SEC, which has kept customer care costs below inflation since 2007, and will now continue to do so. The impact on schools is only about **\$250,000**, but the benefit in other parts of the relationship is substantial.

ONGOING MATTERS - ELECTRICITY

Ontario Power Generation 2011/12 Rates. The decision in the OPG case, previously reported, gave schools total savings estimated at \$7.2 million over two years. When the final numbers were presented in April, the savings were actually about \$7.7 million.

However, OPG has appealed one aspect of the decision to another Energy Board panel, and OPG along with their two unions have appealed the decision on personnel costs to the Ontario Divisional Court. On

the first appeal, OPG was recently successful. The impact is still unknown, though, since the matter in dispute – pension costs – changes as interest rates change. Impacts will be known in part early in 2012, and as to the balance early in 2013. Payment of those impacts will not be until at least mid-2013.

The court appeals will be heard in October. An impact of about \$150 million (\$2.0 million for schools) is in issue, as well as fundamental questions about how much the utility can be required to control its compensation levels. SEC is taking an active role in supporting the original Energy Board decision.

Toronto Hydro 2011 Rates. The Toronto electricity distributor sought a substantial increase in 2011 rates, and as previously reported a negotiated settlement in the case saved schools at least \$1.4 million. Since that time, the full impact of the settlement has been presented, showing total savings for schools of about \$1.94 million. The net increment in this report is therefore **\$540,000**. The final decision on a few outstanding issues in July confirmed the amount.

Horizon 2011 Rates. Horizon's 2011 rate case did not end in a negotiated settlement, and a hearing was held in April. The proposed increase for the 304 affected schools would have cost those schools an additional \$1.9 million over the next four years. SEC took the lead in opposing this large increase (for all rate classes, including schools).

The decision of the Energy Board in July was highly critical of some aspects of the Application, and reduced the increase for schools by about half, saving **\$900,000** over four years.

Other 2011 Rate Applications. Five of the other electricity distributors now have resolution of their 2011 rate applications – Hydro One Brampton, Kingston, St. Thomas, Woodstock, and Niagara Peninsula. The last three resulted in negotiated settlements, and in the first two hearings were held and decisions issued by the Energy Board. In aggregate, the 324 affected schools will save **\$700,000** over the next four years as a result of the SEC participation.

A good example is Hydro One Brampton, which initially proposed a 19.2% increase for their 159 schools. They later amended that to a 12.7% increase,

and the decision, in April, ordered only a 5.6% increase. The net savings (counting from the lower amended rate proposal) is about \$180,000 for Brampton schools, over four years.

2012 Rate Applications. The first few 2012 rate applications have now been filed, and they include requests for increases of 12% (Ottawa) and 20% (Oshawa). However, the biggest is Toronto, which despite being criticized pointedly by the Energy Board in the latest case, has asked for three years of rate increases totaling about 30%, potentially a \$3.5 million hit for schools over three years. SEC will continue to participate in the applications of these distributors.

Hydro One Conservation Plans. Hydro One and Hydro One Brampton filed conservation plans proposing new programs costing \$40 million over three years. As previously reported, these applications have subsequently been withdrawn, and it is now known that the savings for schools are about **\$800,000**. It is not clear when, if at all, Hydro One will seek to file new conservation plans.

Toronto Hydro Conservation Plan. A plan by Toronto Hydro proposed \$54 million in incremental spending over the next three years on conservation programs. SEC did not oppose the overall program, but did oppose some of the specific spending. A decision of the Energy Board over the summer allowed only about 25% of the planned spending. Unhappy with the result, Toronto Hydro withdrew the entire plan. School will avoid a rate increase of **\$1.1 million**.

OTHER MATTERS

EnWin Utilities. SEC lead counsel Jay Shepherd was asked by EnWin Utilities (the distributor serving Windsor) to be one of the featured speakers at their annual regulatory session for their Board of Directors and senior management. The topic was benchmarking and comparative diagnostics, an area in which SEC has been the leading proponent since 2006.

Jay Shepherd
Counsel for SEC

Questions? Contact Wayne McNally (wmcnally@opsba.org) or Jay Shepherd (jay.shepherd@canadianenergylawyers.com)