

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

November 30, 2012

*The months of September through November, 2012, have seen the resolution of a number of major proceedings, with the result that SEC has achieved a further **\$16.8 million** of savings for schools. These include a settlement reducing 2013 Enbridge rates, **\$5.8 million**, a favourable decision on Union Gas rates, **\$4.5 million**, and a procedural victory preserving **\$5.5 million** in Hydro One savings. Overall, this pushes the SEC cumulative savings total to just over **\$110 million** in less than 10 years.*

The next six months look to have a lot more on the line, with proceedings on Toronto Hydro, Ontario Power Generation, Enersource, Powerstream and Hydro One likely to have the biggest impacts.

ONGOING MATTERS – NATURAL GAS

Union Gas 2013-18 Rates. Union Gas applied for 2013 rates, which will form the basis for their rates for the 2013-2018 rate cycle. As previously reported, a negotiated agreement in June will reduce rates for schools by \$2.2 million. The remaining issues in the case were the subject of a lengthy hearing, and an Energy Board decision was rendered in October.

On almost all of the additional issues, the Energy Board found in favour of the ratepayers. In the result, there will be a further reduction in rates for schools of **\$4.5 million** over the next six years.

Still up in the air is a Union Gas proposal to redesign the rates that apply to schools. SEC has been arguing for several years that those rate classes lump schools in with much small customers, thus overcharging schools. The redesign proposal was designed to correct that, but had technical flaws that took away most of the benefits that schools were seeking.

In its decision, the Energy Board decided that in principle the redesign should go ahead, but agreed with SEC that the flaws were too serious to allow it to proceed without modifications. Union was ordered to do a full cost allocation, and bring forward a corrected proposal in time for 2014 rates.

Enbridge 2013-18 Rates. Enbridge also filed for 2013 rates, also the first year of an expected six year cycle. A rate increase of about 6% (originally thought to be 3%) was requested.

In September SEC led intervenors in negotiating a settlement on all but one of the issues in the proceeding. As a result of that agreement, Enbridge rates will increase by less than 1% from 2012 to 2013. The savings to schools over the next six years are expected to total about **\$5.8 million**.

One issue was not settled. A hearing was held, and a decision is expected in January. The potential impact of that issue on schools is a further \$2.2 million reduction, bringing the rate increase down to zero.

ONGOING MATTERS - ELECTRICITY

Renewed Regulatory Framework for Electricity. Despite the big dollars associated with some of SEC’s successes in the last three months, our single most important victory may be in a proceeding in which no dollars are directly involved.

In 2010 the Energy Board launched a review of how it regulates the electricity sector, with a focus on rethinking how capital planning and spending is done. This process, the “Renewed Regulatory Framework for Electricity”, evolved from capital planning to include all aspects of ratemaking. Ratepayer groups feared the result could be looser control of rates, and therefore increased upward pressure on energy costs.

There was a series of formal discussions, debates, and submissions, some supported by expert reviews. In parallel, SEC initiated discussions off-line with electricity distributors and other stakeholders.

As a result of these events over a two year span, SEC made a series of new ratemaking proposals, based on providing utilities with a menu of ratemaking options, but with each option including a built-in mechanism to control rising rates.

In September, the Energy Board announced a new policy that largely adopts the SEC proposals.

SEC is now participating in a small working group to work out the practical details of how to implement this new policy. SEC expects that the new regime will continue to keep rates down as we have seen in the recent past, while allowing for increased investment by utilities in electricity infrastructure.

Toronto 2012-4 Rates. The revised Toronto Hydro rate application covering 2012-2014 is continuing, with negotiations currently going on to see if the requests can be reduced. A decision is expected in January.

Hydro One Distribution 2013 Rates. The Hydro One 2013 rate application has two key components for schools. First, Hydro One wants approval for substantial new capital spending, which would affect 1300 schools in the same way as other customers. A negotiation is currently under way to address this part.

More important, after several years of SEC pressure, and two hearings on the issue, Hydro One finally did a study of the difference in cost to serve urban customers vs. rural customers. The study shows, as we predicted, that schools should pay on aggregate about \$1.1 million per year less for distribution from Hydro One.

Initially, the Energy Board decided on a procedural basis that it would not consider implementing the findings of the study this year. After submissions from SEC, supported by some others, the Energy Board has now reversed that decision.

While there is still some opposition, we expect these changes will be approved, meaning that over the next five years schools in the Hydro One areas should save about **\$5.5 million**.

Powerstream 2013-6 Distribution Rates. As the second largest municipal utility in the province, Powerstream's rates affect 343 schools in Markham, Richmond Hill, Vaughan, Aurora, and Barrie. Their

recent proposal, harmonizing rates across their franchise areas, was for a decrease of 13% in Barrie, and a 16% increase in their other service areas.

In a recent settlement negotiation, again led by SEC, Powerstream agreed to reduce their rate proposal. As a result, schools in Barrie will have a 17% decrease, while the rest will have an 11% increase. Overall, schools will save about **\$350,000** over four years. There is a further \$250,000 or so at issue in a recently concluded hearing. A decision by the Energy Board is expected in December.

Other 2013 Distribution Rates. Most of the other electricity distributors have now filed for 2013 rates. For some, like Enersource (Mississauga), we are just awaiting a decision. For others, like London, the process is just beginning. About 3500 schools will be affected by the applications currently before the Board.

Hydro One Transmission. The transmission arm of Hydro One has also asked for new rates, covering 2013 and 2014. In a settlement negotiation in October, SEC and other ratepayer groups reached agreement with Hydro One on a reduction in those new rates. The savings for schools will be about **\$700,000**.

Ontario Power Generation. OPG has applied for a rate increase covering 2013 and 2014. The potential impact on schools could be as much as \$20 million over two years. SEC has intervened to try to get that amount down, with a decision expected in May.

Horizon Service Area Amendment. Normally SEC does not intervene in disputes between two utilities, but a fight between Horizon and Hydro One over who will provide service to new subdivisions on Hamilton Mountain affects some schools directly. It also raises issues that will affect many new schools being built in subdivisions on the edge of existing urban areas. As a result, SEC has intervened, both to deal with the general issues, and to protect the interests of the local board. An attempt by Hydro One to pre-empt the process was successfully beaten back today, and a decision on the issues in dispute is likely in the spring.

Jay Shepherd
Counsel for SEC

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