

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

March 31, 2013

*The first quarter of every year is often the busiest regulatory season, and 2013 was no exception. Another **\$12.2 million** of savings was achieved for schools. Rate decisions for ten electricity distributors generated savings of **\$4.0 million**. Ontario Power Generation’s settlement produced **\$5.6 million**, and the conclusion of the Enbridge case was another **\$2.6 million**. The SEC cumulative savings total since 2004 is now more than **\$122 million**.*

The next quarter is not as busy. However, a decision expected early April on Toronto Hydro, plus the filing of multi-year formula proposals for Enbridge and Union, will be highlights.

ONGOING MATTERS – NATURAL GAS

Enbridge 2013-18 Rates. Enbridge filed for 2013 rates, the first year of an expected six year cycle. As reported in November, a comprehensive settlement produced multi-year savings of \$5.8 million, with one issue still outstanding. That issue, the profit level to be allowed to the utility, was contested in an oral hearing.

In its decision, issued in February, the Energy Board agreed with SEC and other ratepayer groups, rejecting the utility’s request for a profit increase. The impact on schools is a further savings of **\$2.6 million**, and as a result there is no net rate increase for schools for 2013. This is the seventh straight year that Enbridge rate increases for schools have been less than inflation.

Enbridge Rate Formula. The utility’s proposed formula for rates in 2014-2018 was to have been filed by March 31, 2013. This week the utility advised all parties that it will be delayed until June 30th. SEC expects that the previous, inflation-based formula will be scrapped for something more aggressive.

Union Gas Rate Formula. Union was also expected to file their formula proposal by the end of March, but it has not yet been seen. SEC anticipates that it will be filed in May.

Enbridge and Union Capital Programs. Enbridge and Union have each filed their plans for major Toronto-area capital spending, a total of more than \$800 million between the two utilities. SEC has intervened in both proposals. While it is possible that either or both

project will be necessary, SEC will be reviewing the applications for both need and spending levels.

An Energy Board hearing and decision on these projects is expected in the summer.

ONGOING MATTERS - ELECTRICITY

London Hydro 2013-2016 Rates. This local distributor, serving 242 schools, had generally low rates and very good service levels. However, in their application for the next four years, the proposed rate increase for schools was about 32%.

SEC led the ratepayer groups in negotiating a settlement of all issues, just filed with the Energy Board. Under that settlement, expected to be approved in April, schools will have an average rate decrease of about 12%. Over the next four years, the settlement should save London schools about **\$2.6 million**.

Toronto 2012-4 Rates. The revised Toronto Hydro rate application covering 2012-2014 is continuing. Hearings in December and January covered the 2012 and 2013 proposals, as well as a major transformer project for downtown. A decision will be released in early April.

Enersource 2013-6 Distribution Rates. Enersource, which serves 232 Mississauga schools, sought an increase of almost 13% in 2013, and a further 2.4% in 2014. A major cause of the increase was a new head office building, as well as substantial increases in operating expenses. None of the issues were settled, so

a lengthy - and hotly contested - hearing took place in the fall.

In a decision released in December, the Energy Board was critical of the utility and its rate proposals, and generally agreed with most of SEC's arguments. As result of the decision, Mississauga schools will have, on average, no increase in 2013, and less than inflation in 2014. The overall savings for the next four years are expected to total **\$800,000**.

Other 2013 Distribution Rates. SEC continues to participate actively in the settlement negotiations with local distributors for their 2012-2015 or 2013-2016 rates, often as the lead negotiator. In the first quarter, eight other LDCs, ranging in size from 7 schools to 43 schools, had their rates resolved by negotiation. In total, the affected school boards will save about **\$600,000** over four years.

Renewed Regulatory Framework. The work to implement the new framework for electricity distribution rates is continuing, with SEC participating in the central working group on benchmarking and the rate formulas. A report from the Energy Board based on that work is expected in April.

In parallel, the Energy Board has been working on requirements for long-term capital planning. SEC has led ratepayers in seeking mandatory capital planning by distributors, so that future rate requests will be more visible and predictable. This week, the Energy Board released its initial requirements for multi-year capital plans. Utilities will all be expected to file such plans, starting at the end of 2013.

Ontario Power Generation. OPG applied for an 8% "rate increase" covering 2013 and 2014, by proposing the collection of \$952.7 million in deferred balances in that two year period. Most of the deferred balances are statutory requirements, so there appeared to be little room to improve the result.

Seven intervenor groups, led by SEC as chief negotiator on behalf of the ratepayers, devised a creative response. When finalized, it reduced the amount to be collected to \$632.9 million over that period, and built in a restructuring of future collections as well.

In their first ever comprehensive settlement with customers, OPG accepted that final proposal, and the Energy Board has now approved that result. The revised increase will average 3.6% over the two years. Two year savings for all schools in the province will total about **\$5.6 million**.

Horizon Service Area Amendment. Horizon, which covers Hamilton and St. Catharines, serves more than three hundred schools, and maintains a very good relationship with its local school boards. However, in the new developments on Hamilton Mountain, where many of the new homes are being built, the incumbent distributor is Hydro One. A dispute arose as to which distributor should serve one area, including one school under construction and others expected.

SEC initially intervened because the choice of distributor to serve expanding urban areas is an important policy issue, disproportionately affecting schools. Then we realized that Hamilton Wentworth Catholic District School Board was well advanced in the construction of a new high school in the area under dispute. HWCDSB much preferred to take power from Horizon, a move that could produce lifetime cost savings for the school of almost \$2 million. Hydro One was resisting.

At the request of the local board, SEC represented both the interests of schools across the province, and the immediate interests of the directly affected board. One key goal was to push for a fast-tracked decision, so that construction would not be delayed.

In a decision released in mid-March, the Energy Board sided with SEC and agreed that the affected lands and developments will be served by Horizon. Further, because the decision was made quickly, it now appears that the new high school may be able to open, as originally planned, in September.

Jay Shepherd
Counsel for SEC

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