Ontario Education Services Corporation
La corporation des services en éducation de l'Ontario

School Energy Coalition ("SEC")
Summary Status Report
December 31, 2020

Savings for Ontario School Boards

Utility applications for rate increases continue to be hampered by the Covid-19 pandemic, with the result that few proceedings have come to a full conclusion in the latter half of 2020. As a result, 2021 is expected to be a busy year, both for decisions on existing applications, and new rate increase proposals from utilities. Added to this is the OPG five year rate application filed in December, which seeks an additional $40 million from schools.

*Q4 Results show **$260,000 of savings for schools**, bringing the 2020 total to $10.2 million.*

The staff of the Energy Board has published a policy paper proposing that utilities and customers split the +$1 billion of incremental costs and lost revenues associated with Covid-19 50/50, but with exceptions and a cap on the utility recovery. Q1 will see a debate between customers and utilities on that proposal. SEC will take a leading role.

ONGOING MATTERS – NATURAL GAS

Enbridge Gas 2021 Rates. Enbridge is proposing to increase its capital budget from 2020 to 2021 by about 16%, and seeking incremental rate recovery for almost all of that amount, about $166 million. In previous years, SEC has been able to get reductions to their excess capital claims, and we have the same goal this year. Discovery questions were filed in December, and a decision is likely in Q2.

Enbridge Conservation. Because of delays brought on by the pandemic, the Energy Board has decided to skip the policy step of establishing a general framework for conservation spending in 2022-2026. Instead, Enbridge is expected to file a new plan in Q2, proposing in excess of a billion dollars of conservation spending over five years. SEC counsel Jay Shepherd has for several years been on the Energy Board committee looking at the conservation programs, and SEC will continue its role of trying to be the bridge between customer groups (that want to control conservation costs) and environmental groups (that want to push for higher targets and higher spending).

A decision on the 2022-2026 Plan will likely be made by the Energy Board in Q3 or Q4 of this year.

Enbridge Waterfront Relocation. Enbridge is proposing to spend $70 million to move a major gas main serving much of downtown Toronto, and is seeking recovery of those costs from Waterfront Toronto, which required the move. The City and Waterfront Toronto are resisting, saying that Enbridge customers should pay. SEC is working with other customer groups to ensure that customers are not saddled with increased costs for which they receive no benefit. A negotiation will take place in January, and final resolution of the case is expected in Q2.

Enbridge Integrated Resource Planning. For a few years SEC was the lone warrior seeking to rein in capital spending by Enbridge. Our concern was, and remains, that in a period in which carbon-based fuels are in long term decline, large capital programs are a recipe for future "stranded assets", likely at the expense of the customers.

Our initiative is starting to pay off with this generic proceeding. The Energy Board is reconsidering the policies and expectations around capital projects, and in particular the avoidance of capital spending through conservation and other non-pipes alternatives. All of the customer and environmental groups are involved, as is Enbridge, and evidence has been filed by a number of experts and consultants. This includes a review of similar initiatives in other jurisdictions, such as New York State and Massachusetts.

This process is expected to culminate in a hearing in March, and a decision on new guidelines for capital spending to be released in Q3.

ONGOING MATTERS - ELECTRICITY

Ontario Power Generation. OPG finally filed its 2022-2026 rate application in December.

On the hydroelectric side, SEC has for years objected that this portion should not be increasing each year, since the annual costs are actually static. Last year the government enacted a regulation that requires the 2022-2026 hydroelectric rates to be frozen at the 2021 levels. That means that in this proceeding the only issue is any adjustment to the 2021 rates.

On the nuclear side, there are substantial increases in costs associated with the Darlington Refurbishment. The result is rate increases averaging 5.16% per year over five years. For schools that is an increase of about $40 million in that time period. This is after deferral of $760 million of costs into the period beyond 2026, plus additional deferrals of Pickering shutdown costs. It does, however, include a proposed increase in the profit component of OPG's rates.

This will be SEC's biggest case of 2021.

Hydro One Phantom Taxes. As previously reported, Hydro One prevailed in court in their argument that they should be able to collect $2.6 billion in taxes that they won't actually pay. SEC is not allowed to appeal, and the Energy Board has decided it will not.

Now the venue switches back to the Energy Board to implement the Court decision. Hydro One has proposed a recovery method that front-loads the rate impact. It is also refusing to provide detailed information on the underlying calculations and impacts. SEC filed a motion in December to require full information, and is looking for recovery methods that smooth and minimize the rate impacts.

A decision on the SEC motion is expected in Q1, and a decision on the recovery method is expected by the end of Q2. The annual impact on schools, which continues at various amounts over at least twenty years, averages about $2000 per year for those in the Hydro One distribution territory, and about $200 per year for those served by other distributors.

Alectra 2021 Rates. After requesting substantial additional cost recovery in the last couple of years, and being rebuffed almost completely, Alectra had a more modest request this year. Despite questions raised by SEC and others, they were successful in getting what they requested. The impacts on schools, however, are not substantial.

Other Distributors. Only a few electricity distributors were able to file for cost of service rates for 2021, due to the pandemic. Most deferred, so there will be a backlog of applications to consider this year and next.

For those who did file, settlements have been reached for Waterloo North and Niagara Peninsula, for **total savings for schools of $260,000**. Still active are applications from Oshawa, Halton Hills, PUC Distribution, and Burlington, with three more distributors still expected to make 2021 applications. SEC is actively involved.

OTHER MATTERS

Utility Remuneration. The suspended consultation into how utilities generate their profits, and how those profits are to be protected from, or integrated with, private sector competition, has now been restarted. A number of expert reports have been filed, with consideration of the options proposed, to take place later this year.

COVID-19 Costs. The staff of the Energy Board has made a proposal for the sharing of incremental utility costs (including lost revenues) arising due to the COVID-19 pandemic. Essentially costs caused by government orders are proposed to be paid entirely by customers. Other costs and lost revenues are proposed to be paid 50% by customers, but with a cap based on utility earnings levels.

Submissions on the proposal, and the related expert reports, both by utilities, and by SEC and other customer groups, will be exchanged in Q1 of this year. A decision on guidelines is expected in Q2, after which individual utilities will make application in Q3 and beyond for rate recoveries.

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Questions? Contact Wayne McNally (wayne.mcnally@oesc-cseo.org) or Jay Shepherd (jay@shepherdrubenstein.com) or Mark Rubenstein (mark@shepherdrubenstein.com)

In conclusion,

OESC is represented by Jay Shepherd who consults regularly with myself and Wayne McNally, who is an advisor to the OESC Board of Directors. It is critical to note that the work of the School Energy Coalition, per OESC, is a respected intervenor at the Ontario Energy Board.

Our work has allowed every school district in the Province of Ontario to avoid significant energy costs. This reality assists with the bottom line to your budget.

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