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

School Energy Coalition ("SEC")
Summary Status Report
December 31, 2017

Savings for Ontario School Boards

At the very end of the year, the Energy Board released its decision on 2017-2021 OPG rates. The initial estimate is that costs for schools over 5 years will be about $22 million less than proposed. In addition, the final numbers came in for the Hydro One Transmission case, increasing the savings for schools from $15.3 million to $19.2 million. Add in some smaller items, and Q4 savings are $26.2 million, leading to a year end total of about ***$47.5 million.***

2018 will have fewer big ticket items. For the customer groups, Hydro One Distribution, Alectra, and the Enbridge/Union merger will be important. The ability of customer groups to participate is also being challenged, while on a broader scale the role of the Energy Board will be under review.

ONGOING MATTERS - ELECTRICITY

Hydro One Transmission 2017-2018 Rates. The decision on this case came out in September, and produced wins for SEC relating to excessive capital and operating costs, and to the treatment of the tax consequences of the Hydro One IPO.

In the lengthy technical portion of the case, when the decision is turned into actual rates, SEC was successful in arguing that the detailed facts warrant a larger allocation of tax benefits to customers. This, coupled with other adjustments, means that rates over 2017 and 2018 will be lower by about $4.2 million, and longer term transmission and distribution rates will be lower by $15 million. These totals **increase the savings estimate by $3.9 million** to $19.2 million.

Hydro One has launched two appeals of the tax allocation, one within the Energy Board, and the other to Divisional Court. SEC will be opposing both appeals, the first of which will heard in February.

Hydro One Distribution 2018-2022 Rates. This application by Hydro One Distribution for rate increases of 3.4% per year over the next five years continues to be mired in delays. Current estimates are that new rates may not be in place until the end of 2018, and retroactivity will likely be an issue.

Eleven hundred schools are affected, with total increases proposed in those five years of about $11 million. However, the result of the Hydro One Transmission case on the tax issue, if upheld on appeal, should reduce that by about $2 million, which has already been recorded as savings from the transmission case. The net of just under $9 million in increases is still too high, especially for the most expensive distributor in the province. SEC will be heavily involved as the case unfolds, seeking to minimize that impact.

OPG 2017-2021 Rates. This case, the largest ever rate case in Canadian history, reached a milestone when the Energy Board's decision was released December 28th.

SEC co-counsel Jay Shepherd and Mark Rubenstein were both fully engaged in the proceeding, which started in the summer of 2016. Right from the outset, SEC took a leadership role among the various customer and environmental groups participating, organizing collaborations between them and helping to ensure that their various efforts meshed to produce the best possible outcome.

There is still a significant implementation process to go through, and SEC will remain very active on that front. However, preliminary calculations are that OPG's proposed five year nuclear capital and operating costs included in rates have been reduced by about $700 million. Mark Rubenstein led the intervenors on those issues. In addition, on the more arcane issues of rate formulae, return on equity, and similar items, where Jay Shepherd took the lead, the Energy Board reduced rates by a further $700 million or so. The result of these adjustments should be **savings to schools of about $22 million over five years**.

Two issues remain outstanding. The Energy Board is required by law to implement a form of rate smoothing once the final numbers are established. This will defer some costs well into the future. SEC's argument that this should benefit all customers, not just residential as proposed by OPG, has been accepted by the Energy Board. As well, SEC argued that OPG is over-collecting in rates for its future nuclear liabilities (it already has over $19 billion of segregated funds set aside for those costs). It is expected that a review of the methodology for calculating those costs will be undertaken over the next couple of years.

Alectra Utilities. Fresh from approval of their merger, this utility that serves the Powerstream, Horizon, Enersource and Brampton areas, more than 1000 schools in all, has applied for 2018 rates. In addition to their normal formula increase, they have asked for additional money for capital spending (above and beyond their regular budget).

While the incremental impact on schools of this application is under a million dollars, Alectra has made clear that they plan to make similar incremental applications each year until 2026 (or beyond). Total anticipated impact on schools is $6-10 million in additional costs.

SEC is seeking to cut them off at the pass, restricting their extra capital money to clear cases of unusual need. Arguments are due in January, and a decision is expected by May.

Other Cases. Settlements and decisions for a couple of smaller utilities, including E.L.K. and Centre Wellington, have resulted in savings for the affected schools of about **$80,000**. That completes the bulk of the 2017 cases, but the 2018 cases have already started.

ONGOING MATTERS – NATURAL GAS

Enbridge/Union Merger. When the parent company of Enbridge acquired the parent company of Union Gas, their stated intention was to continue to operate the two gas distributors separately. Each would file a five year rate application in 2017 for the period 2019-2023. It was expected that, if they did so, they would have to share some of the savings arising out of their common ownership with their customers in the form of lower rates.

In the summer Enbridge saw an opportunity to avoid sharing these savings by seeking to apply an Energy Board policy meant for electricity distributors to a merger of gas distributors. In December they applied for approval to amalgamate Union Gas and Enbridge, and at the same time asked that they be allowed to keep their current rates, with annual inflation escalators, for ten years. Oh, and they also want to be able to ask for more money for new capital programs. Savings from their merger? They want to keep 100%.

In total, the combined utility will be looking to establish a formula for setting $30 billion of distribution rates over ten years, of which almost $500 million would be paid by schools. SEC and a number of other customer groups will oppose this strategy.

A hearing is likely by the summer, and a decision is expected before the end of the year. However, with the recent history of big case delays at the Energy Board, it is possible this will drag on much longer.

OTHER MATTERS

Attack on Customer Representation. The new "Proportionate Regulation" initiative of the Energy Board (code for "less intervenor participation") has been launched, but the initial steps have not been made public. Meanwhile, SEC and other customer groups have written the Minister of Energy, urging him not to allow reductions in consumer participation at the Energy Board. (This is, as they say, an unfolding story.)

Review of the Energy Board. To the surprise of everyone in the sector, include the Energy Board, the government announced in December that it would launch an external review of the future of the Energy Board. It is known that this will include how the Energy Board deals with innovation, sectoral change, governance, and the structure of the regulatory model. Richard Dicerni will chair, and two others will be appointed in the coming months. SEC will make comprehensive submissions to this panel on behalf of school boards.

Jay Shepherd
Mark Rubenstein
Counsel for SEC

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