

Savings for Ontario School Boards

The big news in the final quarter of 2019 was the Toronto Hydro decision, which is expected to result in more than \$2.5 million of savings for Toronto schools over the 2020-2024 period. Although there were a number of other "wins" during the quarter, their total impact was only \$100,000, meaning Q4 savings totalled \$2.6 million.

Cases regarding Alectra 2020 distribution rates, Hydro One transmission rates, Hydro One's Peterborough and Orillia acquisitions, and the court case on Hydro One's phantom taxes, were all completed and are awaiting decisions in 2020. Ottawa, Kingston and Oshawa are among the larger utilities that are expected to file 2021 applications in early 2020.

ONGOING MATTERS - NATURAL GAS

Enbridge Gas 2020 Rates. Enbridge has filed for 2020 rates, again seeking additional funds for capital projects. As in past similar cases, SEC is opposing the extra increase. A decision is expected in June.

Enbridge Conservation. Enbridge has applied to extend its existing conservation programs for another year, until the end of 2021, while the Energy Board works through a detailed review of gas conservation funding and programming. Enbridge is asking for approval of a \$132 million budget, plus incentives, which would cost schools \$2.2 million in 2021, the same cost as today. Some stakeholders are seeking increases, while others want spending cutbacks.

SEC is generally supportive of the extension, but is concerned that the terms of the extension not provide any additional benefits to the utility unless there are additional benefits to the customers as well.

Meanwhile, the overall review of the gas conservation programs will start in earnest with an all-stakeholder meeting in January. The review will likely last at least six months, and could lead to significant changes in the cost and

nature of Enbridge conservation programs.

Town of Marathon, et al. Marathon, Schreiber, Terrace Bay, Wawa and Manitouwadge plan to create a new gas distribution company, supplied by liquified natural gas trucked in from a new facility to be built on the TransCanada pipeline. The two projects are the subject of major provincial government grants.

SEC has intervened to support this novel project, but with serious concerns about some of the details of the gas supply arrangements. If approved, and strengthened to deal with those concerns, the new structure could be a template for other northern, remote, and Indigenous communities.

EPCOR South Bruce Rates. EPCOR, the electricity and water distributor in Edmonton and elsewhere in North America, applied for and was ultimately granted a greenfield franchise to distribute natural gas to the Kincardine area (known as South Bruce). Their rates were established for ten years as part of that application, in which SEC was an active participant.

This is the application for the first year of actual rates, and it was largely approved as filed (given that the franchise approval also included the rate structure).

EPCOR asked for two additional rate adders to allow for increased regulatory costs, and for new capital projects. SEC and others opposed these additions, and the Energy Board agreed. While there will likely be some savings, estimating the amount is not possible.

ONGOING MATTERS - ELECTRICITY

Toronto Hydro 2020-2024 Rates. Toronto Hydro was asking for rate increases averaging more than 4% for each of the next five years, and that meant a potential bill for schools of an extra \$5.7 million.

SEC's strategy focused mostly on the very aggressive capital plan, but also on Toronto Hydro's history of above inflation increases for many years. We also took them to task for their poor overall cost performance when benchmarked against other Ontario electricity distributors.

The Energy Board allowed more of the capital plan than we would like, shaving only \$114 million off what was an excessive plan. However, in other adjustments, mostly related to performance metrics, the regulator reduced the revenue by a substantial amount, i.e. a 3.7% average annual reduction over five years.

In addition, SEC was successful in preventing a proposed vault access charge, \$2,000 or more to be imposed on schools and others with hydro vaults on premises. This charge is now prohibited for the next five years. Many Toronto schools have hydro vaults.

The result of all the changes will not be known with certainty until the technical process of setting the actual rates is completed in February. That process may be contentious. An estimate is that **schools will save at least \$2.5 million as a result of this decision.**

Hydro One Mergers. In December the Energy Board held a rare joint oral hearing to consider the applications of Hydro One to acquire the Orillia and Peterborough distributors. SEC has long opposed such Hydro One acquisitions, because consistently the customers end up with large rate increases. This time around, we got other customer groups onside, and there was a wall of opposition to the transactions. Most agreed with SEC that Hydro One never serves customers at a lower cost than anyone else.

Arguments were filed by the end of December, and a decision is expected in February or March.

Hydro One Transmission 2020-2022. Hydro One's application for three years of transmission rate increases was proposed to cost schools \$7 million. A lengthy hearing in November reviewed Hydro One's budgets in detail. Arguments were filed in December.

After years of battling, customer groups led by SEC have already succeeded in getting Hydro One to control their operating costs (at least, for now). In this application, the goal is to limit the large increases in capital costs. A decision is expected before March.

Alectra 2020 Rates. The Alectra 2020 rate application is being considered in three phases. The first is the technical aspects, and SEC has been successful in small changes in this phase. The second, the request to double-collect costs due to an accounting change, was previously reported. While we won that one, Alectra is still fighting the details, and a final determination on that is expected in February.

The third phase is the capital plan. Smarting from losses to SEC in 2018 and 2019, Alectra has asked for a new rule, just for them, allowing them to flow through most of the costs of their capital plan to rates. SEC has characterized this as what it is - outrageous - but a decision by the Energy Board will be the real answer. That is expected in February as well.

Motions for Review. In this quarter three utilities sought reviews (essentially internal appeals) of Energy Board decisions that didn't go in their favour. SEC led the customer groups in opposition to the appeals. In each case, SEC was successful in fighting off the utility's attempt to get more money.

Of the three, the Hydro One case was the most significant. It involved more than a hundred million dollars of pension accruals that Hydro One wanted to include in rates. The impact on schools would have been \$2.2 million. We won in the original case, and on this motion the Energy Board once more agreed with us that Hydro One should not be able to collect these additional dollars. No savings can be counted for this, because we already won this one once before.

Other Cases. A number of smaller cases with narrow issues were settled or decided in the quarter, but total **savings will amount to only \$100,000.**

OTHER MATTERS

Energy Board Restructuring. There is no news relating to the restructuring of the energy regulator, which was announced last June. We continue to expect announcements "any day now".

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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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