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

School Energy Coalition ("SEC")
Summary Status Report
March 31, 2016

Savings for Ontario School Boards

*The first quarter of 2016 has seen a flurry of decisions, but most of them have small impacts. Of most importance was the hotly contested case of the gas utilities' five year conservation plans. That made up the bulk of the **$1.8 million** of savings achieved in the first three months of this year.*

In the next quarter, the Ontario Power Generation five year case, expected to be close to $30 billion, will start at the end of May. The other major cases upcoming are a) a generic proceeding on subsidizing expansion of gas distribution infrastructure, b) a public analysis of the impact of carbon cap and trade on gas distribution, and c) an application by four major electricity distributors to merge.

ONGOING MATTERS – NATURAL GAS

Conservation Programs. The Energy Board's decision on the 2016-2020 conservation programs of Enbridge and Union Gas was finally released at the end of January. SEC has consistently taken the position that increasing budgets is acceptable, but must come with greater expectations on the utilities, both to produce results, and to develop innovative new programs.

In its decision, the regulator did not take as hard a line with the utilities as SEC would have preferred, but did make a number of changes that will benefit schools.

The budget for Union Gas was reduced by substantial amounts relating to administrative costs, but was increased by a similar amount for additional program funding. The overall cost is about the same as proposed, but the added direct spending will benefit customers. As well, one program that would have produced a substantial cost to schools, with no benefit, was rejected. The net budgetary impact is neutral.

For Enbridge, overall budgets were reduced, saving schools about **$1.5 million** over the next five years.

The budgetary impacts are not the important ones, however. The technical changes to the targets, reporting requirements, and incentives, some good and some bad, will have a greater impact in the longer term. In general, the utilities will be required to deliver more in order to get profit incentives, and the measurement of what they deliver will be more tightly controlled. Schools should benefit, either from better conservation outcomes, or from reduced incentives paid to the shareholders of the gas utilities.

A new Energy Board advisory committee has been set up to supervise the plans going forward. SEC's counsel is one of the two ratepayer representatives appointed by the Energy Board to that committee.

Natural Gas Community Expansion. Last year Union Gas responded to a new provincial government policy by proposing uneconomic expansions of its distribution system into twenty-nine communities. Enbridge advised that they had a similar number of uneconomic expansions to propose. Both were seeking subsidies of up to 80% of the cost from their current customers. In response, the Energy Board has convened a generic proceeding to consider what rules to apply to uneconomic natural gas expansions. About fifteen stakeholders are participating. SEC has consistently taken the position that natural gas expansion should be based on an overall assessment of costs and benefits. Subsidies, in short, should only arise if they achieve benefits for customers.

A hearing is scheduled for May, and a decision some time in the summer.

Carbon Cap and Trade. Gas regulation is made more complicated by the announcement that Ontario will participate in the Western Climate Initiative, a cap and trade system for carbon emissions. This changes the policy dynamics for new, potentially long-lived, gas infrastructure that emits carbon.
The Energy Board has commenced a utility and stakeholder consultation to consider how gas regulation will be affected. Some estimates show that gas volumes will have to decrease by 40% over the next 15 years to meet Ontario's targets. SEC will be an active participant in this process.

ONGOING MATTERS - ELECTRICITY

Powerstream/Horizon/Enersource/Brampton "Mega-Merger". The expected application to merge these four distributors continues to be subject to inexplicable delays. The deal was finalized in the fall, so an application in December was expected. Then it was delayed until March, and now it is delayed further with no expected date. Our best estimate is late April, launching a process that could last 8-10 months.

The application is complicated by two things. First, the largest of the distributors, Powerstream, is awaiting a five year rate decision seeking an additional $275 million (see below) that they will likely not need. Second, held in abeyance pending both the decision, and the merger application, is SEC's appeal (to the Ontario Divisional Court), to force the Energy Board to consider the rate impacts of the merger.

Powerstream 2016-2020 Rates. This electricity distributor, which serves the 905 area north of Toronto, plus Aurora and Barrie, has applied for five years of rates, including substantial increases. For schools, the total is 8.15% per year for five years, an aggregate impact of more than $2.6 million. The utility does not propose to share the expected merger savings with their customers over this five year term.

A hearing was held in November. Normally, a decision would have been released by about the end of March, but there has been no announcement, nor any expectation of a timeframe communicated. SEC continues to wait, with its Divisional Court appeal suspended, until we see what the decision says.

Other Electricity Distributors. Decisions or settlements on another ten electricity distributors came in this quarter, representing a total of about **$300,000** of savings for the affected schools. This included a number of already low cost distributors, like Entegrus, where the interests of schools are not as much to cut rates as to support their good management.

OPG 2017-2021 Rates. The largest ever rate application in Canadian history, likely for almost $30 billion over 2017-2021, was scheduled for filing by April 15th. That has now been delayed until the end of May, and the two key executives responsible for the application have recently left OPG. (Details of those departures are not publicly known, just that they have happened.)

The application will contain a number of controversial features. Costs for hydroelectric generation, which should track well below inflation, will likely be proposed above inflation. The $13 billion (or more) budget for the refurbishment of the Darlington Nuclear Station will be proposed and debated. The project has already been approved by the government. A new extension of the lives of the poorly performing Pickering Nuclear units is also expected. This application may also include the increasing costs associated with the refurbishment work at Bruce Power, and a proposal by OPG to increase profit levels to reflect the increased risk of its current activities.

The process will take 12-14 months. SEC has already convened meetings of the stakeholders to prepare for the application, with joint plans to retain engineers and economists as experts. SEC expects to play a central role in coordinating the activities of the stakeholders.

OTHER PROCEEDINGS

Role of Intervenors. Proposals to change the role of intervenors, originally expected in January or February, continue to be delayed. The cause of the delay in making them public is not known. The proposals are expected to be controversial, however (although secret, some details are known), and could significantly limit the participation of groups like SEC.

SEC continues to monitor the situation, and is providing informal input when the opportunity arises. Once the proposals are actually announced, it is expected there will be a public consultation process, in which SEC will be an active participant.

Jay Shepherd
Counsel for SEC

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