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

School Energy Coalition ("SEC")
Summary Status Report
March 31, 2018

Savings for Ontario School Boards

*The first quarter of 2018 saw the completion of a number of smaller cases, while at the same time SEC focused on several much more important proceedings that have significant future impacts. Total savings for schools in the first quarter were about **$670,000.***

It turns out 2018 may be another impactful year. Hydro One Distribution, affecting 1200 schools, will come to a head in June with a lengthy public hearing. The Alectra case will be a precedent for nine years of requests for higher rates. Enbridge and Union see what Alectra is doing, and they are trying to so the same. Toronto Hydro is finalizing their new five year application for higher rates. The role of the Energy Board is under review. All against the backdrop of a provincial election.

ONGOING MATTERS - ELECTRICITY

Hydro One Distribution 2018-2022 Rates. With acquisitions, Hydro One now serves almost 1200 schools, and in this five year application is seeking a net of $9 million rate increases for those schools over that period.

The proceeding has been slow to develop, but now it is moving forward, with discovery mostly completed and a hearing scheduled to take up most of the month of June. Hydro One remains one of the least efficient distributors in Ontario, so SEC will continue to press for restraints on their ability to pass their inefficient cost increases on to customers.

A decision is not likely before September.

Hydro One Transmission – Appeals. Hydro One is upset that the customer groups (particularly SEC) prevailed on the question of whether they could collect amounts in their rates for income tax they will not actually pay. Understandable, as the impact is more than $800 million dollars to the utility. As a result, they have launched two appeals, one an internal review at the Energy Board, and the other to Divisional Court.

The internal review was argued in a hearing in February, with SEC taking the lead for the customer groups. A decision is expected in May. If it is not favourable to Hydro One, expect the court case to proceed in the fall.

OPG 2017-2021 Rates. This case was, until recently, the largest ever rate case in Canadian history. The decision in December appeared to deliver $22 million in savings for schools over what OPG had proposed. In addition, a review of nuclear cleanup cost forecasts could provide more savings when it is completed.

OPG – as is their standard practice – has filed proposed implementation details which seek to reduce the impact, and SEC has taken its traditional role in doing a forensic analysis of those details. As a result, the savings still appear to be in the same range, although a final order will not happen until April.

A second issue was whether short term rates would be reduced to limit impacts in 2018. SEC fought that issue (with support from manufacturers), but we were unsuccessful in arguing that rates should go up more gradually than proposed by both OPG and the staff of the Energy Board. Schools that experienced a drop in their bills in 2017 will see them jump back up to above the former level in 2018. When budgeting, schools should not use 2017 electricity bills as a baseline. 2016 plus about 10% is likely to be more realistic.

Alectra Utilities. Alectra, serving about a thousand schools in the Golden Horseshoe and Barrie, has their test case in for inflationary rate increase, plus extra for capital spending on top of that. If they win, they will continue to seek similar increases until 2026. Further, other utilities will follow suit, as Enbridge and Union (see below) are already doing.

SEC filed extensive argument in January opposing this strategy. While there were some hints a decision might appear in April, a decision in May seems more likely.

Toronto Hydro 2020-2024 Rates. This application is scheduled for filing in the last quarter of 2018, but SEC expects to learn some details of the filing, and the rate increases to be proposed, in the next couple of months.

Other Cases. Five more cases for smaller electricity distributors, including InnPower and Hawkesbury, were completed this quarter, mostly by way of settlement. The result is additional savings for the 200 affected schools of about **$150,000.**

ONGOING MATTERS – NATURAL GAS

Enbridge 2018 Rates. The last annual rate filing for Enbridge under its five year formula rate system was supposed to be mechanical. Instead, as a result of a settlement negotiation, the Enbridge "ask" was reduced by $12.4 million, saving schools about **$220,000** in 2018.

Union Gas 2018 Rates. The fifth and final filing for the Union Gas formula rate system was actually more straightforward, from the utility's point of view. However, another customer group – the industrial gas users – sought to change how the costs of a $265 million capital project are allocated. Unusually, the case pit one group of customers against others.

SEC and other customer groups that would have paid the extra amount fought back, and the Energy Board decided not to make the change. The saving for schools is about **$300,000** for 2018 and 2019. Only two years are counted because there is a high probability the industrial users will come back at this for 2020 rates.

Enbridge/Union Merger. Enbridge bought Spectra, the parent company of Union Gas, in 2016, closing early 2017. At the same time as they were saying they were going to operate Union and Enbridge separately, they were looking at how they could be amalgamated to save money. For new owners, the key was how to generate cost savings without sharing them with the customers.

The opportunity presented itself in the Alectra merger, where the utilities requested approval to have ten years of formula rates (basically, add inflation) plus extra for capital spending. Enbridge and Union concluded that the Energy Board policy that appeared to allow this could be used to get a similar result if they merged their two utilities. That proposal was filed at the end of last year.

Enbridge and Union are seeking approval to collect around $29.2 billion over the 2019-2028 period, with average increases of about 130% of inflation. Schools would pay about $520 million of that. Assuming that the right amount is about 70% of inflation, the impact of the proposal on schools is about $30 million in incremental costs. This beats OPG for biggest rate case in Energy Board history (by a hair).

Hidden in the application is another problem. The utilities propose almost $12 billion of capital spending in that period. Only about $2 billion is included in rates in the ten year period (plus interest and profits, of course). The rest will still be collectible after 2028.

The Energy Board is pursuing this case on a fast track, in which most of the discovery was finished by the end of March, and a hearing is scheduled in the first week in May. A decision is likely by August.

OTHER MATTERS

Attack on Customer Representation. At the end of March, the Energy Board released the first of what are expected to be two rate decisions that exclude customer involvement (Sioux Lookout). Inexplicably, the public information does not include the actual decision, but that is expected shortly. The Energy Board is treading delicately on this issue, trying to limit use of their new restrictions to cases that are obviously non-contentious. More to come, however.

Review of the Energy Board. SEC was one of the customer groups invited to make submissions at the issues phase of this review panel, and we did. The initial substantive phase is coming up in April, and after the election suspension of activity there will be another round later in the year (assuming the review panel is still around). SEC will continue to be active in this very important process.

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Questions? Contact Wayne McNally (wmcnally@opsba.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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