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

School Energy Coalition ("SEC")

Summary Status Report
March 31, 2019

Savings for Ontario School Boards

SEC's persistence has paid off in the Hydro One Phantom Taxes case, with the Energy Board once more agreeing that customers should share in a multi-billion dollar tax benefit to Hydro One. The savings for schools of $16 million is restored (until the next appeal). When adding savings from the Hydro One five year distribution case, and several other proceedings, ***the savings for Q1 are a healthy $18.3 million****.*

Major cases for Q2 include Toronto Hydro, Hydro One's 2020-2022 transmission case, and a test of Alectra's ability to get incremental annual rate increases. Less obvious, but perhaps more important, will be the Energy Board review of its fundamental rate model.

ONGOING MATTERS – NATURAL GAS

Enbridge Gas 2019 Rates. Enbridge Gas Inc., the product of the merger of Enbridge Gas Distribution and Union Gas, filed their first combined rate application in 2018. The process will be relatively slow, because it is the first for the merged utility.

While the rate increases are low, SEC is participating actively because the principles applied by the Energy Board to decide this case will carry through to rates for four more years. A decision is expected in the fall.

Enbridge Conservation. Conservation spending in Ontario is in a state of significant flux. The electricity programs, for example, have been largely ended for now, although they will be replaced. So far, nothing has been done to the natural gas programs, for which schools pay $3/4 million per year, but also in some cases get substantial benefits. The current gas conservation spending is approved to the end of 2020, and SEC will represent schools in the negotiations for the new budgets and programs, starting in 2021.

Carbon Pricing. With the demise of the cap & trade program, there will now be fixed carbon tax additions to the price of natural gas: 3.91 cents in 2019, and 5.87 cents in 2020. Enbridge has already filed an application to adjust its rates to collect this money. It has also applied to collect its costs from the wind down of the cap & trade program. SEC is participating in both proceedings, although the former is relatively straightforward and non-contentious.

ONGOING MATTERS - ELECTRICITY

Hydro One Phantom Tax Issue. The on-again, off-again story of Hydro One's phantom taxes is on-again. The income tax benefits that Hydro One gets after its IPO will once more be allocated between customers and the utility, restoring the original win for customers.

SEC previously reported in 2017 that we won this issue, and schools will as a result save $16 million. Then, in the last quarter of 2018, we reported that we had lost the appeal on this, and deducted $16 million from our 2018 savings total. In March, the Energy Board determined that the original allocation is a reasonable one, meaning that our $16 million of savings is restored.

Hydro One immediately announced that they will pursue another appeal, this time to Ontario Divisional Court. SEC will be there, of course. Meanwhile, we have our **$16 million** of savings back (for now).

Hydro One Distribution 2018-2022 Rates. Hydro One's five year distribution case, filed in March 31, 2017, has finally been decided almost two years later. The Energy Board has, on many issues, agreed with SEC that Hydro One needs to cut its costs.

In addition, for customers of recently acquired distributors in Norfolk, Woodstock, and Haldimand, the Energy Board was highly critical of Hydro One's rate approach, and has ordered that Hydro One's shareholders bear some of the costs to serve those acquired utilities.

This is an issue SEC has been fighting for more than five years, moving a bit closer to victory each time.

Because of the complexity of the case, there will be a protracted process to set the actual rates, likely finishing in May some time. Until then, it is not possible to do a reliable calculation of savings, but it will probably be **$2 million** or more for schools.

Toronto Hydro 2020-2024 Rates. The 900 schools served by Toronto Hydro will likely have to wait a little longer to hear their rates for 2020 and beyond. That hearing is now scheduled to take up most of July, meaning that final rates may not be determined until early in 2020.

At issue is increases for schools of $5.7 million over five years, about 4% per year.

Rate Redesign. The Energy Board has been working on a restructuring of rates for commercial and industrial customers, including schools, since about 2015. In 2017, for example, they proposed new rate structures that would have rendered many new solar projects uneconomic, and increased rates for most other schools as well. SEC was able to convince them that those proposals would not work.

Now the Energy Board has published a paper largely accepting the positions of SEC on rate redesign. For most school boards, the result would be neutral. For schools planning solar net metering, the increased distribution cost is expected to be small. SEC is working on the details of these changes right now.

The Energy Board has also launched a review of the fundamental utility business model. SEC will take a leading role in this process, although several other customer groups will also be very active.

Alectra Utilities. Alectra now has its rates for the second year of its nine years of formula rates. SEC's strategy of tight scrutiny of each annual application appears to be paying off.

The original forecast was that the Alectra merger would cost schools about $3 million over ten years. Right now SEC is on target to reduce that by about two-thirds, a little bit at a time. This year's savings, for example, are about **$200,000**, similar to last year.
However, Alectra has given notice that for 2020 rates they plan to challenge the approach SEC has been taking, and ask the Energy Board to give them a much higher budget for an aggressive capital plan.

Other Electricity Distributors. SEC continues to represent schools in local distribution cases, some of which were completed this quarter. The impact on schools for those smaller cases was **savings of about $100,000**.

Hydro One Mergers. Despite a resounding loss in their distribution case on rates for acquired utilities, Hydro One continues to pursue their mergers with Orillia and Peterborough. The abuse of process motion in Orillia was denied by the Energy Board, but with clear warnings to Hydro One. In both cases, Hydro One has announced that they will file new evidence in April on future rates, hoping that will save their deals.

SEC continues to take the position that Hydro One, as the highest cost distributor in Ontario, should not be buying other distributors until they get their own house in order.

OTHER MATTERS

Review of the Energy Board. The Dicerni panel, charged with the responsibility of reviewing the structure and operations of the Energy Board, completed its report in the fall and provided it in confidence to the government. In March, the government announced that it was implementing the substance of the panel's recommendations (which are similar to SEC's proposals to the review panel).

The effect should be to strengthen the adjudicative independence of the Energy Board. However, as with all major change there is both risk and opportunity. SEC will be monitoring the situation closely.

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Questions? Contact Wayne McNally (wmcnally@opsba.org), 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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